



# AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS

*by Adam Smith*

## INTRODUCTION AND PLAN OF THE WORK.

1 The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniencies of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations.

5 According, therefore, as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessaries and conveniencies for which it has occasion.

10 But this proportion must in every nation be regulated by two different circumstances: first, by the skill, dexterity, and judgment with which its labour is generally applied; and, secondly, by the proportion between the number of those who are employed in useful labour, and that of those who are not so employed. Whatever be the soil, climate, or extent of territory of any particular nation, the abundance or scantiness of its annual supply must, in that particular situation, depend upon those two circumstances.

15 The abundance or scantiness of this supply, too, seems to depend more upon the former of those two circumstances than upon the latter. Among the savage nations of hunters and fishers, every individual who is able to work is more or less employed in useful labour, and endeavours to provide, as well as he can, the necessaries and conveniencies of life, for himself, and such of his family or tribe as are either too old, or too young, or too infirm, to go a-hunting and fishing. Such nations, however, are so miserably poor, that, from mere want, they are frequently reduced, or at least think themselves reduced, to the necessity sometimes of directly destroying, and sometimes of abandoning  
20 their infants, their old people, and those afflicted with lingering diseases, to perish with hunger, or to be devoured by wild beasts. Among civilized and thriving nations, on the contrary, though a great

1 number of people do not labour at all, many of whom consume the produce of ten times, frequently  
of a hundred times, more labour than the greater part of those who work; yet the produce of the  
whole labour of the society is so great, that all are often abundantly supplied; and a workman, even  
of the lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the  
necessaries and conveniencies of life than it is possible for any savage to acquire.

5 The causes of this improvement in the productive powers of labour, and the order according to  
which its produce is naturally distributed among the different ranks and conditions of men in the  
society, make the subject of the first book of this Inquiry.

10 Whatever be the actual state of the skill, dexterity, and judgment, with which labour is applied in  
any nation, the abundance or scantiness of its annual supply must depend, during the continuance  
of that state, upon the proportion between the number of those who are annually employed in useful  
labour, and that of those who are not so employed. The number of useful and productive labourers,  
it will hereafter appear, is everywhere in proportion to the quantity of capital stock which is  
employed in setting them to work, and to the particular way in which it is so employed. The second  
book, therefore, treats of the nature of capital stock, of the manner in which it is gradually  
15 accumulated, and of the different quantities of labour which it puts into motion, according to the  
different ways in which it is employed.

Nations tolerably well advanced as to skill, dexterity, and judgment, in the application of labour,  
have followed very different plans in the general conduct or direction of it; and those plans have not  
all been equally favourable to the greatness of its produce. The policy of some nations has given  
extraordinary encouragement to the industry of the country; that of others to the industry of towns.  
20 Scarce any nation has dealt equally and impartially with every sort of industry. Since the down-fall of  
the Roman empire, the policy of Europe has been more favourable to arts, manufactures, and  
commerce, the industry of towns, than to agriculture, the Industry of the country. The  
circumstances which seem to have introduced and established this policy are explained in the third  
book.

25 Though those different plans were, perhaps, first introduced by the private interests and prejudices  
of particular orders of men, without any regard to, or foresight of, their consequences upon the  
general welfare of the society; yet they have given occasion to very different theories of political  
economy; of which some magnify the importance of that industry which is carried on in towns,  
others of that which is carried on in the country. Those theories have had a considerable influence,  
not only upon the opinions of men of learning, but upon the public conduct of princes and  
30 sovereign states. I have endeavoured, in the fourth book, to explain as fully and distinctly as I can  
those different theories, and the principal effects which they have produced in different ages and  
nations.

To explain in what has consisted the revenue of the great body of the people, or what has been the  
nature of those funds, which, in different ages and nations, have supplied their annual consumption,  
is the object of these four first books. The fifth and last book treats of the revenue of the sovereign,  
35 or commonwealth. In this book I have endeavoured to shew, first, what are the necessary expenses of  
the sovereign, or commonwealth; which of those expenses ought to be defrayed by the general

1 contribution of the whole society, and which of them, by that of some particular part only, or of  
some particular members of it: secondly, what are the different methods in which the whole society  
may be made to contribute towards defraying the expenses incumbent on the whole society, and  
what are the principal advantages and inconveniencies of each of those methods; and, thirdly and  
5 lastly, 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.

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## BOOK I. OF THE CAUSES OF IMPROVEMENT IN THE PRODUCTIVE POWERS OF LABOUR, AND OF THE 15 ORDER ACCORDING TO WHICH ITS PRODUCE IS NATURALLY DISTRIBUTED AMONG THE DIFFERENT RANKS OF THE PEOPLE.

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### CHAPTER I. OF THE DIVISION OF LABOUR.

The greatest improvements in the productive powers of labour, and the greater part of the skill,  
dexterity, and judgment, with which it is anywhere directed, or applied, seem to have been the  
effects of the division of labour. The effects of the division of labour, in the general business of  
25 society, will be more easily understood, by considering in what manner it operates in some particular  
manufactures. It is commonly supposed to be carried furthest in some very trifling ones; not perhaps  
that it really is carried further in them than in others of more importance: but in those trifling  
manufactures which are destined to supply the small wants of but a small number of people, the  
whole number of workmen must necessarily be small; and those employed in every different branch  
of the work can often be collected into the same workhouse, and placed at once under the view of  
30 the spectator.

In those great manufactures, on the contrary, which are destined to supply the great wants of the  
great body of the people, every different branch of the work employs so great a number of workmen,  
that it is impossible to collect them all into the same workhouse. We can seldom see more, at one  
time, than those employed in one single branch. Though in such manufactures, therefore, the work  
may really be divided into a much greater number of parts, than in those of a more trifling nature,  
35 the division is not near so obvious, and has accordingly been much less observed.

1 To take an example, therefore, from a very trifling manufacture, but one in which the division of  
labour has been very often taken notice of, the trade of a pin-maker: a workman not educated to this  
business (which the division of labour has rendered a distinct trade), nor acquainted with the use of  
the machinery employed in it (to the invention of which the same division of labour has probably  
5 given occasion), could scarce, perhaps, with his utmost industry, make one pin in a day, and  
certainly could not make twenty. But in the way in which this business is now carried on, not only  
the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater  
part are likewise peculiar trades. One man draws out the wire; another straightens it; a third cuts it; a  
fourth points it; a fifth grinds it at the top for receiving the head; to make the head requires two or  
three distinct operations; to put it on is a peculiar business; to whiten the pins is another; it is even a  
trade by itself to put them into the paper; and the important business of making a pin is, in this  
10 manner, divided into about eighteen distinct operations, which, in some manufactories, are all  
performed by distinct hands, though in others the same man will sometimes perform two or three of  
them. I have seen a small manufactory of this kind, where ten men only were employed, and where  
some of them consequently performed two or three distinct operations. But though they were very  
poor, and therefore but indifferently accommodated with the necessary machinery, they could, when  
they exerted themselves, make among them about twelve pounds of pins in a day. There are in a  
15 pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make  
among them upwards of forty-eight thousand pins in a day. Each person, therefore, making a tenth  
part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins  
in a day. But if they had all wrought separately and independently, and without any of them having  
been educated to this peculiar business, they certainly could not each of them have made twenty,  
perhaps not one pin in a day; that is, certainly, not the two hundred and fortieth, perhaps not the  
20 four thousand eight hundredth, part of what they are at present capable of performing, in  
consequence of a proper division and combination of their different operations.

In every other art and manufacture, the effects of the division of labour are similar to what they are  
in this very trifling one, though, in many of them, the labour can neither be so much subdivided,  
nor reduced to so great a simplicity of operation. The division of labour, however, so far as it can be  
introduced, occasions, in every art, a proportionable increase of the productive powers of labour.  
25 The separation of different trades and employments from one another, seems to have taken place in  
consequence of this advantage. This separation, too, is generally carried furthest in those countries  
which enjoy the highest degree of industry and improvement; what is the work of one man, in a  
rude state of society, being generally that of several in an improved one. In every improved society,  
the farmer is generally nothing but a farmer; the manufacturer, nothing but a manufacturer. The  
labour, too, which is necessary to produce any one complete manufacture, is almost always divided  
30 among a great number of hands. How many different trades are employed in each branch of the  
linen and woollen manufactures, from the growers of the flax and the wool, to the bleachers and  
smoothers of the linen, or to the dyers and dressers of the cloth! The nature of agriculture, indeed,  
does not admit of so many subdivisions of labour, nor of so complete a separation of one business  
from another, as manufactures. It is impossible to separate so entirely the business of the grazier from  
that of the corn-farmer, as the trade of the carpenter is commonly separated from that of the smith.  
35 The spinner is almost always a distinct person from the weaver; but the ploughman, the harrower,  
the sower of the seed, and the reaper of the corn, are often the same. The occasions for those  
different sorts of labour returning with the different seasons of the year, it is impossible that one man

1 should be constantly employed in any one of them. This impossibility of making so complete and  
entire a separation of all the different branches of labour employed in agriculture, is perhaps the  
reason why the improvement of the productive powers of labour, in this art, does not always keep  
pace with their improvement in manufactures. The most opulent nations, indeed, generally excel all  
5 their neighbours in agriculture as well as in manufactures; but they are commonly more  
distinguished by their superiority in the latter than in the former. Their lands are in general better  
cultivated, and having more labour and expense bestowed upon them, produce more in proportion  
to the extent and natural fertility of the ground. But this superiority of produce is seldom much  
more than in proportion to the superiority of labour and expense. In agriculture, the labour of the  
10 rich country is not always much more productive than that of the poor; or, at least, it is never so  
much more productive, as it commonly is in manufactures. The corn of the rich country, therefore,  
will not always, in the same degree of goodness, come cheaper to market than that of the poor. The  
corn of Poland, in the same degree of goodness, is as cheap as that of France, notwithstanding the  
superior opulence and improvement of the latter country. The corn of France is, in the corn-  
15 provinces, fully as good, and in most years nearly about the same price with the corn of England,  
though, in opulence and improvement, France is perhaps inferior to England. The corn-lands of  
England, however, are better cultivated than those of France, and the corn-lands of France are said  
to be much better cultivated than those of Poland. But though the poor country, notwithstanding  
the inferiority of its cultivation, can, in some measure, rival the rich in the cheapness and goodness  
of its corn, it can pretend to no such competition in its manufactures, at least if those manufactures  
20 suit the soil, climate, and situation, of the rich country. The silks of France are better and cheaper  
than those of England, because the silk manufacture, at least under the present high duties upon the  
importation of raw silk, does not so well suit the climate of England as that of France. But the  
hardware and the coarse woollens of England are beyond all comparison superior to those of France,  
and much cheaper, too, in the same degree of goodness. In Poland there are said to be scarce any  
manufactures of any kind, a few of those coarser household manufactures excepted, without which  
no country can well subsist.

This great increase in the quantity of work, which, in consequence of the division of labour, the  
same number of people are capable of performing, is owing to three different circumstances; first, to  
25 the increase of dexterity in every particular workman; secondly, to the saving of the time which is  
commonly lost in passing from one species of work to another; and, lastly, to the invention of a great  
number of machines which facilitate and abridge labour, and enable one man to do the work of  
many.

First, the improvement of the dexterity of the workmen, necessarily increases the quantity of the  
30 work he can perform; and the division of labour, by reducing every man's business to some one  
simple operation, and by making this operation the sole employment of his life, necessarily increases  
very much the dexterity of the workman. A common smith, who, though accustomed to handle the  
hammer, has never been used to make nails, if, upon some particular occasion, he is obliged to  
attempt it, will scarce, I am assured, be able to make above two or three hundred nails in a day, and  
those, too, very bad ones. A smith who has been accustomed to make nails, but whose sole or  
35 principal business has not been that of a nailer, can seldom, with his utmost diligence, make more  
than eight hundred or a thousand nails in a day. I have seen several boys, under twenty years of age,  
who had never exercised any other trade but that of making nails, and who, when they exerted

1 themselves, could make, each of them, upwards of two thousand three hundred nails in a day. The  
making of a nail, however, is by no means one of the simplest operations. The same person blows the  
bellows, stirs or mends the fire as there is occasion, heats the iron, and forges every part of the nail:  
in forging the head, too, he is obliged to change his tools. The different operations into which the  
5 making of a pin, or of a metal button, is subdivided, are all of them much more simple, and the  
dexterity of the person, of whose life it has been the sole business to perform them, is usually much  
greater. The rapidity with which some of the operations of those manufactures are performed,  
exceeds what the human hand could, by those who had never seen them, be supposed capable of  
acquiring.

10 Secondly, The advantage which is gained by saving the time commonly lost in passing from one sort  
of work to another, is much greater than we should at first view be apt to imagine it. It is impossible  
to pass very quickly from one kind of work to another, that is carried on in a different place, and  
with quite different tools. A country weaver, who cultivates a small farm, must lose a good deal of  
time in passing from his loom to the field, and from the field to his loom. When the two trades can  
be carried on in the same workhouse, the loss of time is, no doubt, much less. It is, even in this case,  
15 however, very considerable. A man commonly saunters a little in turning his hand from one sort of  
employment to another. When he first begins the new work, he is seldom very keen and hearty; his  
mind, as they say, does not go to it, and for some time he rather trifles than applies to good purpose.  
The habit of sauntering, and of indolent careless application, which is naturally, or rather necessarily,  
acquired by every country workman who is obliged to change his work and his tools every half hour,  
and to apply his hand in twenty different ways almost every day of his life, renders him almost  
20 always slothful and lazy, and incapable of any vigorous application, even on the most pressing  
occasions. Independent, therefore, of his deficiency in point of dexterity, this cause alone must  
always reduce considerably the quantity of work which he is capable of performing.

25 Thirdly, and lastly, everybody must be sensible how much labour is facilitated and abridged by the  
application of proper machinery. It is unnecessary to give any example. I shall only observe,  
therefore, that the invention of all those machines by which labour is so much facilitated and  
abridged, seems to have been originally owing to the division of labour. Men are much more likely  
to discover easier and readier methods of attaining any object, when the whole attention of their  
30 minds is directed towards that single object, than when it is dissipated among a great variety of  
things. But, in consequence of the division of labour, the whole of every man's attention comes  
naturally to be directed towards some one very simple object. It is naturally to be expected, therefore,  
that some one or other of those who are employed in each particular branch of labour should soon  
find out easier and readier methods of performing their own particular work, whenever the nature of  
it admits of such improvement. A great part of the machines made use of in those manufactures in  
35 which labour is most subdivided, were originally the invention of common workmen, who, being  
each of them employed in some very simple operation, naturally turned their thoughts towards  
finding out easier and readier methods of performing it. Whoever has been much accustomed to visit  
such manufactures, must frequently have been shewn very pretty machines, which were the  
inventions of such workmen, in order to facilitate and quicken their own particular part of the work.  
In the first fire engines {this was the current designation for steam engines}, a boy was constantly  
employed to open and shut alternately the communication between the boiler and the cylinder,  
according as the piston either ascended or descended. One of those boys, who loved to play with his

1 companions, observed that, by tying a string from the handle of the valve which opened this  
communication to another part of the machine, the valve would open and shut without his  
assistance, and leave him at liberty to divert himself with his play-fellows. One of the greatest  
improvements that has been made upon this machine, since it was first invented, was in this manner  
the discovery of a boy who wanted to save his own labour.

5 All the improvements in machinery, however, have by no means been the inventions of those who  
had occasion to use the machines. Many improvements have been made by the ingenuity of the  
makers of the machines, when to make them became the business of a peculiar trade; and some by  
that of those who are called philosophers, or men of speculation, whose trade it is not to do any  
thing, but to observe every thing, and who, upon that account, are often capable of combining  
10 together the powers of the most distant and dissimilar objects in the progress of society, philosophy  
or speculation becomes, like every other employment, the principal or sole trade and occupation of a  
particular class of citizens. Like every other employment, too, it is subdivided into a great number of  
different branches, each of which affords occupation to a peculiar tribe or class of philosophers; and  
this subdivision of employment in philosophy, as well as in every other business, improve dexterity,  
and saves time. Each individual becomes more expert in his own peculiar branch, more work is done  
15 upon the whole, and the quantity of science is considerably increased by it.

It is the great multiplication of the productions of all the different arts, in consequence of the  
division of labour, which occasions, in a well-governed society, that universal opulence which  
extends itself to the lowest ranks of the people. Every workman has a great quantity of his own work  
to dispose of beyond what he himself has occasion for; and every other workman being exactly in the  
same situation, he is enabled to exchange a great quantity of his own goods for a great quantity or,  
20 what comes to the same thing, for the price of a great quantity of theirs. He supplies them  
abundantly with what they have occasion for, and they accommodate him as amply with what he has  
occasion for, and a general plenty diffuses itself through all the different ranks of the society.

Observe the accommodation of the most common artificer or daylabourer in a civilized and thriving  
country, and you will perceive that the number of people, of whose industry a part, though but a  
25 small part, has been employed in procuring him this accommodation, exceeds all computation. The  
woollen coat, for example, which covers the day-labourer, as coarse and rough as it may appear, is  
the produce of the joint labour of a great multitude of workmen. The shepherd, the sorter of the  
wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the  
dresser, with many others, must all join their different arts in order to complete even this homely  
production. How many merchants and carriers, besides, must have been employed in transporting  
30 the materials from some of those workmen to others who often live in a very distant part of the  
country? How much commerce and navigation in particular, how many ship-builders, sailors, sail-  
makers, rope-makers, must have been employed in order to bring together the different drugs made  
use of by the dyer, which often come from the remotest corners of the world? What a variety of  
labour, too, is necessary in order to produce the tools of the meanest of those workmen! To say  
nothing of such complicated machines as the ship of the sailor, the mill of the fuller, or even the  
35 loom of the weaver, let us consider only what a variety of labour is requisite in order to form that  
very simple machine, the shears with which the shepherd clips the wool. The miner, the builder of  
the furnace for smelting the ore, the feller of the timber, the burner of the charcoal to be made use of

1 in the smelting-house, the brickmaker, the bricklayer, the workmen who attend the furnace, the  
millwright, the forger, the smith, must all of them join their different arts in order to produce them.  
Were we to examine, in the same manner, all the different parts of his dress and household furniture,  
the coarse linen shirt which he wears next his skin, the shoes which cover his feet, the bed which he  
lies on, and all the different parts which compose it, the kitchen-grate at which he prepares his  
5 victuals, the coals which he makes use of for that purpose, dug from the bowels of the earth, and  
brought to him, perhaps, by a long sea and a long land-carriage, all the other utensils of his kitchen,  
all the furniture of his table, the knives and forks, the earthen or pewter plates upon which he serves  
up and divides his victuals, the different hands employed in preparing his bread and his beer, the  
glass window which lets in the heat and the light, and keeps out the wind and the rain, with all the  
10 knowledge and art requisite for preparing that beautiful and happy invention, without which these  
northern parts of the world could scarce have afforded a very comfortable habitation, together with  
the tools of all the different workmen employed in producing those different conveniencies; if we  
examine, I say, all these things, and consider what a variety of labour is employed about each of  
them, we shall be sensible that, without the assistance and co-operation of many thousands, the very  
meanest person in a civilized country could not be provided, even according to, what we very falsely  
15 imagine, the easy and simple manner in which he is commonly accommodated. Compared, indeed,  
with the more extravagant luxury of the great, his accommodation must no doubt appear extremely  
simple and easy; and yet it may be true, perhaps, that the accommodation of an European prince  
does not always so much exceed that of an industrious and frugal peasant, as the accommodation of  
the latter exceeds that of many an African king, the absolute masters of the lives and liberties of ten  
thousand naked savages.

## 20 CHAPTER II. OF THE PRINCIPLE WHICH GIVES OCCASION TO THE DIVISION OF LABOUR.

This division of labour, from which so many advantages are derived, is not originally the effect of  
any human wisdom, which foresees and intends that general opulence to which it gives occasion. It  
25 is the necessary, though very slow and gradual, consequence of a certain propensity in human nature,  
which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing  
for another.

Whether this propensity be one of those original principles in human nature, of which no further  
account can be given, or whether, as seems more probable, it be the necessary consequence of the  
30 faculties of reason and speech, it belongs not to our present subject to inquire. It is common to all  
men, and to be found in no other race of animals, which seem to know neither this nor any other  
species of contracts. Two greyhounds, in running down the same hare, have sometimes the  
appearance of acting in some sort of concert. Each turns her towards his companion, or endeavours  
to intercept her when his companion turns her towards himself. This, however, is not the effect of  
any contract, but of the accidental concurrence of their passions in the same object at that particular  
35 time. Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with  
another dog. Nobody ever saw one animal, by its gestures and natural cries signify to another, this is  
mine, that yours; I am willing to give this for that. When an animal wants to obtain something



1 either of a man, or of another animal, it has no other means of persuasion, but to gain the favour of  
those whose service it requires. A puppy fawns upon its dam, and a spaniel endeavours, by a  
thousand attractions, to engage the attention of its master who is at dinner, when it wants to be fed  
by him. Man sometimes uses the same arts with his brethren, and when he has no other means of  
engaging them to act according to his inclinations, endeavours by every servile and fawning attention  
5 to obtain their good will. He has not time, however, to do this upon every occasion. In civilized  
society he stands at all times in need of the co-operation and assistance of great multitudes, while his  
whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of  
animals, each individual, when it is grown up to maturity, is entirely independent, and in its natural  
state has occasion for the assistance of no other living creature. But man has almost constant  
10 occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence  
only. He will be more likely to prevail if he can interest their self-love in his favour, and shew them  
that it is for their own advantage to do for him what he requires of them. Whoever offers to another  
a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which  
you want, is the meaning of every such offer; and it is in this manner that we obtain from one  
another the far greater part of those good offices which we stand in need of. It is not from the  
benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard  
15 to their own interest. We address ourselves, not to their humanity, but to their self-love, and never  
talk to them of our own necessities, but of their advantages. Nobody but a beggar chooses to depend  
chiefly upon the benevolence of his fellow-citizens. Even a beggar does not depend upon it entirely.  
The charity of well-disposed people, indeed, supplies him with the whole fund of his subsistence.  
But though this principle ultimately provides him with all the necessaries of life which he has  
occasion for, it neither does nor can provide him with them as he has occasion for them. The greater  
20 part of his occasional wants are supplied in the same manner as those of other people, by treaty, by  
barter, and by purchase. With the money which one man gives him he purchases food. The old  
clothes which another bestows upon him he exchanges for other clothes which suit him better, or for  
lodging, or for food, or for money, with which he can buy either food, clothes, or lodging, as he has  
occasion.

25 As it is by treaty, by barter, and by purchase, that we obtain from one another the greater part of  
those mutual good offices which we stand in need of, so it is this same trucking disposition which  
originally gives occasion to the division of labour. In a tribe of hunters or shepherds, a particular  
person makes bows and arrows, for example, with more readiness and dexterity than any other. He  
frequently exchanges them for cattle or for venison, with his companions; and he finds at last that he  
can, in this manner, get more cattle and venison, than if he himself went to the field to catch them.  
From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief  
30 business, and he becomes a sort of armourer. Another excels in making the frames and covers of their  
little huts or moveable houses. He is accustomed to be of use in this way to his neighbours, who  
reward him in the same manner with cattle and with venison, till at last he finds it his interest to  
dedicate himself entirely to this employment, and to become a sort of house-carpenter. In the same  
manner a third becomes a smith or a brazier; a fourth, a tanner or dresser of hides or skins, the  
principal part of the clothing of savages. And thus the certainty of being able to exchange all that  
35 surplus part of the produce of his own labour, which is over and above his own consumption, for  
such parts of the produce of other men's labour as he may have occasion for, encourages every man

1 to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent of genius he may possess for that particular species of business.

5 The difference of natural talents in different men, is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education. When they came in to the world, and for the first six or eight years of their existence, they were, perhaps, very much alike, and neither their parents nor play-fellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. 10 The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance. But without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and conveniency of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents.

15 As it is this disposition which forms that difference of talents, so remarkable among men of different professions, so it is this same disposition which renders that difference useful. Many tribes of animals, acknowledged to be all of the same species, derive from nature a much more remarkable distinction of genius, than what, antecedent to custom and education, appears to take place among men. By nature a philosopher is not in genius and disposition half so different from a street porter, as a mastiff is from a grey-hound, or a grey-hound from a spaniel, or this last from a shepherd's dog. 20 Those different tribes of animals, however, though all of the same species are of scarce any use to one another. The strength of the mastiff is not in the least supported either by the swiftness of the greyhound, or by the sagacity of the spaniel, or by the docility of the shepherd's dog. The effects of those different geniuses and talents, for want of the power or disposition to barter and exchange, cannot be brought into a common stock, and do not in the least contribute to the better accommodation and conveniency of the species. Each animal is still obliged to support and defend 25 itself, separately and independently, and derives no sort of advantage from that variety of talents with which nature has distinguished its fellows. Among men, on the contrary, the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for.

### 30 **CHAPTER III. THAT THE DIVISION OF LABOUR IS LIMITED BY THE EXTENT OF THE MARKET.**

35 As it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market. When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus part of the produce

1 of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for.

5 There are some sorts of industry, even of the lowest kind, which can be carried on nowhere but in a great town. A porter, for example, can find employment and subsistence in no other place. A village is by much too narrow a sphere for him; even an ordinary market-town is scarce large enough to afford him constant occupation. In the lone houses and very small villages which are scattered about in so desert a country as the highlands of Scotland, every farmer must be butcher, baker, and brewer, for his own family. In such situations we can scarce expect to find even a smith, a carpenter, or a mason, within less than twenty miles of another of the same trade. The scattered families that live at eight or ten miles distance from the nearest of them, must learn to perform themselves a great number of little pieces of work, for which, in more populous countries, they would call in the assistance of those workmen. Country workmen are almost everywhere obliged to apply themselves to all the different branches of industry that have so much affinity to one another as to be employed about the same sort of materials. A country carpenter deals in every sort of work that is made of wood; a country smith in every sort of work that is made of iron. The former is not only a carpenter, but a joiner, a cabinet-maker, and even a carver in wood, as well as a wheel-wright, a plough-wright, a cart and waggon-maker. The employments of the latter are still more various. It is impossible there should be such a trade as even that of a nailer in the remote and inland parts of the highlands of Scotland. Such a workman at the rate of a thousand nails a-day, and three hundred working days in the year, will make three hundred thousand nails in the year. But in such a situation it would be impossible to dispose of one thousand, that is, of one day's work in the year. As by means of water-carriage, a more extensive market is opened to every sort of industry than what land-carriage alone can afford it, so it is upon the sea-coast, and along the banks of navigable rivers, that industry of every kind naturally begins to subdivide and improve itself, and it is frequently not till a long time after that those improvements extend themselves to the inland parts of the country. A broad-wheeled waggon, attended by two men, and drawn by eight horses, in about six weeks time, carries and brings back between London and Edinburgh near four ton weight of goods. In about the same time a ship navigated by six or eight men, and sailing between the ports of London and Leith, frequently carries and brings back two hundred ton weight of goods. Six or eight men, therefore, by the help of water-carriage, can carry and bring back, in the same time, the same quantity of goods between London and Edinburgh as fifty broad-wheeled waggons, attended by a hundred men, and drawn by four hundred horses. Upon two hundred tons of goods, therefore, carried by the cheapest land-carriage from London to Edinburgh, there must be charged the maintenance of a hundred men for three weeks, and both the maintenance and what is nearly equal to maintenance the wear and tear of four hundred horses, as well as of fifty great waggons. Whereas, upon the same quantity of goods carried by water, there is to be charged only the maintenance of six or eight men, and the wear and tear of a ship of two hundred tons burthen, together with the value of the superior risk, or the difference of the insurance between land and water-carriage. Were there no other communication between those two places, therefore, but by land-carriage, as no goods could be transported from the one to the other, except such whose price was very considerable in proportion to their weight, they could carry on but a small part of that commerce which at present subsists between them, and consequently could give but a small part of that encouragement which they at present mutually afford to each other's industry. There could be little or no commerce of any kind between the distant parts of the world. What goods could bear the expense of land-carriage between London and

1 Calcutta? Or if there were any so precious as to be able to support this expense, with what safety could they be transported through the territories of so many barbarous nations? Those two cities, however, at present carry on a very considerable commerce with each other, and by mutually affording a market, give a good deal of encouragement to each other's industry.

5 Since such, therefore, are the advantages of water-carriage, it is natural that the first improvements of art and industry should be made where this conveniency opens the whole world for a market to the produce of every sort of labour, and that they should always be much later in extending themselves into the inland parts of the country. The inland parts of the country can for a long time have no other market for the greater part of their goods, but the country which lies round about them, and separates them from the sea-coast, and the great navigable rivers. The extent of the market, therefore, 10 must for a long time be in proportion to the riches and populousness of that country, and consequently their improvement must always be posterior to the improvement of that country. In our North American colonies, the plantations have constantly followed either the sea-coast or the banks of the navigable rivers, and have scarce anywhere extended themselves to any considerable distance from both.

15 The nations that, according to the best authenticated history, appear to have been first civilized, were those that dwelt round the coast of the Mediterranean sea. That sea, by far the greatest inlet that is known in the world, having no tides, nor consequently any waves, except such as are caused by the wind only, was, by the smoothness of its surface, as well as by the multitude of its islands, and the proximity of its neighbouring shores, extremely favourable to the infant navigation of the world; when, from their ignorance of the compass, men were afraid to quit the view of the coast, and from the imperfection of the art of ship-building, to abandon themselves to the boisterous waves of the 20 ocean. To pass beyond the pillars of Hercules, that is, to sail out of the straits of Gibraltar, was, in the ancient world, long considered as a most wonderful and dangerous exploit of navigation. It was late before even the Phoenicians and Carthaginians, the most skilful navigators and ship-builders of those old times, attempted it; and they were, for a long time, the only nations that did attempt it.

25 Of all the countries on the coast of the Mediterranean sea, Egypt seems to have been the first in which either agriculture or manufactures were cultivated and improved to any considerable degree. 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 30 navigation was probably one of the principal causes of the early improvement of Egypt.

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 35 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

1 more extensive than that either of the Nile or the Ganges, or, perhaps, than both of them put together. It is remarkable, that neither the ancient Egyptians, nor the Indians, nor the Chinese, encouraged foreign commerce, but seem all to have derived their great opulence from this inland navigation.

5 All the inland parts of Africa, and all that part of Asia which lies any considerable way north of the Euxine and Caspian seas, the ancient Scythia, the modern Tartary and Siberia, seem, in all ages of the world, to have been in the same barbarous and uncivilized state in which we find them at present. The sea of Tartary is the frozen ocean, which admits of no navigation; and though some of the greatest rivers in the world run through that country, they are at too great a distance from one another to carry commerce and communication through the greater part of it. There are in Africa  
10 none of those great inlets, such as the Baltic and Adriatic seas in Europe, the Mediterranean and Euxine seas in both Europe and Asia, and the gulfs of Arabia, Persia, India, Bengal, and Siam, in Asia, to carry maritime commerce into the interior parts of that great continent; and the great rivers of Africa are at too great a distance from one another to give occasion to any considerable inland navigation. The commerce, besides, which any nation can carry on by means of a river which does not break itself into any great number of branches or canals, and which runs into another territory  
15 before it reaches the sea, can never be very considerable, because it is always in the power of the nations who possess that other territory to obstruct the communication between the upper country and the sea. The navigation of the Danube is of very little use to the different states of Bavaria, Austria, and Hungary, in comparison of what it would be, if any of them possessed the whole of its course, till it falls into the Black sea.

## 20 CHAPTER IV. OF THE ORIGIN AND USE OF MONEY.

When the division of labour has been once thoroughly established, it is but a very small part of a man's wants which the produce of his own labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his  
25 own consumption, for such parts of the produce of other men's labour as he has occasion for. Every man thus lives by exchanging, or becomes, in some measure, a merchant, and the society itself grows to be what is properly a commercial society.

But when the division of labour first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations. One man, we shall suppose, has  
30 more of a certain commodity than he himself has occasion for, while another has less. The former, consequently, would be glad to dispose of; and the latter to purchase, a part of this superfluity. But if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them. The butcher has more meat in his shop than he himself can consume, and the brewer and the baker would each of them be willing to purchase a part of it. But they have nothing to offer in exchange, except the different productions of their respective trades, and the butcher is already  
35 provided with all the bread and beer which he has immediate occasion for. No exchange can, in this case, be made between them. He cannot be their merchant, nor they his customers; and they are all of them thus mutually less serviceable to one another. In order to avoid the inconveniency of such

1 situations, every prudent man in every period of society, after the first establishment of the division  
of labour, must naturally have endeavoured to manage his affairs in such a manner, as to have at all  
times by him, besides the peculiar produce of his own industry, a certain quantity of some one  
commodity or other, such as he imagined few people would be likely to refuse in exchange for the  
produce of their industry. Many different commodities, it is probable, were successively both  
5 thought of and employed for this purpose. In the rude ages of society, cattle are said to have been the  
common instrument of commerce; and, though they must have been a most inconvenient one, yet,  
in old times, we find things were frequently valued according to the number of cattle which had  
been given in exchange for them. The armour of Diomede, says Homer, cost only nine oxen; but  
that of Glaucus cost a hundred oxen. Salt is said to be the common instrument of commerce and  
exchanges in Abyssinia; a species of shells in some parts of the coast of India; dried cod at  
10 Newfoundland; tobacco in Virginia; sugar in some of our West India colonies; hides or dressed  
leather in some other countries; and there is at this day a village in Scotland, where it is not  
uncommon, I am told, for a workman to carry nails instead of money to the baker's shop or the ale-  
house.

In all countries, however, men seem at last to have been determined by irresistible reasons to give the  
15 preference, for this employment, to metals above every other commodity. Metals can not only be  
kept with as little loss as any other commodity, scarce any thing being less perishable than they are,  
but they can likewise, without any loss, be divided into any number of parts, as by fusion those parts  
can easily be re-united again; a quality which no other equally durable commodities possess, and  
which, more than any other quality, renders them fit to be the instruments of commerce and  
circulation. The man who wanted to buy salt, for example, and had nothing but cattle to give in  
exchange for it, must have been obliged to buy salt to the value of a whole ox, or a whole sheep, at a  
20 time. He could seldom buy less than this, because what he was to give for it could seldom be divided  
without loss; and if he had a mind to buy more, he must, for the same reasons, have been obliged to  
buy double or triple the quantity, the value, to wit, of two or three oxen, or of two or three sheep. If,  
on the contrary, instead of sheep or oxen, he had metals to give in exchange for it, he could easily  
proportion the quantity of the metal to the precise quantity of the commodity which he had  
immediate occasion for.

25 Different metals have been made use of by different nations for this purpose. Iron was the common  
instrument of commerce among the ancient Spartans, copper among the ancient Romans, and gold  
and silver among all rich and commercial nations.

Those metals seem originally to have been made use of for this purpose in rude bars, without any  
30 stamp or coinage. Thus we are told by Pliny (Plin. Hist Nat. lib. 33, cap. 3), upon the authority of  
Timaeus, an ancient historian, that, till the time of Servius Tullius, the Romans had no coined  
money, but made use of unstamped bars of copper, to purchase whatever they had occasion for.  
These rude bars, therefore, performed at this time the function of money.

The use of metals in this rude state was attended with two very considerable inconveniences; first,  
35 with the trouble of weighing, and secondly, with that of assaying them. In the precious metals,  
where a small difference in the quantity makes a great difference in the value, even the business of  
weighing, with proper exactness, requires at least very accurate weights and scales. The weighing of

1 gold, in particular, is an operation of some nicety in the coarser metals, indeed, where a small error  
would be of little consequence, less accuracy would, no doubt, be necessary. Yet we should find it  
excessively troublesome if every time a poor man had occasion either to buy or sell a farthing's worth  
of goods, he was obliged to weigh the farthing. The operation of assaying is still more difficult, still  
more tedious; and, unless a part of the metal is fairly melted in the crucible, with proper dissolvents,  
5 any conclusion that can be drawn from it is extremely uncertain. Before the institution of coined  
money, however, unless they went through this tedious and difficult operation, people must always  
have been liable to the grossest frauds and impositions; and instead of a pound weight of pure silver,  
or pure copper, might receive, in exchange for their goods, an adulterated composition of the  
coarsest and cheapest materials, which had, however, in their outward appearance, been made to  
resemble those metals. To prevent such abuses, to facilitate exchanges, and thereby to encourage all  
10 sorts of industry and commerce, it has been found necessary, in all countries that have made any  
considerable advances towards improvement, to affix a public stamp upon certain quantities of such  
particular metals, as were in those countries commonly made use of to purchase goods. Hence the  
origin of coined money, and of those public offices called mints; institutions exactly of the same  
nature with those of the aulnagers and stamp-masters of woollen and linen cloth. All of them are  
equally meant to ascertain, by means of a public stamp, the quantity and uniform goodness of those  
15 different commodities when brought to market.

The first public stamps of this kind that were affixed to the current metals, seem in many cases to  
have been intended to ascertain, what it was both most difficult and most important to ascertain, the  
goodness or fineness of the metal, and to have resembled the sterling mark which is at present affixed  
to plate and bars of silver, or the Spanish mark which is sometimes affixed to ingots of gold, and  
which, being struck only upon one side of the piece, and not covering the whole surface, ascertains  
20 the fineness, but not the weight of the metal. Abraham weighs to Ephron the four hundred shekels  
of silver which he had agreed to pay for the field of Machpelah. They are said, however, to be the  
current money of the merchant, and yet are received by weight, and not by tale, in the same manner  
as ingots of gold and bars of silver are at present. The revenues of the ancient Saxon kings of England  
are said to have been paid, not in money, but in kind, that is, in victuals and provisions of all sorts.  
William the Conqueror introduced the custom of paying them in money. This money, however, was  
25 for a long time, received at the exchequer, by weight, and not by tale.

The inconveniency and difficulty of weighing those metals with exactness, gave occasion to the  
institution of coins, of which the stamp, covering entirely both sides of the piece, and sometimes the  
edges too, was supposed to ascertain not only the fineness, but the weight of the metal. Such coins,  
therefore, were received by tale, as at present, without the trouble of weighing.

30 The denominations of those coins seem originally to have expressed the weight or quantity of metal  
contained in them. In the time of Servius Tullius, who first coined money at Rome, the Roman as or  
pondo contained a Roman pound of good copper. It was divided, in the same manner as our Troyes  
pound, into twelve ounces, each of which contained a real ounce of good copper. The English  
pound sterling, in the time of Edward I. contained a pound, Tower weight, of silver of a known  
fineness. The Tower pound seems to have been something more than the Roman pound, and  
35 something less than the Troyes pound. This last was not introduced into the mint of England till the  
18th of Henry the VIII. The French livre contained, in the time of Charlemagne, a pound, Troyes

1 weight, of silver of a known fineness. The fair of Troyes in Champaign was at that time frequented  
by all the nations of Europe, and the weights and measures of so famous a market were generally  
known and esteemed. The Scots money pound contained, from the time of Alexander the First to  
that of Robert Bruce, a pound of silver of the same weight and fineness with the English pound  
sterling. English, French, and Scots pennies, too, contained all of them originally a real penny-  
5 weight of silver, the twentieth part of an ounce, and the two hundred-and-fortieth part of a pound.  
The shilling, too, seems originally to have been the denomination of a weight. "When wheat is at  
twelve shillings the quarter," says an ancient statute of Henry III. "then wastel bread of a farthing  
shall weigh eleven shillings and fourpence". The proportion, however, between the shilling, and  
either the penny on the one hand, or the pound on the other, seems not to have been so constant  
and uniform as that between the penny and the pound. During the first race of the kings of France,  
10 the French sou or shilling appears upon different occasions to have contained five, twelve, twenty,  
and forty pennies. Among the ancient Saxons, a shilling appears at one time to have contained only  
five pennies, and it is not improbable that it may have been as variable among them as among their  
neighbours, the ancient Franks. From the time of Charlemagne among the French, and from that of  
William the Conqueror among the English, the proportion between the pound, the shilling, and the  
penny, seems to have been uniformly the same as at present, though the value of each has been very  
15 different; for in every country of the world, I believe, the avarice and injustice of princes and  
sovereign states, abusing the confidence of their subjects, have by degrees diminished the real  
quantity of metal, which had been originally contained in their coins. The Roman as, in the latter  
ages of the republic, was reduced to the twenty-fourth part of its original value, and, instead of  
weighing a pound, came to weigh only half an ounce. The English pound and penny contain at  
present about a third only; the Scots pound and penny about a thirty-sixth; and the French pound  
and penny about a sixty-sixth part of their original value. By means of those operations, the princes  
and sovereign states which performed them were enabled, in appearance, to pay their debts and fulfil  
20 their engagements with a smaller quantity of silver than would otherwise have been requisite. It was  
indeed in appearance only; for their creditors were really defrauded of a part of what was due to  
them. All other debtors in the state were allowed the same privilege, and might pay with the same  
nominal sum of the new and debased coin whatever they had borrowed in the old. Such operations,  
therefore, have always proved favourable to the debtor, and ruinous to the creditor, and have  
25 sometimes produced a greater and more universal revolution in the fortunes of private persons, than  
could have been occasioned by a very great public calamity.

It is in this manner that money has become, in all civilized nations, the universal instrument of  
commerce, by the intervention of which goods of all kinds are bought and sold, or exchanged for  
one another.

30 What are the rules which men naturally observe, in exchanging them either for money, or for one  
another, I shall now proceed to examine. These rules determine what may be called the relative or  
exchangeable value of goods.

35 The word VALUE, it is to be observed, has two different meanings, and sometimes expresses the  
utility of some particular object, and sometimes the power of purchasing other goods which the  
possession of that object conveys. The one may be called 'value in use;' the other, 'value in  
exchange.' The things which have the greatest value in use have frequently little or no value in



1 exchange; and, on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water; but it will purchase scarce any thing; scarce any thing can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it.

5 In order to investigate the principles which regulate the exchangeable value of commodities, I shall endeavour to shew,

First, what is the real measure of this exchangeable value; or wherein consists the real price of all commodities.

10 Secondly, what are the different parts of which this real price is composed or made up.

And, lastly, what are the different circumstances which sometimes raise some or all of these different parts of price above, and sometimes sink them below, their natural or ordinary rate; or, what are the causes which sometimes hinder the market price, that is, the actual price of commodities, from coinciding exactly with what may be called their natural price.

15 I shall endeavour to explain, as fully and distinctly as I can, those three subjects in the three following chapters, for which I must very earnestly entreat both the patience and attention of the reader: his patience, in order to examine a detail which may, perhaps, in some places, appear unnecessarily tedious; and his attention, in order to understand what may perhaps, after the fullest explication which I am capable of giving it, appear still in some degree obscure. I am always willing to run some hazard of being tedious, in order to be sure that I am perspicuous; and, after taking the  
20 utmost pains that I can to be perspicuous, some obscurity may still appear to remain upon a subject, in its own nature extremely abstracted.

## 25 **CHAPTER V. OF THE REAL AND NOMINAL PRICE OF COMMODITIES, OR OF THEIR PRICE IN LABOUR, AND THEIR PRICE IN MONEY.**

Every man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniencies, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him. The  
30 far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour therefore, is the real measure of the exchangeable value of all commodities.

35

1 The real price of every thing, what every thing really costs to the man who wants to acquire it, is the  
toil and trouble of acquiring it. What every thing is really worth to the man who has acquired it and  
who wants to dispose of it, or exchange it for something else, is the toil and trouble which it can save  
to himself, and which it can impose upon other people. What is bought with money, or with goods,  
is purchased by labour, as much as what we acquire by the toil of our own body. That money, or  
5 those goods, indeed, save us this toil. They contain the value of a certain quantity of labour, which  
we exchange for what is supposed at the time to contain the value of an equal quantity. Labour was  
the first price, the original purchase money that was paid for all things. It was not by gold or by  
silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those  
who possess it, and who want to exchange it for some new productions, is precisely equal to the  
quantity of labour which it can enable them to purchase or command.

10 Wealth, as Mr Hobbes says, is power. But the person who either acquires, or succeeds to a great  
fortune, does not necessarily acquire or succeed to any political power, either civil or military. His  
fortune may, perhaps, afford him the means of acquiring both; but the mere possession of that  
fortune does not necessarily convey to him either. The power which that possession immediately and  
directly conveys to him, is the power of purchasing a certain command over all the labour, or over all  
the produce of labour which is then in the market. His fortune is greater or less, precisely in  
15 proportion to the extent of this power, or to the quantity either of other men's labour, or, what is the  
same thing, of the produce of other men's labour, which it enables him to purchase or command.  
The exchangeable value of every thing must always be precisely equal to the extent of this power  
which it conveys to its owner.

20 But though labour be the real measure of the exchangeable value of all commodities, it is not that by  
which their value is commonly estimated. It is often difficult to ascertain the proportion between  
two different quantities of labour. The time spent in two different sorts of work will not always alone  
determine this proportion. The different degrees of hardship endured, and of ingenuity exercised,  
must likewise be taken into account. There may be more labour in an hour's hard work, than in two  
hours easy business; or in an hour's application to a trade which it cost ten years labour to learn, than  
in a month's industry, at an ordinary and obvious employment. But it is not easy to find any  
25 accurate measure either of hardship or ingenuity. In exchanging, indeed, the different productions of  
different sorts of labour for one another, some allowance is commonly made for both. It is adjusted,  
however, not by any accurate measure, but by the higgling and bargaining of the market, according  
to that sort of rough equality which, though not exact, is sufficient for carrying on the business of  
common life.

30 Every commodity, besides, is more frequently exchanged for, and thereby compared with, other  
commodities, than with labour. It is more natural, therefore, to estimate its exchangeable value by  
the quantity of some other commodity, than by that of the labour which it can produce. The greater  
part of people, too, understand better what is meant by a quantity of a particular commodity, than  
by a quantity of labour. The one is a plain palpable object; the other an abstract notion, which  
though it can be made sufficiently intelligible, is not altogether so natural and obvious.

35 But when barter ceases, and money has become the common instrument of commerce, every  
particular commodity is more frequently exchanged for money than for any other commodity. The

1 butcher seldom carries his beef or his mutton to the baker or the brewer, in order to exchange them  
for bread or for beer; but he carries them to the market, where he exchanges them for money, and  
afterwards exchanges that money for bread and for beer. The quantity of money which he gets for  
them regulates, too, the quantity of bread and beer which he can afterwards purchase. It is more  
5 natural and obvious to him, therefore, to estimate their value by the quantity of money, the  
commodity for which he immediately exchanges them, than by that of bread and beer, the  
commodities for which he can exchange them only by the intervention of another commodity; and  
rather to say that his butcher's meat is worth three-pence or fourpence a-pound, than that it is worth  
three or four pounds of bread, or three or four quarts of small beer. Hence it comes to pass, that the  
exchangeable value of every commodity is more frequently estimated by the quantity of money, than  
10 by the quantity either of labour or of any other commodity which can be had in exchange for it.

10 Gold and silver, however, like every other commodity, vary in their value; are sometimes cheaper  
and sometimes dearer, sometimes of easier and sometimes of more difficult purchase. The quantity  
of labour which any particular quantity of them can purchase or command, or the quantity of other  
goods which it will exchange for, depends always upon the fertility or barrenness of the mines which  
15 happen to be known about the time when such exchanges are made. The discovery of the abundant  
mines of America, reduced, in the sixteenth century, the value of gold and silver in Europe to about  
a third of what it had been before. As it cost less labour to bring those metals from the mine to the  
market, so, when they were brought thither, they could purchase or command less labour; and this  
revolution in their value, though perhaps the greatest, is by no means the only one of which history  
gives some account. But as a measure of quantity, such as the natural foot, fathom, or handful,  
which is continually varying in its own quantity, can never be an accurate measure of the quantity of  
20 other things; so a commodity which is itself continually varying in its own value, can never be an  
accurate measure of the value of other commodities. Equal quantities of labour, at all times and  
places, may be said to be of equal value to the labourer. In his ordinary state of health, strength, and  
spirits; in the ordinary degree of his skill and dexterity, he must always lay down the same portion of  
his ease, his liberty, and his happiness. The price which he pays must always be the same, whatever  
may be the quantity of goods which he receives in return for it. Of these, indeed, it may sometimes  
25 purchase a greater and sometimes a smaller quantity; but it is their value which varies, not that of the  
labour which purchases them. At all times and places, that is dear which it is difficult to come at, or  
which it costs much labour to acquire; and that cheap which is to be had easily, or with very little  
labour. Labour alone, therefore, never varying in its own value, is alone the ultimate and real  
standard by which the value of all commodities can at all times and places be estimated and  
30 compared. It is their real price; money is their nominal price only.

30 But though equal quantities of labour are always of equal value to the labourer, yet to the person  
who employs him they appear sometimes to be of greater, and sometimes of smaller value. He  
purchases them sometimes with a greater, and sometimes with a smaller quantity of goods, and to  
him the price of labour seems to vary like that of all other things. It appears to him dear in the one  
case, and cheap in the other. In reality, however, it is the goods which are cheap in the one case, and  
dear in the other.

35 In this popular sense, therefore, labour, like commodities, may be said to have a real and a nominal  
price. Its real price may be said to consist in the quantity of the necessaries and conveniencies of life

1 which are given for it; its nominal price, in the quantity of money. The labourer is rich or poor, is well or ill rewarded, in proportion to the real, not to the nominal price of his labour.

The distinction between the real and the nominal price of commodities and labour is not a matter of mere speculation, but may sometimes be of considerable use in practice. The same real price is  
5 always of the same value; but on account of the variations in the value of gold and silver, the same nominal price is sometimes of very different values. When a landed estate, therefore, is sold with a reservation of a perpetual rent, if it is intended that this rent should always be of the same value, it is of importance to the family in whose favour it is reserved, that it should not consist in a particular sum of money. Its value would in this case be liable to variations of two different kinds: first, to those which arise from the different quantities of gold and silver which are contained at different  
10 times in coin of the same denomination; and, secondly, to those which arise from the different values of equal quantities of gold and silver at different times.

Princes and sovereign states have frequently fancied that they had a temporary interest to diminish the quantity of pure metal contained in their coins; but they seldom have fancied that they had any to augment it. The quantity of metal contained in the coins, I believe of all nations, has accordingly  
15 been almost continually diminishing, and hardly ever augmenting. Such variations, therefore, tend almost always to diminish the value of a money rent.

The discovery of the mines of America diminished the value of gold and silver in Europe. This diminution, it is commonly supposed, though I apprehend without any certain proof, is still going on gradually, and is likely to continue to do so for a long time. Upon this supposition, therefore,  
20 such variations are more likely to diminish than to augment the value of a money rent, even though it should be stipulated to be paid, not in such a quantity of coined money of such a denomination (in so many pounds sterling, for example), but in so many ounces, either of pure silver, or of silver of a certain standard.

The rents which have been reserved in corn, have preserved their value much better than those which have been reserved in money, even where the denomination of the coin has not been altered.  
25 By the 18th of Elizabeth, it was enacted, that a third of the rent of all college leases should be reserved in corn, to be paid either in kind, or according to the current prices at the nearest public market. The money arising from this corn rent, though originally but a third of the whole, is, in the present times, according to Dr. Blackstone, commonly near double of what arises from the other two-thirds. The old money rents of colleges must, according to this account, have sunk almost to a fourth part of their ancient value, or are worth little more than a fourth part of the corn which they  
30 were formerly worth. But since the reign of Philip and Mary, the denomination of the English coin has undergone little or no alteration, and the same number of pounds, shillings, and pence, have contained very nearly the same quantity of pure silver. This degradation, therefore, in the value of the money rents of colleges, has arisen altogether from the degradation in the price of silver.

When the degradation in the value of silver is combined with the diminution of the quantity of it contained in the coin of the same denomination, the loss is frequently still greater. In Scotland,  
35 where the denomination of the coin has undergone much greater alterations than it ever did in

1 England, and in France, where it has undergone still greater than it ever did in Scotland, some ancient rents, originally of considerable value, have, in this manner, been reduced almost to nothing.

5 Equal quantities of labour will, at distant times, be purchased more nearly with equal quantities of corn, the subsistence of the labourer, than with equal quantities of gold and silver, or, perhaps, of any other commodity. Equal quantities of corn, therefore, will, at distant times, be more nearly of the same real value, or enable the possessor to purchase or command more nearly the same quantity of the labour of other people. They will do this, I say, more nearly than equal quantities of almost any other commodity; for even equal quantities of corn will not do it exactly. The subsistence of the labourer, or the real price of labour, as I shall endeavour to shew hereafter, is very different upon different occasions; more liberal in a society advancing to opulence, than in one that is standing still, and in one that is standing still, than in one that is going backwards. Every other commodity, however, will, at any particular time, purchase a greater or smaller quantity of labour, in proportion to the quantity of subsistence which it can purchase at that time. A rent, therefore, reserved in corn, is liable only to the variations in the quantity of labour which a certain quantity of corn can purchase. But a rent reserved in any other commodity is liable, not only to the variations in the quantity of labour which any particular quantity of corn can purchase, but to the variations in the quantity of corn which can be purchased by any particular quantity of that commodity.

15 Though the real value of a corn rent, it is to be observed, however, varies much less from century to century than that of a money rent, it varies much more from year to year. The money price of labour, as I shall endeavour to shew hereafter, does not fluctuate from year to year with the money price of corn, but seems to be everywhere accommodated, not to the temporary or occasional, but to the average or ordinary price of that necessary of life. The average or ordinary price of corn, again is regulated, as I shall likewise endeavour to shew hereafter, by the value of silver, by the richness or barrenness of the mines which supply the market with that metal, or by the quantity of labour which must be employed, and consequently of corn which must be consumed, in order to bring any particular quantity of silver from the mine to the market. But the value of silver, though it sometimes varies greatly from century to century, seldom varies much from year to year, but frequently continues the same, or very nearly the same, for half a century or a century together. The ordinary or average money price of corn, therefore, may, during so long a period, continue the same, or very nearly the same, too, and along with it the money price of labour, provided, at least, the society continues, in other respects, in the same, or nearly in the same, condition. In the mean time, the temporary and occasional price of corn may frequently be double one year of what it had been the year before, or fluctuate, for example, from five-and-twenty to fifty shillings the quarter. But when corn is at the latter price, not only the nominal, but the real value of a corn rent, will be double of what it is when at the former, or will command double the quantity either of labour, or of the greater part of other commodities; the money price of labour, and along with it that of most other things, continuing the same during all these fluctuations.

35 Labour, therefore, it appears evidently, is the only universal, as well as the only accurate, measure of value, or the only standard by which we can compare the values of different commodities, at all times, and at all places. We cannot estimate, it is allowed, the real value of different commodities from century to century by the quantities of silver which were given for them. We cannot estimate it from year to year by the quantities of corn. By the quantities of labour, we can, with the greatest

1 accuracy, estimate it, both from century to century, and from year to year. From century to century, corn is a better measure than silver, because, from century to century, equal quantities of corn will command the same quantity of labour more nearly than equal quantities of silver. From year to year, on the contrary, silver is a better measure than corn, because equal quantities of it will more nearly command the same quantity of labour.

5 But though, in establishing perpetual rents, or even in letting very long leases, it may be of use to distinguish between real and nominal price; it is of none in buying and selling, the more common and ordinary transactions of human life.

10 At the same time and place, the real and the nominal price of all commodities are exactly in proportion to one another. The more or less money you get for any commodity, in the London market, for example, the more or less labour it will at that time and place enable you to purchase or command. At the same time and place, therefore, money is the exact measure of the real exchangeable value of all commodities. It is so, however, at the same time and place only.

15 Though at distant places there is no regular proportion between the real and the money price of commodities, yet the merchant who carries goods from the one to the other, has nothing to consider but the money price, or the difference between the quantity of silver for which he buys them, and that for which he is likely to sell them. Half an ounce of silver at Canton in China may command a greater quantity both of labour and of the necessaries and conveniencies of life, than an ounce at London. A commodity, therefore, which sells for half an ounce of silver at Canton, may there be really dearer, of more real importance to the man who possesses it there, than a commodity which sells for an ounce at London is to the man who possesses it at London. If a London merchant, 20 however, can buy at Canton, for half an ounce of silver, a commodity which he can afterwards sell at London for an ounce, he gains a hundred per cent. by the bargain, just as much as if an ounce of silver was at London exactly of the same value as at Canton. It is of no importance to him that half an ounce of silver at Canton would have given him the command of more labour, and of a greater quantity of the necessaries and conveniencies of life than an ounce can do at London. An ounce at London will always give him the command of double the quantity of all these, which half an ounce 25 could have done there, and this is precisely what he wants.

As it is the nominal or money price of goods, therefore, which finally determines the prudence or imprudence of all purchases and sales, and thereby regulates almost the whole business of common life in which price is concerned, we cannot wonder that it should have been so much more attended to than the real price.

30 In such a work as this, however, it may sometimes be of use to compare the different real values of a particular commodity at different times and places, or the different degrees of power over the labour of other people which it may, upon different occasions, have given to those who possessed it. We must in this case compare, not so much the different quantities of silver for which it was commonly sold, as the different quantities of labour which those different quantities of silver could have purchased. But the current prices of labour, at distant times and places, can scarce ever be known 35 with any degree of exactness. Those of corn, though they have in few places been regularly recorded, are in general better known, and have been more frequently taken notice of by historians and other

1 writers. We must generally, therefore, content ourselves with them, not as being always exactly in the same proportion as the current prices of labour, but as being the nearest approximation which can commonly be had to that proportion. I shall hereafter have occasion to make several comparisons of this kind.

5 In the progress of industry, commercial nations have found it convenient to coin several different metals into money; gold for larger payments, silver for purchases of moderate value, and copper, or some other coarse metal, for those of still smaller consideration, They have always, however, considered one of those metals as more peculiarly the measure of value than any of the other two; and this preference seems generally to have been given to the metal which they happen first to make use of as the instrument of commerce. Having once begun to use it as their standard, which they  
10 must have done when they had no other money, they have generally continued to do so even when the necessity was not the same.

The Romans are said to have had nothing but copper money till within five years before the first Punic war (Pliny, lib. xxxiii. cap. 3), when they first began to coin silver. Copper, therefore, appears to have continued always the measure of value in that republic. At Rome all accounts appear to have  
15 been kept, and the value of all estates to have been computed, either in asses or in sestertii. The as was always the denomination of a copper coin. The word sestertius signifies two asses and a half. Though the sestertius, therefore, was originally a silver coin, its value was estimated in copper. At Rome, one who owed a great deal of money was said to have a great deal of other people's copper.

The northern nations who established themselves upon the ruins of the Roman empire, seem to have had silver money from the first beginning of their settlements, and not to have known either gold or  
20 copper coins for several ages thereafter. There were silver coins in England in the time of the Saxons; but there was little gold coined till the time of Edward III nor any copper till that of James I. of Great Britain. In England, therefore, and for the same reason, I believe, in all other modern nations of Europe, all accounts are kept, and the value of all goods and of all estates is generally computed, in silver: and when we mean to express the amount of a person's fortune, we seldom mention the number of guineas, but the number of pounds sterling which we suppose would be given for it.

25 Originally, in all countries, I believe, a legal tender of payment could be made only in the coin of that metal which was peculiarly considered as the standard or measure of value. In England, gold was not considered as a legal tender for a long time after it was coined into money. The proportion between the values of gold and silver money was not fixed by any public law or proclamation, but was left to be settled by the market. If a debtor offered payment in gold, the creditor might either  
30 reject such payment altogether, or accept of it at such a valuation of the gold as he and his debtor could agree upon. Copper is not at present a legal tender, except in the change of the smaller silver coins.

In this state of things, the distinction between the metal which was the standard, and that which was not the standard, was something more than a nominal distinction.

35 In process of time, and as people became gradually more familiar with the use of the different metals in coin, and consequently better acquainted with the proportion between their respective values, it

1 has, in most countries, I believe, been found convenient to ascertain this proportion, and to declare  
by a public law, that a guinea, for example, of such a weight and fineness, should exchange for one-  
and-twenty shillings, or be a legal tender for a debt of that amount. In this state of things, and  
during the continuance of any one regulated proportion of this kind, the distinction between the  
metal, which is the standard, and that which is not the standard, becomes little more than a nominal  
5 distinction.

In consequence of any change, however, in this regulated proportion, this distinction becomes, or at  
least seems to become, something more than nominal again. If the regulated value of a guinea, for  
example, was either reduced to twenty, or raised to two-and-twenty shillings, all accounts being kept,  
and almost all obligations for debt being expressed, in silver money, the greater part of payments  
10 could in either case be made with the same quantity of silver money as before; but would require  
very different quantities of gold money; a greater in the one case, and a smaller in the other. Silver  
would appear to be more invariable in its value than gold. Silver would appear to measure the value  
of gold, and gold would not appear to measure the value of silver. The value of gold would seem to  
depend upon the quantity of silver which it would exchange for, and the value of silver would not  
seem to depend upon the quantity of gold which it would exchange for. This difference, however,  
15 would be altogether owing to the custom of keeping accounts, and of expressing the amount of all  
great and small sums rather in silver than in gold money. One of Mr Drummond's notes for five-  
and-twenty or fifty guineas would, after an alteration of this kind, be still payable with five-and-  
twenty or fifty guineas, in the same manner as before. It would, after such an alteration, be payable  
with the same quantity of gold as before, but with very different quantities of silver. In the payment  
of such a note, gold would appear to be more invariable in its value than silver. Gold would appear  
20 to measure the value of silver, and silver would not appear to measure the value of gold. If the  
custom of keeping accounts, and of expressing promissory-notes and other obligations for money, in  
this manner should ever become general, gold, and not silver, would be considered as the metal  
which was peculiarly the standard or measure of value.

In reality, during the continuance of any one regulated proportion between the respective values of  
the different metals in coin, the value of the most precious metal regulates the value of the whole  
25 coin. Twelve copper pence contain half a pound avoirdupois of copper, of not the best quality,  
which, before it is coined, is seldom worth seven-pence in silver. But as, by the regulation, twelve  
such pence are ordered to exchange for a shilling, they are in the market considered as worth a  
shilling, and a shilling can at any time be had for them. Even before the late reformation of the gold  
coin of Great Britain, the gold, that part of it at least which circulated in London and its  
neighbourhood, was in general less degraded below its standard weight than the greater part of the  
30 silver. One-and-twenty worn and defaced shillings, however, were considered as equivalent to a  
guinea, which, perhaps, indeed, was worn and defaced too, but seldom so much so. The late  
regulations have brought the gold coin as near, perhaps, to its standard weight as it is possible to  
bring the current coin of any nation; and the order to receive no gold at the public offices but by  
weight, is likely to preserve it so, as long as that order is enforced. The silver coin still continues in  
the same worn and degraded state as before the reformation of the cold coin. In the market,  
35 however, one-and-twenty shillings of this degraded silver coin are still considered as worth a guinea  
of this excellent gold coin.



1 The reformation of the gold coin has evidently raised the value of the silver coin which can be exchanged for it.

In the English mint, a pound weight of gold is coined into forty-four guineas and a half, which at one-and-twenty shillings the guinea, is equal to forty-six pounds fourteen shillings and sixpence. An ounce of such gold coin, therefore, is worth £ 3:17:10½ in silver. In England, no duty or seignorage is paid upon the coinage, and he who carries a pound weight or an ounce weight of standard gold bullion to the mint, gets back a pound weight or an ounce weight of gold in coin, without any deduction. Three pounds seventeen shillings and tenpence halfpenny an ounce, therefore, is said to be the mint price of gold in England, or the quantity of gold coin which the mint gives in return for standard gold bullion.

10 Before the reformation of the gold coin, the price of standard gold bullion in the market had, for many years, been upwards of £3:18s. sometimes £ 3:19s, and very frequently £4 an ounce; that sum, it is probable, in the worn and degraded gold coin, seldom containing more than an ounce of standard gold. Since the reformation of the gold coin, the market price of standard gold bullion seldom exceeds £ 3:17:7 an ounce. Before the reformation of the gold coin, the market price was always more or less above the mint price. Since that reformation, the market price has been constantly below the mint price. But that market price is the same whether it is paid in gold or in silver coin. The late reformation of the gold coin, therefore, has raised not only the value of the gold coin, but likewise that of the silver coin in proportion to gold bullion, and probably, too, in proportion to all other commodities; though the price of the greater part of other commodities being influenced by so many other causes, the rise in the value of either gold or silver coin in proportion to them may not be so distinct and sensible.

20 In the English mint, a pound weight of standard silver bullion is coined into sixty-two shillings, containing, in the same manner, a pound weight of standard silver. Five shillings and twopence an ounce, therefore, is said to be the mint price of silver in England, or the quantity of silver coin which the mint gives in return for standard silver bullion. Before the reformation of the gold coin, the market price of standard silver bullion was, upon different occasions, five shillings and fourpence, five shillings and fivepence, five shillings and sixpence, five shillings and sevenpence, and very often five shillings and eightpence an ounce. Five shillings and sevenpence, however, seems to have been the most common price. Since the reformation of the gold coin, the market price of standard silver bullion has fallen occasionally to five shillings and threepence, five shillings and fourpence, and five shillings and fivepence an ounce, which last price it has scarce ever exceeded. Though the market price of silver bullion has fallen considerably since the reformation of the gold coin, it has not fallen so low as the mint price.

30 In the proportion between the different metals in the English coin, as copper is rated very much above its real value, so silver is rated somewhat below it. In the market of Europe, in the French coin and in the Dutch coin, an ounce of fine gold exchanges for about fourteen ounces of fine silver. In the English coin, it exchanges for about fifteen ounces, that is, for more silver than it is worth, according to the common estimation of Europe. But as the price of copper in bars is not, even in England, raised by the high price of copper in English coin, so the price of silver in bullion is not

1 sunk by the low rate of silver in English coin. Silver in bullion still preserves its proper proportion to gold, for the same reason that copper in bars preserves its proper proportion to silver.

5 Upon the reformation of the silver coin, in the reign of William III., the price of silver bullion still continued to be somewhat above the mint price. Mr Locke imputed this high price to the permission of exporting silver bullion, and to the prohibition of exporting silver coin. This permission of exporting, he said, rendered the demand for silver bullion greater than the demand for silver coin. But the number of people who want silver coin for the common uses of buying and selling at home, is surely much greater than that of those who want silver bullion either for the use of exportation or for any other use. There subsists at present a like permission of exporting gold bullion, and a like prohibition of exporting gold coin; and yet the price of gold bullion has fallen below the mint price. But in the English coin, silver was then, in the same manner as now, under-rated in proportion to gold; and the gold coin (which at that time, too, was not supposed to require any reformation) regulated then, as well as now, the real value of the whole coin. As the reformation of the silver coin did not then reduce the price of silver bullion to the mint price, it is not very probable that a like reformation will do so now.

15 Were the silver coin brought back as near to its standard weight as the gold, a guinea, it is probable, would, according to the present proportion, exchange for more silver in coin than it would purchase in bullion. The silver coin containing its full standard weight, there would in this case, be a profit in melting it down, in order, first to sell the bullion for gold coin, and afterwards to exchange this gold coin for silver coin, to be melted down in the same manner. Some alteration in the present proportion seems to be the only method of preventing this inconveniency.

20 The inconveniency, perhaps, would be less, if silver was rated in the coin as much above its proper proportion to gold as it is at present rated below it, provided it was at the same time enacted, that silver should not be a legal tender for more than the change of a guinea, in the same manner as copper is not a legal tender for more than the change of a shilling. No creditor could, in this case, be cheated in consequence of the high valuation of silver in coin; as no creditor can at present be cheated in consequence of the high valuation of copper. The bankers only would suffer by this regulation. When a run comes upon them, they sometimes endeavour to gain time, by paying in sixpences, and they would be precluded by this regulation from this discreditable method of evading immediate payment. They would be obliged, in consequence, to keep at all times in their coffers a greater quantity of cash than at present; and though this might, no doubt, be a considerable inconveniency to them, it would, at the same time, be a considerable security to their creditors.

30 Three pounds seventeen shillings and tenpence halfpenny (the mint price of gold) certainly does not contain, even in our present excellent gold coin, more than an ounce of standard gold, and it may be thought, therefore, should not purchase more standard bullion. But gold in coin is more convenient than gold in bullion; and though, in England, the coinage is free, yet the gold which is carried in bullion to the mint, can seldom be returned in coin to the owner till after a delay of several weeks. In the present hurry of the mint, it could not be returned till after a delay of several months. This delay is equivalent to a small duty, and renders gold in coin somewhat more valuable than an equal quantity of gold in bullion. If, in the English coin, silver was rated according to its proper proportion to gold, the price of silver bullion would probably fall below the mint price, even without

1 any reformation of the silver coin; the value even of the present worn and defaced silver coin being regulated by the value of the excellent gold coin for which it can be changed.

A small seignorage or duty upon the coinage of both gold and silver, would probably increase still more the superiority of those metals in coin above an equal quantity of either of them in bullion.  
5 The coinage would, in this case, increase the value of the metal coined in proportion to the extent of this small duty, for the same reason that the fashion increases the value of plate in proportion to the price of that fashion. The superiority of coin above bullion would prevent the melting down of the coin, and would discourage its exportation. If, upon any public exigency, it should become necessary to export the coin, the greater part of it would soon return again, of its own accord. Abroad, it could  
10 sell only for its weight in bullion. At home, it would buy more than that weight. There would be a profit, therefore, in bringing it home again. In France, a seignorage of about eight per cent. is imposed upon the coinage, and the French coin, when exported, is said to return home again, of its own accord.

The occasional fluctuations in the market price of gold and silver bullion arise from the same causes as the like fluctuations in that of all other commodities. The frequent loss of those metals from  
15 various accidents by sea and by land, the continual waste of them in gilding and plating, in lace and embroidery, in the wear and tear of coin, and in that of plate, require, in all countries which possess no mines of their own, a continual importation, in order to repair this loss and this waste. The merchant importers, like all other merchants, we may believe, endeavour, as well as they can, to suit their occasional importations to what they judge is likely to be the immediate demand. With all their attention, however, they sometimes overdo the business, and sometimes underdo it. When they  
20 import more bullion than is wanted, rather than incur the risk and trouble of exporting it again, they are sometimes willing to sell a part of it for something less than the ordinary or average price. When, on the other hand, they import less than is wanted, they get something more than this price. But when, under all those occasional fluctuations, the market price either of gold or silver bullion continues for several years together steadily and constantly, either more or less above, or more or less below the mint price, we may be assured that this steady and constant, either superiority or  
25 inferiority of price, is the effect of something in the state of the coin, which, at that time, renders a certain quantity of coin either of more value or of less value than the precise quantity of bullion which it ought to contain. The constancy and steadiness of the effect supposes a proportionable constancy and steadiness in the cause.

The money of any particular country is, at any particular time and place, more or less an accurate measure or value, according as the current coin is more or less exactly agreeable to its standard, or  
30 contains more or less exactly the precise quantity of pure gold or pure silver which it ought to contain. If in England, for example, forty-four guineas and a half contained exactly a pound weight of standard gold, or eleven ounces of fine gold, and one ounce of alloy, the gold coin of England would be as accurate a measure of the actual value of goods at any particular time and place as the nature of the thing would admit. But if, by rubbing and wearing, forty-four guineas and a half generally contain less than a pound weight of standard gold, the diminution, however, being greater  
35 in some pieces than in others, the measure of value comes to be liable to the same sort of uncertainty to which all other weights and measures are commonly exposed. As it rarely happens that these are exactly agreeable to their standard, the merchant adjusts the price of his goods as well as he can, not

1 to what those weights and measures ought to be, but to what, upon an average, he finds, by  
experience, they actually are. In consequence of a like disorder in the coin, the price of goods comes,  
in the same manner, to be adjusted, not to the quantity of pure gold or silver which the coin ought  
to contain, but to that which, upon an average, it is found, by experience, it actually does contain.

5 By the money price of goods, it is to be observed, I understand always the quantity of pure gold or  
silver for which they are sold, without any regard to the denomination of the coin. Six shillings and  
eight pence, for example, in the time of Edward I., I consider as the same money price with a pound  
sterling in the present times, because it contained, as nearly as we can judge, the same quantity of  
pure silver.

10

## 15 CHAPTER VI. OF THE COMPONENT PART OF THE PRICE OF COMMODITIES.

15

In that early and rude state of society which precedes both the accumulation of stock and the  
appropriation of land, the proportion between the quantities of labour necessary for acquiring  
different objects, seems to be the only circumstance which can afford any rule for exchanging them  
for one another. If among a nation of hunters, for example, it usually costs twice the labour to kill a  
beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. It  
20 is natural that what is usually the produce of two days or two hours labour, should be worth double  
of what is usually the produce of one day's or one hour's labour.

20

If the one species of labour should be more severe than the other, some allowance will naturally be  
made for this superior hardship; and the produce of one hour's labour in the one way may frequently  
exchange for that of two hour's labour in the other.

25

Or if the one species of labour requires an uncommon degree of dexterity and ingenuity, the esteem  
which men have for such talents, will naturally give a value to their produce, superior to what would  
be due to the time employed about it. Such talents can seldom be acquired but in consequence of  
long application, and the superior value of their produce may frequently be no more than a  
reasonable compensation for the time and labour which must be spent in acquiring them. In the  
30 advanced state of society, allowances of this kind, for superior hardship and superior skill, are  
commonly made in the wages of labour; and something of the same kind must probably have taken  
place in its earliest and rudest period.

30

In this state of things, the whole produce of labour belongs to the labourer; and the quantity of  
labour commonly employed in acquiring or producing any commodity, is the only circumstance  
35 which can regulate the quantity of labour which it ought commonly to purchase, command, or  
exchange for.

35

1 As soon as stock has accumulated in the hands of particular persons, some of them will naturally  
employ it in setting to work industrious people, whom they will supply with materials and  
subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the  
value of the materials. In exchanging the complete manufacture either for money, for labour, or for  
5 other goods, over and above what may be sufficient to pay the price of the materials, and the wages  
of the workmen, something must be given for the profits of the undertaker of the work, who hazards  
his stock in this adventure. The value which the workmen add to the materials, therefore, resolves  
itself in this case into two parts, of which the one pays their wages, the other the profits of their  
employer upon the whole stock of materials and wages which he advanced. He could have no  
interest to employ them, unless he expected from the sale of their work something more than what  
10 was sufficient to replace his stock to him; and he could have no interest to employ a great stock  
rather than a small one, unless his profits were to bear some proportion to the extent of his stock.

The profits of stock, it may perhaps be thought, are only a different name for the wages of a  
particular sort of labour, the labour of inspection and direction. They are, however, altogether  
different, are regulated by quite different principles, and bear no proportion to the quantity, the  
hardship, or the ingenuity of this supposed labour of inspection and direction. They are regulated  
15 altogether by the value of the stock employed, and are greater or smaller in proportion to the extent  
of this stock. Let us suppose, for example, that in some particular place, where the common annual  
profits of manufacturing stock are ten per cent. there are two different manufactures, in each of  
which twenty workmen are employed, at the rate of fifteen pounds a year each, or at the expense of  
three hundred a-year in each manufactory. Let us suppose, too, that the coarse materials annually  
wrought up in the one cost only seven hundred pounds, while the finer materials in the other cost  
20 seven thousand. The capital annually employed in the one will, in this case, amount only to one  
thousand pounds; whereas that employed in the other will amount to seven thousand three hundred  
pounds. At the rate of ten per cent. therefore, the undertaker of the one will expect a yearly profit of  
about one hundred pounds only; while that of the other will expect about seven hundred and thirty  
pounds. But though their profits are so very different, their labour of inspection and direction may  
be either altogether or very nearly the same. In many great works, almost the whole labour of this  
25 kind is committed to some principal clerk. His wages properly express the value of this labour of  
inspection and direction. Though in settling them some regard is had commonly, not only to his  
labour and skill, but to the trust which is reposed in him, yet they never bear any regular proportion  
to the capital of which he oversees the management; and the owner of this capital, though he is thus  
discharged of almost all labour, still expects that his profit should bear a regular proportion to his  
capital. In the price of commodities, therefore, the profits of stock constitute a component part  
30 altogether different from the wages of labour, and regulated by quite different principles.

In this state of things, the whole produce of labour does not always belong to the labourer. He must  
in most cases share it with the owner of the stock which employs him. Neither is the quantity of  
labour commonly employed in acquiring or producing any commodity, the only circumstance which  
can regulate the quantity which it ought commonly to purchase, command or exchange for. An  
additional quantity, it is evident, must be due for the profits of the stock which advanced the wages  
35 and furnished the materials of that labour.

1 As soon as the land of any country has all become private property, the landlords, like all other men,  
love to reap where they never sowed, and demand a rent even for its natural produce. The wood of  
the forest, the grass of the field, and all the natural fruits of the earth, which, when land was in  
common, cost the labourer only the trouble of gathering them, come, even to him, to have an  
5 additional price fixed upon them. He must then pay for the licence to gather them, and must give  
up to the landlord a portion of what his labour either collects or produces. This portion, or, what  
comes to the same thing, the price of this portion, constitutes the rent of land, and in the price of  
the greater part of commodities, makes a third component part.

The real value of all the different component parts of price, it must be observed, is measured by the  
quantity of labour which they can, each of them, purchase or command. Labour measures the value,  
10 not only of that part of price which resolves itself into labour, but of that which resolves itself into  
rent, and of that which resolves itself into profit.

In every society, the price of every commodity finally resolves itself into some one or other, or all of  
those three parts; and in every improved society, all the three enter, more or less, as component  
parts, into the price of the far greater part of commodities.

15 In the price of corn, for example, one part pays the rent of the landlord, another pays the wages or  
maintenance of the labourers and labouring cattle employed in producing it, and the third pays the  
profit of the farmer. These three parts seem either immediately or ultimately to make up the whole  
price of corn. A fourth part, it may perhaps be thought is necessary for replacing the stock of the  
farmer, or for compensating the wear and tear of his labouring cattle, and other instruments of  
20 husbandry. But it must be considered, that the price of any instrument of husbandry, such as a  
labouring horse, is itself made up of the same three parts; the rent of the land upon which he is  
reared, the labour of tending and rearing him, and the profits of the farmer, who advances both the  
rent of this land, and the wages of this labour. Though the price of the corn, therefore, may pay the  
price as well as the maintenance of the horse, the whole price still resolves itself, either immediately  
or ultimately, into the same three parts of rent, labour, and profit.

25 In the price of flour or meal, we must add to the price of the corn, the profits of the miller, and the  
wages of his servants; in the price of bread, the profits of the baker, and the wages of his servants;  
and in the price of both, the labour of transporting the corn from the house of the farmer to that of  
the miller, and from that of the miller to that of the baker, together with the profits of those who  
advance the wages of that labour.

30 The price of flax resolves itself into the same three parts as that of corn. In the price of linen we must  
add to this price the wages of the flax-dresser, of the spinner, of the weaver, of the bleacher, etc.  
together with the profits of their respective employers.

As any particular commodity comes to be more manufactured, that part of the price which resolves  
itself into wages and profit, comes to be greater in proportion to that which resolves itself into rent.  
35 In the progress of the manufacture, not only the number of profits increase, but every subsequent  
profit is greater than the foregoing; because the capital from which it is derived must always be  
greater. The capital which employs the weavers, for example, must be greater than that which

1 employs the spinners; because it not only replaces that capital with its profits, but pays, besides, the wages of the weavers: and the profits must always bear some proportion to the capital.

5 In the most improved societies, however, there are always a few commodities of which the price resolves itself into two parts only the wages of labour, and the profits of stock; and a still smaller number, in which it consists altogether in the wages of labour. In the price of sea-fish, for example, one part pays the labour of the fisherman, and the other the profits of the capital employed in the fishery. Rent very seldom makes any part of it, though it does sometimes, as I shall shew hereafter. It is otherwise, at least through the greater part of Europe, in river fisheries. A salmon fishery pays a rent; and rent, though it cannot well be called the rent of land, makes a part of the price of a salmon, as well as wares and profit. In some parts of Scotland, a few poor people make a trade of gathering, along the sea-shore, those little variegated stones commonly known by the name of Scotch pebbles. 10 The price which is paid to them by the stone-cutter, is altogether the wages of their labour; neither rent nor profit makes an part of it.

15 But the whole price of any commodity must still finally resolve itself into some one or other or all of those three parts; as whatever part of it remains after paying the rent of the land, and the price of the whole labour employed in raising, manufacturing, and bringing it to market, must necessarily be profit to somebody.

20 As the price or exchangeable value of every particular commodity, taken separately, resolves itself into some one or other, or all of those three parts; so that of all the commodities which compose the whole annual produce of the labour of every country, taken complexly, must resolve itself into the same three parts, and be parcelled out among different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land. The whole of what is annually either collected or produced by the labour of every society, or, what comes to the same thing, the whole price of it, is in this manner originally distributed among some of its different members. Wages, profit, and rent, are the three original sources of all revenue, as well as of all exchangeable value. All other revenue is ultimately derived from some one or other of these.

25 Whoever derives his revenue from a fund which is his own, must draw it either from his labour, from his stock, or from his land. The revenue derived from labour is called wages; that derived from stock, by the person who manages or employs it, is called profit; that derived from it by the person who does not employ it himself, but lends it to another, is called the interest or the use of money. It is the compensation which the borrower pays to the lender, for the profit which he has an opportunity of making by the use of the money. Part of that profit naturally belongs to the borrower, who runs the risk and takes the trouble of employing it, and part to the lender, who 30 affords him the opportunity of making this profit. The interest of money is always a derivative revenue, which, if it is not paid from the profit which is made by the use of the money, must be paid from some other source of revenue, unless perhaps the borrower is a spendthrift, who contracts a second debt in order to pay the interest of the first. The revenue which proceeds altogether from land, is called rent, and belongs to the landlord. The revenue of the farmer is derived partly from his labour, and partly from his stock. To him, land is only the instrument which enables him to earn the wages of this labour, and to make the profits of this stock. All taxes, and all the revenue which is 35 founded upon them, all salaries, pensions, and annuities of every kind, are ultimately derived from

1 some one or other of those three original sources of revenue, and are paid either immediately or  
mediately from the wages of labour, the profits of stock, or the rent of land.

When those three different sorts of revenue belong to different persons, they are readily  
distinguished; but when they belong to the same, they are sometimes confounded with one another,  
5 at least in common language.

A gentleman who farms a part of his own estate, after paying the expense of cultivation, should gain  
both the rent of the landlord and the profit of the farmer. He is apt to denominate, however, his  
whole gain, profit, and thus confounds rent with profit, at least in common language. The greater  
part of our North American and West Indian planters are in this situation. They farm, the greater  
10 part of them, their own estates: and accordingly we seldom hear of the rent of a plantation, but  
frequently of its profit.

Common farmers seldom employ any overseer to direct the general operations of the farm. They  
generally, too, work a good deal with their own hands, as ploughmen, harrowers, etc. What remains  
of the crop, after paying the rent, therefore, should not only replace to them their stock employed in  
cultivation, together with its ordinary profits, but pay them the wages which are due to them, both  
15 as labourers and overseers. Whatever remains, however, after paying the rent and keeping up the  
stock, is called profit. But wages evidently make a part of it. The farmer, by saving these wages, must  
necessarily gain them. Wages, therefore, are in this case confounded with profit.

An independent manufacturer, who has stock enough both to purchase materials, and to maintain  
himself till he can carry his work to market, should gain both the wages of a journeyman who works  
20 under a master, and the profit which that master makes by the sale of that journeyman's work. His  
whole gains, however, are commonly called profit, and wages are, in this case, too, confounded with  
profit.

A gardener who cultivates his own garden with his own hands, unites in his own person the three  
different characters, of landlord, farmer, and labourer. His produce, therefore, should pay him the  
25 rent of the first, the profit of the second, and the wages of the third. The whole, however, is  
commonly considered as the earnings of his labour. Both rent and profit are, in this case,  
confounded with wages.

As in a civilized country there are but few commodities of which the exchangeable value arises from  
labour only, rent and profit contributing largely to that of the far greater part of them, so the annual  
30 produce of its labour will always be sufficient to purchase or command a much greater quantity of  
labour than what was employed in raising, preparing, and bringing that produce to market. If the  
society were annually to employ all the labour which it can annually purchase, as the quantity of  
labour would increase greatly every year, so the produce of every succeeding year would be of vastly  
greater value than that of the foregoing. But there is no country in which the whole annual produce  
is employed in maintaining the industrious. The idle everywhere consume a great part of it; and,  
35 according to the different proportions in which it is annually divided between those two different  
orders of people, its ordinary or average value must either annually increase or diminish, or continue  
the same from one year to another.



1

## CHAPTER VII. OF THE NATURAL AND MARKET PRICE OF COMMODITIES.

5

There is in every society or neighbourhood an ordinary or average rate, both of wages and profit, in every different employment of labour and stock. This rate is naturally regulated, as I shall shew hereafter, partly by the general circumstances of the society, their riches or poverty, their advancing, stationary, or declining condition, and partly by the particular nature of each employment.

10

There is likewise in every society or neighbourhood an ordinary or average rate of rent, which is regulated, too, as I shall shew hereafter, partly by the general circumstances of the society or neighbourhood in which the land is situated, and partly by the natural or improved fertility of the land.

15

These ordinary or average rates may be called the natural rates of wages, profit and rent, at the time and place in which they commonly prevail.

When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price.

20

The commodity is then sold precisely for what it is worth, or for what it really costs the person who brings it to market; for though, in common language, what is called the prime cost of any commodity does not comprehend the profit of the person who is to sell it again, yet, if he sells it at a price which does not allow him the ordinary rate of profit in his neighbourhood, he is evidently a loser by the trade; since, by employing his stock in some other way, he might have made that profit. His profit, besides, is his revenue, the proper fund of his subsistence. As, while he is preparing and bringing the goods to market, he advances to his workmen their wages, or their subsistence; so he advances to himself, in the same manner, his own subsistence, which is generally suitable to the profit which he may reasonably expect from the sale of his goods. Unless they yield him this profit, therefore, they do not repay him what they may very properly be said to have really cost him.

25

30

Though the price, therefore, which leaves him this profit, is not always the lowest at which a dealer may sometimes sell his goods, it is the lowest at which he is likely to sell them for any considerable time; at least where there is perfect liberty, or where he may change his trade as often as he pleases.

The actual price at which any commodity is commonly sold, is called its market price. It may either be above, or below, or exactly the same with its natural price.

35

1 The market price of every particular commodity is regulated by the proportion between the quantity  
which is actually brought to market, and the demand of those who are willing to pay the natural  
price of the commodity, or the whole value of the rent, labour, and profit, which must be paid in  
order to bring it thither. Such people may be called the effectual demanders, and their demand the  
effectual demand; since it maybe sufficient to effectuate the bringing of the commodity to market. It  
5 is different from the absolute demand. A very poor man may be said, in some sense, to have a  
demand for a coach and six; he might like to have it; but his demand is not an effectual demand, as  
the commodity can never be brought to market in order to satisfy it.

When the quantity of any commodity which is brought to market falls short of the effectual  
demand, all those who are willing to pay the whole value of the rent, wages, and profit, which must  
10 be paid in order to bring it thither, cannot be supplied with the quantity which they want. Rather  
than want it altogether, some of them will be willing to give more. A competition will immediately  
begin among them, and the market price will rise more or less above the natural price, according as  
either the greatness of the deficiency, or the wealth and wanton luxury of the competitors, happen to  
animate more or less the eagerness of the competition. Among competitors of equal wealth and  
luxury, the same deficiency will generally occasion a more or less eager competition, according as the  
15 acquisition of the commodity happens to be of more or less importance to them. Hence the  
exorbitant price of the necessaries of life during the blockade of a town, or in a famine.

When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those  
who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to  
bring it thither. Some part must be sold to those who are willing to pay less, and the low price which  
they give for it must reduce the price of the whole. The market price will sink more or less below the  
20 natural price, according as the greatness of the excess increases more or less the competition of the  
sellers, or according as it happens to be more or less important to them to get immediately rid of the  
commodity. The same excess in the importation of perishable, will occasion a much greater  
competition than in that of durable commodities; in the importation of oranges, for example, than  
in that of old iron.

25 When the quantity brought to market is just sufficient to supply the effectual demand, and no more,  
the market price naturally comes to be either exactly, or as nearly as can be judged of, the same with  
the natural price. The whole quantity upon hand can be disposed of for this price, and can not be  
disposed of for more. The competition of the different dealers obliges them all to accept of this price,  
but does not oblige them to accept of less.

30 The quantity of every commodity brought to market naturally suits itself to the effectual demand. It  
is the interest of all those who employ their land, labour, or stock, in bringing any commodity to  
market, that the quantity never should exceed the effectual demand; and it is the interest of all other  
people that it never should fall short of that demand.

If at any time it exceeds the effectual demand, some of the component parts of its price must be paid  
35 below their natural rate. If it is rent, the interest of the landlords will immediately prompt them to  
withdraw a part of their land; and if it is wages or profit, the interest of the labourers in the one case,  
and of their employers in the other, will prompt them to withdraw a part of their labour or stock,

1 from this employment. The quantity brought to market will soon be no more than sufficient to supply the effectual demand. All the different parts of its price will rise to their natural rate, and the whole price to its natural price.

5 If, on the contrary, the quantity brought to market should at any time fall short of the effectual demand, some of the component parts of its price must rise above their natural rate. If it is rent, the interest of all other landlords will naturally prompt them to prepare more land for the raising of this commodity; if it is wages or profit, the interest of all other labourers and dealers will soon prompt them to employ more labour and stock in preparing and bringing it to market. The quantity brought thither will soon be sufficient to supply the effectual demand. All the different parts of its price will soon sink to their natural rate, and the whole price to its natural price.

10 The natural price, therefore, is, as it were, the central price, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it. But whatever may be the obstacles which hinder them from settling in this centre of repose and continuance, they are constantly tending towards it.

15 The whole quantity of industry annually employed in order to bring any commodity to market, naturally suits itself in this manner to the effectual demand. It naturally aims at bringing always that precise quantity thither which may be sufficient to supply, and no more than supply, that demand.

20 But, in some employments, the same quantity of industry will, in different years, produce very different quantities of commodities; while, in others, it will produce always the same, or very nearly the same. The same number of labourers in husbandry will, in different years, produce very different quantities of corn, wine, oil, hops, etc. But the same number of spinners or weavers will every year produce the same, or very nearly the same, quantity of linen and woollen cloth. It is only the average produce of the one species of industry which can be suited, in any respect, to the effectual demand; and as its actual produce is frequently much greater, and frequently much less, than its average produce, the quantity of the commodities brought to market will sometimes exceed a good deal, and sometimes fall short a good deal, of the effectual demand. Even though that demand, therefore, should continue always the same, their market price will be liable to great fluctuations, will sometimes fall a good deal below, and sometimes rise a good deal above, their natural price. In the other species of industry, the produce of equal quantities of labour being always the same, or very nearly the same, it can be more exactly suited to the effectual demand. While that demand continues the same, therefore, the market price of the commodities is likely to do so too, and to be either altogether, or as nearly as can be judged of, the same with the natural price. That the price of linen and woollen cloth is liable neither to such frequent, nor to such great variations, as the price of corn, every man's experience will inform him. The price of the one species of commodities varies only with the variations in the demand; that of the other varies not only with the variations in the demand, but with the much greater, and more frequent, variations in the quantity of what is brought to market, in order to supply that demand.

35 The occasional and temporary fluctuations in the market price of any commodity fall chiefly upon those parts of its price which resolve themselves into wages and profit. That part which resolves itself

1 into rent is less affected by them. A rent certain in money is not in the least affected by them, either  
in its rate or in its value. A rent which consists either in a certain proportion, or in a certain quantity,  
of the rude produce, is no doubt affected in its yearly value by all the occasional and temporary  
fluctuations in the market price of that rude produce; but it is seldom affected by them in its yearly  
5 rate. In settling the terms of the lease, the landlord and farmer endeavour, according to their best  
judgment, to adjust that rate, not to the temporary and occasional, but to the average and ordinary  
price of the produce.

Such fluctuations affect both the value and the rate, either of wages or of profit, according as the  
market happens to be either overstocked or understocked with commodities or with labour, with  
work done, or with work to be done. A public mourning raises the price of black cloth ( with which  
10 the market is almost always understocked upon such occasions), and augments the profits of the  
merchants who possess any considerable quantity of it. It has no effect upon the wages of the  
weavers. The market is understocked with commodities, not with labour, with work done, not with  
work to be done. It raises the wages of journeymen tailors. The market is here understocked with  
labour. There is an effectual demand for more labour, for more work to be done, than can be had. It  
15 sinks the price of coloured silks and cloths, and thereby reduces the profits of the merchants who  
have any considerable quantity of them upon hand. It sinks, too, the wages of the workmen  
employed in preparing such commodities, for which all demand is stopped for six months, perhaps  
for a twelvemonth. The market is here overstocked both with commodities and with labour.

But though the market price of every particular commodity is in this manner continually gravitating,  
if one may say so, towards the natural price; yet sometimes particular accidents, sometimes natural  
20 causes, and sometimes particular regulations of policy, may, in many commodities, keep up the  
market price, for a long time together, a good deal above the natural price.

When, by an increase in the effectual demand, the market price of some particular commodity  
happens to rise a good deal above the natural price, those who employ their stocks in supplying that  
market, are generally careful to conceal this change. If it was commonly known, their great profit  
would tempt so many new rivals to employ their stocks in the same way, that, the effectual demand  
25 being fully supplied, the market price would soon be reduced to the natural price, and, perhaps, for  
some time even below it. If the market is at a great distance from the residence of those who supply  
it, they may sometimes be able to keep the secret for several years together, and may so long enjoy  
their extraordinary profits without any new rivals. Secrets of this kind, however, it must be  
acknowledged, can seldom be long kept; and the extraordinary profit can last very little longer than  
they are kept.

30 Secrets in manufactures are capable of being longer kept than secrets in trade. A dyer who has found  
the means of producing a particular colour with materials which cost only half the price of those  
commonly made use of, may, with good management, enjoy the advantage of his discovery as long  
as he lives, and even leave it as a legacy to his posterity. His extraordinary gains arise from the high  
price which is paid for his private labour. They properly consist in the high wages of that labour. But  
35 as they are repeated upon every part of his stock, and as their whole amount bears, upon that  
account, a regular proportion to it, they are commonly considered as extraordinary profits of stock.

1 Such enhancements of the market price are evidently the effects of particular accidents, of which, however, the operation may sometimes last for many years together.

5 Some natural productions require such a singularity of soil and situation, that all the land in a great country, which is fit for producing them, may not be sufficient to supply the effectual demand. The whole quantity brought to market, therefore, may be disposed of to those who are willing to give more than what is sufficient to pay the rent of the land which produced them, together with the wages of the labour and the profits of the stock which were employed in preparing and bringing them to market, according to their natural rates. Such commodities may continue for whole centuries together to be sold at this high price; and that part of it which resolves itself into the rent of land, is in this case the part which is generally paid above its natural rate. The rent of the land which affords such singular and esteemed productions, like the rent of some vineyards in France of a peculiarly happy soil and situation, bears no regular proportion to the rent of other equally fertile and equally well cultivated land in its neighbourhood. The wages of the labour, and the profits of the stock employed in bringing such commodities to market, on the contrary, are seldom out of their natural proportion to those of the other employments of labour and stock in their neighbourhood.

15 Such enhancements of the market price are evidently the effect of natural causes, which may hinder the effectual demand from ever being fully supplied, and which may continue, therefore, to operate for ever.

20 A monopoly granted either to an individual or to a trading company, has the same effect as a secret in trade or manufactures. The monopolists, by keeping the market constantly understocked by never fully supplying the effectual demand, sell their commodities much above the natural price, and raise their emoluments, whether they consist in wages or profit, greatly above their natural rate.

25 The price of monopoly is upon every occasion the highest which can be got. The natural price, or the price of free competition, on the contrary, is the lowest which can be taken, not upon every occasion indeed, but for any considerable time together. The one is upon every occasion the highest which can be squeezed out of the buyers, or which it is supposed they will consent to give; the other is the lowest which the sellers can commonly afford to take, and at the same time continue their business.

30 The exclusive privileges of corporations, statutes of apprenticeship, and all those laws which restrain in particular employments, the competition to a smaller number than might otherwise go into them, have the same tendency, though in a less degree. They are a sort of enlarged monopolies, and may frequently, for ages together, and in whole classes of employments, keep up the market price of particular commodities above the natural price, and maintain both the wages of the labour and the profits of the stock employed about them somewhat above their natural rate.

Such enhancements of the market price may last as long as the regulations of policy which give occasion to them.

35 The market price of any particular commodity, though it may continue long above, can seldom continue long below, its natural price. Whatever part of it was paid below the natural rate, the

1 persons whose interest it affected would immediately feel the loss, and would immediately withdraw  
either so much land or so much labour, or so much stock, from being employed about it, that the  
quantity brought to market would soon be no more than sufficient to supply the effectual demand.  
Its market price, therefore, would soon rise to the natural price; this at least would be the case where  
there was perfect liberty.

5 The same statutes of apprenticeship and other corporation laws, indeed, which, when a manufacture  
is in prosperity, enable the workman to raise his wages a good deal above their natural rate,  
sometimes oblige him, when it decays, to let them down a good deal below it. As in the one case  
they exclude many people from his employment, so in the other they exclude him from many  
employments. The effect of such regulations, however, is not near so durable in sinking the  
10 workman's wages below, as in raising them above their natural rate. Their operation in the one way  
may endure for many centuries, but in the other it can last no longer than the lives of some of the  
workmen who were bred to the business in the time of its prosperity. When they are gone, the  
number of those who are afterwards educated to the trade will naturally suit itself to the effectual  
demand. The policy must be as violent as that of Indostan or ancient Egypt (where every man was  
15 bound by a principle of religion to follow the occupation of his father, and was supposed to commit  
the most horrid sacrilege if he changed it for another), which can in any particular employment, and  
for several generations together, sink either the wages of labour or the profits of stock below their  
natural rate.

This is all that I think necessary to be observed at present concerning the deviations, whether  
occasional or permanent, of the market price of commodities from the natural price.

20 The natural price itself varies with the natural rate of each of its component parts, of wages, profit,  
and rent; and in every society this rate varies according to their circumstances, according to their  
riches or poverty, their advancing, stationary, or declining condition. I shall, in the four following  
chapters, endeavour to explain, as fully and distinctly as I can, the causes of those different  
variations.

25 First, I shall endeavour to explain what are the circumstances which naturally determine the rate of  
wages, and in what manner those circumstances are affected by the riches or poverty, by the  
advancing, stationary, or declining state of the society.

30 Secondly, I shall endeavour to shew what are the circumstances which naturally determine the rate of  
profit; and in what manner, too, those circumstances are affected by the like variations in the state of  
the society.

35 Though pecuniary wages and profit are very different in the different employments of labour and  
stock; yet a certain proportion seems commonly to take place between both the pecuniary wages in  
all the different employments of labour, and the pecuniary profits in all the different employments of  
stock. This proportion, it will appear hereafter, depends partly upon the nature of the different  
employments, and partly upon the different laws and policy of the society in which they are carried  
on. But though in many respects dependent upon the laws and policy, this proportion seems to be  
little affected by the riches or poverty of that society, by its advancing, stationary, or declining

1 condition, but to remain the same, or very nearly the same, in all those different states. I shall, in the third place, endeavour to explain all the different circumstances which regulate this proportion.

5 In the fourth and last place, I shall endeavour to shew what are the circumstances which regulate the rent of land, and which either raise or lower the real price of all the different substances which it produces.

## CHAPTER VIII. OF THE WAGES OF LABOUR.

### 10 **The produce of labour constitutes the natural recompence or wages of labour.**

In that original state of things which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him.

15 Had this state continued, the wages of labour would have augmented with all those improvements 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.

20 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  
25 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 purchase it, it would require only half the quantity of labour either to purchase or to produce it. The acquisition, therefore, would  
30 be twice as easy as before.

35 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 further what might have been its effects upon the recompence or wages of labour.

1 As soon as land becomes private property, the landlord demands a share of almost all the produce which 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.

5 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.

10 The produce of almost all other labour is liable to the like deduction of profit. In all arts 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.

15 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.

20 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 everywhere understood to be, what they usually are, when the labourer is one person, and the owner of the stock which employs him another.

25 What are the common wages of labour, depends everywhere 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.

30 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 number, can combine much more easily: and the law, besides, authorises, or at least does not prohibit, their combinations, while it prohibits those of the workmen. 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.

35



1 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 everywhere in a sort of tacit, but constant and  
uniform, combination, not to raise the wages of labour above their actual rate. To violate this  
5 combination is everywhere a most unpopular action, and a sort of reproach to a master among his  
neighbours and equals. We 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. 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  
10 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, 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 are desperate, and act with the folly and extravagance  
15 of desperate men, who must 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 combination of servants,  
labourers, 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  
20 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.

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.

25 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 for him 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  
everywhere earn at least double their own maintenance, in order that, one with another, they may be  
30 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. The poorest labourers, therefore, according 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  
35 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

1 species of common labour, be able to earn something more than what is precisely necessary for their own maintenance; but in what proportion, whether in that above-mentioned, or many other, I shall not take upon me to determine.

5 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.

10 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 workmen, and thus voluntarily break through the natural combination of masters not to raise wages. 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 to 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  
15 of their masters.

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 shoemaker, 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.

25 The demand for those who live by wages, therefore, necessarily increases with the increase of the revenue and stock of every country, and cannot possibly increase without it. The increase of revenue and stock is the increase of national wealth. The demand for those who live by wages, therefore, naturally increases with the increase of national wealth, and cannot possibly increase without it.

30 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. In the province of New York, common labourers earned in 1773, before the commencement of the late disturbances, 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  
35 and sixpence sterling; journeymen tailors, five shillings currency, equal to about two shillings and tenpence sterling. These prices are all above the London price; and wages are said to be as high in the

1 other colonies as in New York. The price of provisions is everywhere 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 for themselves, though less for exportation. If the money price of labour, therefore, be  
higher than it is anywhere 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  
5 proportion.

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. The most decisive mark of the  
prosperity of any country 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. In the  
10 British colonies in North America, it has been found that they double in twenty or five-and-twenty  
years. 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  
burden, is a source of opulence and prosperity to the parents. The labour of each child, before it can  
15 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 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. The demand for labourers, the funds destined for maintaining them increase, it  
20 seems, still faster than they can find labourers to employ.

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  
25 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 off  
labour had ever been more than sufficient to maintain the labourer, and to enable him to bring up a  
30 family, the competition of the labourers and the interest of the masters would soon reduce them to  
the 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, 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,  
35 acquired that full complement of riches which the nature of its laws and institutions permits it to  
acquire. 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

1 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 services, and, as it were, begging  
5 employment. The poverty of the lower ranks of people in China far surpasses that of the most  
beggarly nations in Europe. In the neighbourhood of Canton, many hundred, it is commonly said,  
many thousand families have no habitation on the land, but live constantly in little fishing-boats  
upon the rivers and canals. The subsistence which they find there is so scanty, that they are eager to  
fish up the nastiest garbage thrown overboard from any European ship. Any carrion, the carcase of a  
10 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.

China, however, though it may, perhaps, stand still, does not seem to go backwards. Its towns are  
nowhere deserted by their inhabitants. The lands which had once been cultivated, are nowhere  
15 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.

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  
20 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 to  
reduce the wages of labour to the most miserable and scanty subsistence of the labourer. Many  
would not be able to find employment even upon these hard terms, but would either starve, or be  
25 driven to seek a subsistence, either by begging, or by the perpetration perhaps, of the greatest  
enormities. Want, famine, and mortality, would immediately prevail in that class, and from thence  
extend themselves to all the superior classes, till the number of inhabitants in the country was  
reduced to what could easily be maintained by the revenue and stock which remained in it, and  
which had escaped either the tyranny or calamity which had destroyed the rest. This, perhaps, is  
nearly the present state of Bengal, and of some other of the English settlements in the East Indies. In  
30 a fertile country, which had before been much depopulated, where subsistence, consequently, should  
not be very difficult, and where, notwithstanding, three or four hundred thousand people die of  
hunger in one year, we maybe assured that the funds destined for the maintenance of the labouring  
poor are fast decaying. The difference between the genius of the British constitution, which protects  
and governs North America, and that of the mercantile company which oppresses and domineers in  
the East Indies, cannot, perhaps, be better illustrated than by the different state of those countries.

35 The liberal reward of labour, therefore, as it is the necessary effect, so it is the natural symptom of  
increasing national wealth. The scanty maintenance of the labouring poor, on the other hand, is the

1 natural symptom that things are at a stand, and their starving condition, that they are going fast  
backwards.

In Great Britain, the wages of labour seem, in the present times, to be evidently more than what is  
precisely necessary to enable the labourer to bring up a family. In order to satisfy ourselves upon this  
5 point, it will not be necessary to enter into any tedious or doubtful calculation of what may be the  
lowest sum upon which it is possible to do this. There are many plain symptoms, that the wages of  
labour are nowhere in this country regulated by this lowest rate, which is consistent with common  
humanity.

10 First, in almost every part of Great Britain there is a distinction, even in the lowest species of labour,  
between summer and winter wages. Summer wages are always highest. But, on account of the  
extraordinary expense of fuel, the maintenance of a family is most expensive in winter. Wages,  
therefore, being highest when this expense is lowest, it seems evident that they are not regulated by  
what is necessary for this expense, but by the quantity and supposed value of the work. A labourer, it  
may be said, indeed, ought to save part of his summer wages, in order to defray his winter expense;  
and that, through the whole year, they do not exceed what is necessary to maintain his family  
15 through the whole year. A slave, however, or one absolutely dependent on us for immediate  
subsistence, would not be treated in this manner. His daily subsistence would be proportioned to his  
daily necessities.

20 Secondly, the wages of labour do not, in Great Britain, fluctuate with the price of provisions. These  
vary everywhere from year to year, frequently from month to month. But in many places, the money  
price of labour remains uniformly the same, sometimes for half a century together. If, in these places,  
therefore, the labouring poor can maintain their families in dear years, they must be at their ease in  
times of moderate plenty, and in affluence in those of extraordinary cheapness. The high price of  
provisions during these ten years past, has not, in many parts of the kingdom, been accompanied  
with any sensible rise in the money price of labour. It has, indeed, in some; owing, probably, more to  
the increase of the demand for labour, than to that of the price of provisions.

25 Thirdly, as the price of provisions varies more from year to year than the wages of labour, so, on the  
other hand, the wages of labour vary more from place to place than the price of provisions. The  
prices of bread and butchers' meat are generally the same, or very nearly the same, through the  
greater part of the united kingdom. These, and most other things which are sold by retail, the way in  
which the labouring poor buy all things, are generally fully as cheap, or cheaper, in great towns than  
in the remoter parts of the country, for reasons which I shall have occasion to explain hereafter. But  
30 the wages of labour in a great town and its neighbourhood, are frequently a fourth or a fifth part,  
twenty or five-and—twenty per cent. higher than at a few miles distance. Eighteen pence a day may  
be reckoned the common price of labour in London and its neighbourhood. At a few miles distance,  
it falls to fourteen and fifteen pence. Tenpence may be reckoned its price in Edinburgh and its  
neighbourhood. At a few miles distance, it falls to eightpence, the usual price of common labour  
through the greater part of the low country of Scotland, where it varies a good deal less than in  
35 England. Such a difference of prices, which, it seems, is not always sufficient to transport a man from  
one parish to another, would necessarily occasion so great a transportation of the most bulky  
commodities, not only from one parish to another, but from one end of the kingdom, almost from

1 one end of the world to the other, as would soon reduce them more nearly to a level. After all that  
has been said of the levity and inconstancy of human nature, it appears evidently from experience,  
that man is, of all sorts of luggage, the most difficult to be transported. If the labouring poor,  
therefore, can maintain their families in those parts of the kingdom where the price of labour is  
lowest, they must be in affluence where it is highest.

5 Fourthly, the variations in the price of labour not only do not correspond, either in place or time,  
with those in the price of provisions, but they are frequently quite opposite.

10 Grain, the food of the common people, is dearer in Scotland than in England, whence Scotland  
receives almost every year very large supplies. But English corn must be sold dearer in Scotland, the  
country to which it is brought, than in England, the country from which it comes; and in  
proportion to its quality it cannot be sold dearer in Scotland than the Scotch corn that comes to the  
same market in competition with it. The quality of grain depends chiefly upon the quantity of flour  
or meal which it yields at the mill; and, in this respect, English grain is so much superior to the  
Scotch, that though often dearer in appearance, or in proportion to the measure of its bulk, it is  
generally cheaper in reality, or in proportion to its quality, or even to the measure of its weight. The  
15 price of labour, on the contrary, is dearer in England than in Scotland. If the labouring poor,  
therefore, can maintain their families in the one part of the united kingdom, they must be in  
affluence in the other. Oatmeal, indeed, supplies the common people in Scotland with the greatest  
and the best part of their food, which is, in general, much inferior to that of their neighbours of the  
same rank in England. This difference, however, in the mode of their subsistence, is not the cause,  
but the effect, of the difference in their wages; though, by a strange misapprehension, I have  
20 frequently heard it represented as the cause. It is not because one man keeps a coach, while his  
neighbour walks a-foot, that the one is rich, and the other poor; but because the one is rich, he keeps  
a coach, and because the other is poor, he walks a-foot.

25 During the course of the last century, taking one year with another, grain was dearer in both parts of  
the united kingdom than during that of the present. This is a matter of fact which cannot now admit  
of any reasonable doubt; and the proof of it is, if possible, still more decisive with regard to Scotland  
than with regard to England. It is in Scotland supported by the evidence of the public fiars, annual  
valuations made upon oath, according to the actual state of the markets, of all the different sorts of  
grain in every different county of Scotland. If such direct proof could require any collateral evidence  
to confirm it, I would observe, that this has likewise been the case in France, and probably in most  
other parts of Europe. With regard to France, there is the clearest proof. But though it is certain,  
that in both parts of the united kingdom grain was somewhat dearer in the last century than in the  
30 present, it is equally certain that labour was much cheaper. If the labouring poor, therefore, could  
bring up their families then, they must be much more at their ease now. In the last century, the most  
usual day-wages of common labour through the greater part of Scotland were sixpence in summer,  
and fivepence in winter. Three shillings a-week, the same price, very nearly still continues to be paid  
in some parts of the Highlands and Western islands. Through the greater part of the Low country,  
the most usual wages of common labour are now eight pence a-day; tenpence, sometimes a shilling,  
35 about Edinburgh, in the counties which border upon England, probably on account of that  
neighbourhood, and in a few other places where there has lately been a considerable rise in the  
demand for labour, about Glasgow, Carron, Ayrshire, etc. In England, the improvements of

1 agriculture, manufactures, and commerce, began much earlier than in Scotland. The demand for  
labour, and consequently its price, must necessarily have increased with those improvements. In the  
last century, accordingly, as well as in the present, the wages of labour were higher in England than  
in Scotland. They have risen, too, considerably since that time, though, on account of the greater  
variety of wages paid there in different places, it is more difficult to ascertain how much. In 1614,  
5 the pay of a foot soldier was the same as in the present times, eightpence a-day. When it was first  
established, it would naturally be regulated by the usual wages of common labourers, the rank of  
people from which foot soldiers are commonly drawn. Lord-chief-justice Hales, who wrote in the  
time of Charles II. computes the necessary expense of a labourer's family, consisting of six persons,  
the father and mother, two children able to do something, and two not able, at ten shillings a-week,  
10 or twenty-six pounds a-year. If they cannot earn this by their labour, they must make it up, he  
supposes, either by begging or stealing. He appears to have enquired very carefully into this subject  
{See his scheme for the maintenance of the poor, in Burn's History of the Poor Laws.}. In 1688, Mr  
Gregory King, whose skill in political arithmetic is so much extolled by Dr Davenant, computed the  
ordinary income of labourers and out-servants to be fifteen pounds a-year to a family, which he  
supposed to consist, one with another, of three and a half persons. His calculation, therefore, though  
different in appearance, corresponds very nearly at bottom with that of Judge Hales. Both suppose  
15 the weekly expense of such families to be about twenty-pence a-head. Both the pecuniary income  
and expense of such families have increased considerably since that time through the greater part of  
the kingdom, in some places more, and in some less, though perhaps scarce anywhere so much as  
some exaggerated accounts of the present wages of labour have lately represented them to the public.  
The price of labour, it must be observed, cannot be ascertained very accurately anywhere, different  
prices being often paid at the same place and for the same sort of labour, not only according to the  
20 different abilities of the workman, but according to the easiness or hardness of the masters. Where  
wages are not regulated by law, all that we can pretend to determine is, what are the most usual; and  
experience seems to shew that law can never regulate them properly, though it has often pretended  
to do so.

The real recompence of labour, the real quantity of the necessaries and conveniencies of life which it  
can procure to the labourer, has, during the course of the present century, increased perhaps in a still  
25 greater proportion than its money price. Not only grain has become somewhat cheaper, but many  
other things, from which the industrious poor derive an agreeable and wholesome variety of food,  
have become a great deal cheaper. Potatoes, for example, do not at present, through the greater part  
of the kingdom, cost half the price which they used to do thirty or forty years ago. The same thing  
may be said of turnips, carrots, cabbages; things which were formerly never raised but by the spade,  
but which are now commonly raised by the plough. All sort of garden stuff, too, has become  
30 cheaper. The greater part of the apples, and even of the onions, consumed in Great Britain, were, in  
the last century, imported from Flanders. The great improvements in the coarser manufactories of  
both linen and woollen cloth furnish the labourers with cheaper and better clothing; and those in the  
manufactories of the coarser metals, with cheaper and better instruments of trade, as well as with  
many agreeable and convenient pieces of household furniture. Soap, salt, candles, leather, and  
fermented liquors, have, indeed, become a good deal dearer, chiefly from the taxes which have been  
35 laid upon them. The quantity of these, however, which the labouring poor are under any necessity of  
consuming, is so very small, that the increase in their price does not compensate the diminution in  
that of so many other things. The common complaint, that luxury extends itself even to the lowest

1 ranks of the people, and that the labouring poor will not now be contented with the same food, clothing, and lodging, which satisfied them in former times, may convince us that it is not the money price of labour only, but its real recompence, which has augmented.

5 Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage, or as an inconveniency, to the society? The answer seems at first abundantly plain. Servants, labourers, and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part, can never be regarded as any inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged.

15 Poverty, though it no doubt discourages, does not always prevent, marriage. It seems even to be favourable to generation. A half-starved Highland woman frequently bears more than twenty children, while a pampered fine lady is often incapable of bearing any, and is generally exhausted by two or three. Barrenness, so frequent among women of fashion, is very rare among those of inferior station. Luxury, in the fair sex, while it inflames, perhaps, the passion for enjoyment, seems always to weaken, and frequently to destroy altogether, the powers of generation.

20 But poverty, though it does not prevent the generation, is extremely unfavourable to the rearing of children. The tender plant is produced; but in so cold a soil, and so severe a climate, soon withers and dies. It is not uncommon, I have been frequently told, in the Highlands of Scotland, for a mother who has born twenty children not to have two alive. Several officers of great experience have assured me, that, so far from recruiting their regiment, they have never been able to supply it with drums and fifes, from all the soldiers' children that were born in it. A greater number of fine children, however, is seldom seen anywhere than about a barrack of soldiers. Very few of them, it seems, arrive at the age of thirteen or fourteen. In some places, one half the children die before they are four years of age, in many places before they are seven, and in almost all places before they are nine or ten. This great mortality, however will everywhere be found chiefly among the children of the common people, who cannot afford to tend them with the same care as those of better station. Though their marriages are generally more fruitful than those of people of fashion, a smaller proportion of their children arrive at maturity. In foundling hospitals, and among the children brought up by parish charities, the mortality is still greater than among those of the common people.

30 Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply be yond it. But in civilized society, it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the further multiplication of the human species; and it can do so in no other way than by destroying a great part of the children which their fruitful marriages produce.

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



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

The wear and tear of a slave, it has been said, is at the expense of his master; but that of a free servant  
is at his own expense. The wear and tear of the latter, however, is, in reality, as much at the expense  
of his master as that of the former. The wages paid to journeymen and servants of every kind must  
be such as may enable them, one with another to continue the race of journeymen and servants,  
15 according as the increasing, diminishing, or stationary demand of the society, may happen to  
require. But though the wear and tear of a free servant be equally at the expense of his master, it  
generally costs him much less than that of a slave. The fund destined for replacing or repairing, if I  
may say so, the wear and tear of the slave, is commonly managed by a negligent master or careless  
overseer. That destined for performing the same office with regard to the freeman is managed by the  
freeman himself. The disorders which generally prevail in the economy of the rich, naturally  
20 introduce themselves into the management of the former; the strict frugality and parsimonious  
attention of the poor as naturally establish themselves in that of the latter. Under such different  
management, the same purpose must require very different degrees of expense to execute it. It  
appears, accordingly, from the experience of all ages and nations, I believe, that the work done by  
freemen comes cheaper in the end than that performed by slaves. It is found to do so even at Boston,  
New-York, and Philadelphia, where the wages of common labour are so very high.

25 The liberal reward of labour, therefore, as it is the effect of increasing wealth, so it is the cause of  
increasing population. To complain of it, is to lament over the necessary cause and effect of the  
greatest public prosperity.

It deserves to be remarked, perhaps, that it is in the progressive state, while the society is advancing  
to the further acquisition, rather than when it has acquired its full complement of riches, that the  
30 condition of the labouring poor, of the great body of the people, seems to be the happiest and the  
most comfortable. It is hard in the stationary, and miserable in the declining state. The progressive  
state is, in reality, the cheerful and the hearty state to all the different orders of the society; the  
stationary is dull; the declining melancholy.

The liberal reward of labour, as it encourages the propagation, so it increases the industry of the  
common people. The wages of labour are the encouragement of industry, which, like every other  
35 human quality, improves in proportion to the encouragement it receives. A plentiful subsistence  
increases the bodily strength of the labourer, and the comfortable hope of bettering his condition,

1 and of ending his days, perhaps, in ease and plenty, animates him to exert that strength to the  
utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent,  
and expeditious, than where they are low; in England, for example, than in Scotland; in the  
neighbourhood of great towns, than in remote country places. Some workmen, indeed, when they  
can earn in four days what will maintain them through the week, will be idle the other three. This,  
5 however, is by no means the case with the greater part. Workmen, on the contrary, when they are  
liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and  
constitution in a few years. A carpenter in London, and in some other places, is not supposed to last  
in his utmost vigour above eight years. Something of the same kind happens in many other trades, in  
which the workmen are paid by the piece; as they generally are in manufactures, and even in country  
labour, wherever wages are higher than ordinary. Almost every class of artificers is subject to some  
10 peculiar infirmity occasioned by excessive application to their peculiar species of work. Ramuzzini,  
an eminent Italian physician, has written a particular book concerning such diseases. We do not  
reckon our soldiers the most industrious set of people among us; yet when soldiers have been  
employed in some particular sorts of work, and liberally paid by the piece, their officers have  
frequently been obliged to stipulate with the undertaker, that they should not be allowed to earn  
above a certain sum every day, according to the rate at which they were paid. Till this stipulation was  
15 made, mutual emulation, and the desire of greater gain, frequently prompted them to overwork  
themselves, and to hurt their health by excessive labour. Excessive application, during four days of  
the week, is frequently the real cause of the idleness of the other three, so much and so loudly  
complained of. Great labour, either of mind or body, continued for several days together is, in most  
men, naturally followed by a great desire of relaxation, which, if not restrained by force, or by some  
strong necessity, is almost irresistible. It is the call of nature, which requires to be relieved by some  
indulgence, sometimes of ease only, but sometimes too of dissipation and diversion. If it is not  
20 complied with, the consequences are often dangerous and sometimes fatal, and such as almost  
always, sooner or later, bring on the peculiar infirmity of the trade. If masters would always listen to  
the dictates of reason and humanity, they have frequently occasion rather to moderate, than to  
animate the application of many of their workmen. It will be found, I believe, in every sort of trade,  
that the man who works so moderately, as to be able to work constantly, not only preserves his  
health the longest, but, in the course of the year, executes the greatest quantity of work.

25 In cheap years it is pretended, workmen are generally more idle, and in dear times more industrious  
than ordinary. A plentiful subsistence, therefore, it has been concluded, relaxes, and a scanty one  
quickens their industry. That a little more plenty than ordinary may render some workmen idle,  
cannot be well doubted; but that it should have this effect upon the greater part, or that men in  
general should work better when they are ill fed, than when they are well fed, when they are  
30 disheartened than when they are in good spirits, when they are frequently sick than when they are  
generally in good health, seems not very probable. Years of dearth, it is to be observed, are generally  
among the common people years of sickness and mortality, which cannot fail to diminish the  
produce of their industry.

35 In years of plenty, servants frequently leave their masters, and trust their subsistence to what they can  
make by their own industry. But the same cheapness of provisions, by increasing the fund which is  
destined for the maintenance of servants, encourages masters, farmers especially, to employ a greater  
number. Farmers, upon such occasions, expect more profit from their corn by maintaining a few

1 more labouring servants, than by selling it at a low price in the market. The demand for servants increases, while the number of those who offer to supply that demand diminishes. The price of labour, therefore, frequently rises in cheap years.

5 In years of scarcity, the difficulty and uncertainty of subsistence make all such people eager to return to service. But the high price of provisions, by diminishing the funds destined for the maintenance of servants, disposes masters rather to diminish than to increase the number of those they have. In dear years, too, poor independent workmen frequently consume the little stock with which they had used to supply themselves with the materials of their work, and are obliged to become journeymen for subsistence. More people want employment than easily get it; many are willing to take it upon lower terms than ordinary; and the wages of both servants and journeymen frequently sink in dear years.

10 Masters of all sorts, therefore, frequently make better bargains with their servants in dear than in cheap years, and find them more humble and dependent in the former than in the latter. They naturally, therefore, commend the former as more favourable to industry. Landlords and farmers, besides, two of the largest classes of masters, have another reason for being pleased with dear years. The rents of the one, and the profits of the other, depend very much upon the price of provisions. Nothing can be more absurd, however, than to imagine that men in general should work less when they work for themselves, than when they work for other people. A poor independent workman will generally be more industrious than even a journeyman who works by the piece. The one enjoys the whole produce of his own industry, the other shares it with his master. The one, in his separate independent state, is less liable to the temptations of bad company, which, in large manufactories, so frequently ruin the morals of the other. The superiority of the independent workman over those servants who are hired by the month or by the year, and whose wages and maintenance are the same, whether they do much or do little, is likely to be still greater. Cheap years tend to increase the proportion of independent workmen to journeymen and servants of all kinds, and dear years to diminish it.

25 A French author of great knowledge and ingenuity, Mr Messance, receiver of the taillies in the election of St Etienne, endeavours to shew that the poor do more work in cheap than in dear years, by comparing the quantity and value of the goods made upon those different occasions in three different manufactories; one of coarse woollens, carried on at Elbeuf; one of linen, and another of silk, both which extend through the whole generality of Rouen. It appears from his account, which is copied from the registers of the public offices, that the quantity and value of the goods made in all those three manufactories has generally been greater in cheap than in dear years, and that it has always been; greatest in the cheapest, and least in the dearest years. All the three seem to be stationary manufactories, or which, though their produce may vary somewhat from year to year, are, upon the whole, neither going backwards nor forwards.

35 The manufacture of linen in Scotland, and that of coarse woollens in the West Riding of Yorkshire, are growing manufactories, of which the produce is generally, though with some variations, increasing both in quantity and value. Upon examining, however, the accounts which have been published of their annual produce, I have not been able to observe that its variations have had any sensible connection with the dearness or cheapness of the seasons. In 1740, a year of great scarcity,

1 both manufactures, indeed, appear to have declined very considerably. But in 1756, another year or  
great scarcity, the Scotch manufactures made more than ordinary advances. The Yorkshire  
manufacture, indeed, declined, and its produce did not rise to what it had been in 1755, till 1766,  
after the repeal of the American stamp act. In that and the following year, it greatly exceeded what it  
had ever been before, and it has continued to advance ever since.

5 The produce of all great manufactures for distant sale must necessarily depend, not so much upon  
the dearness or cheapness of the seasons in the countries where they are carried on, as upon the  
circumstances which affect the demand in the countries where they are consumed; upon peace or  
war, upon the prosperity or declension of other rival manufactures and upon the good or bad  
humour of their principal customers. A great part of the extraordinary work, besides, which is  
10 probably done in cheap years, never enters the public registers of manufactures. The men-servants,  
who leave their masters, become independent labourers. The women return to their parents, and  
commonly spin, in order to make clothes for themselves and their families. Even the independent  
workmen do not always, work for public sale, but are employed by some of their neighbours in  
manufactures for family use. The produce of their labour, therefore, frequently makes no figure in  
those public registers, of which the records are sometimes published with so much parade, and from  
15 which our merchants and manufacturers would often vainly pretend to announce the prosperity or  
declension of the greatest empires.

Through the variations in the price of labour not only do not always correspond with those in the  
price of provisions, but are frequently quite opposite, we must not, upon this account, imagine that  
the price of provisions has no influence upon that of labour. The money price of labour is necessarily  
20 regulated by two circumstances; the demand for labour, and the price of the necessaries and  
conveniencies of life. The demand for labour, according as it happens to be increasing, stationary, or  
declining, or to require an increasing, stationary, or declining population, determines the quantities  
of the necessaries and conveniencies of life which must be given to the labourer; and the money price  
of labour is determined by what is requisite for purchasing this quantity. Though the money price of  
labour, therefore, is sometimes high where the price of provisions is low, it would be still higher, the  
demand continuing the same, if the price of provisions was high.

25 It is because the demand for labour increases in years of sudden and extraordinary plenty, and  
diminishes in those of sudden and extraordinary scarcity, that the money price of labour sometimes  
rises in the one, and sinks in the other.

30 In a year of sudden and extraordinary plenty, there are funds in the hands of many of the employers  
of industry, sufficient to maintain and employ a greater number of industrious people than had been  
employed the year before; and this extraordinary number cannot always be had. Those masters,  
therefore, who want more workmen, bid against one another, in order to get them, which sometimes  
raises both the real and the money price of their labour.

35 The contrary of this happens in a year of sudden and extraordinary scarcity. The funds destined for  
employing industry are less than they had been the year before. A considerable number of people are  
thrown out of employment, who bid one against another, in order to get it, which sometimes lowers  
both the real and the money price of labour. In 1740, a year of extraordinary scarcity, many people

1 were willing to work for bare subsistence. In the succeeding years of plenty, it was more difficult to  
get labourers and servants. The scarcity of a dear year, by diminishing the demand for labour, tends  
to lower its price, as the high price of provisions tends to raise it. The plenty of a cheap year, on the  
contrary, by increasing the demand, tends to raise the price of labour, as the cheapness of provisions  
5 tends to lower it. In the ordinary variations of the prices of provisions, those two opposite causes  
seem to counterbalance one another, which is probably, in part, the reason why the wages of labour  
are everywhere so much more steady and permanent than the price of provisions.

The increase in the wages of labour necessarily increases the price of many commodities, by  
increasing that part of it which resolves itself into wages, and so far tends to diminish their  
consumption, both at home and abroad. The same cause, however, which raises the wages of labour,  
10 the increase of stock, tends to increase its productive powers, and to make a smaller quantity of  
labour produce a greater quantity of work. The owner of the stock which employs a great number of  
labourers necessarily endeavours, for his own advantage, to make such a proper division and  
distribution of employment, that they may be enabled to produce the greatest quantity of work  
possible. For the same reason, he endeavours to supply them with the best machinery which either  
he or they can think of. What takes place among the labourers in a particular workhouse, takes place,  
15 for the same reason, among those of a great society. The greater their number, the more they  
naturally divide themselves into different classes and subdivisions of employments. More heads are  
occupied in inventing the most proper machinery for executing the work of each, and it is, therefore,  
more likely to be invented. There are many commodities, therefore, which, in consequence of these  
improvements, come to be produced by so much less labour than before, that the increase of its price  
is more than compensated by the diminution of its quantity.

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## BOOK II. OF THE NATURE, ACCUMULATION, AND EMPLOYMENT OF STOCK.

25

### INTRODUCTION.

30 In that rude state of society, in which there is no division of labour, in which exchanges are seldom  
made, and in which every man provides every thing for himself, it is not necessary that any stock  
should be accumulated, or stored up before-hand, in order to carry on the business of the society.  
Every man endeavours to supply, by his own industry, his own occasional wants, as they occur.  
When he is hungry, he goes to the forest to hunt; when his coat is worn out, he clothes himself with  
the skin of the first large animal he kills: and when his hut begins to go to ruin, he repairs it, as well  
35 as he can, with the trees and the turf that are nearest it.

1 But when the division of labour has once been thoroughly introduced, the produce of a man's own  
labour can supply but a very small part of his occasional wants. The far greater part of them are  
supplied by the produce of other men's labour, which he purchases with the produce, or, what is the  
same thing, with the price of the produce, of his own. But this purchase cannot be made till such  
5 time as the produce of his own labour has not only been completed, but sold. A stock of goods of  
different kinds, therefore, must be stored up somewhere, sufficient to maintain him, and to supply  
him with the materials and tools of his work, till such time at least as both these events can be  
brought about. A weaver cannot apply himself entirely to his peculiar business, unless there is before-  
hand stored up somewhere, either in his own possession, or in that of some other person, a stock  
sufficient to maintain him, and to supply him with the materials and tools of his work, till he has  
not only completed, but sold his web. This accumulation must evidently be previous to his applying  
10 his industry for so long a time to such a peculiar business.

As the accumulation of stock must, in the nature of things, be previous to the division of labour, so  
labour can be more and more subdivided in proportion only as stock is previously more and more  
accumulated. The quantity of materials which the same number of people can work up, increases in  
a great proportion as labour comes to be more and more subdivided; and as the operations of each  
15 workman are gradually reduced to a greater degree of simplicity, a variety of new machines come to  
be invented for facilitating and abridging those operations. As the division of labour advances,  
therefore, in order to give constant employment to an equal number of workmen, an equal stock of  
provisions, and a greater stock of materials and tools than what would have been necessary in a ruder  
state of things, must be accumulated before-hand. But the number of workmen in every branch of  
business generally increases with the division of labour in that branch; or rather it is the increase of  
20 their number which enables them to class and subdivide themselves in this manner.

As the accumulation of stock is previously necessary for carrying on this great improvement in the  
productive powers of labour, so that accumulation naturally leads to this improvement. The person  
who employs his stock in maintaining labour, necessarily wishes to employ it in such a manner as to  
produce as great a quantity of work as possible. He endeavours, therefore, both to make among his  
workmen the most proper distribution of employment, and to furnish them with the best machines  
25 which he can either invent or afford to purchase. His abilities, in both these respects, are generally in  
proportion to the extent of his stock, or to the number of people whom it can employ. The quantity  
of industry, therefore, not only increases in every country with the increase of the stock which  
employs it, but, in consequence of that increase, the same quantity of industry produces a much  
greater quantity of work.

30 Such are in general the effects of the increase of stock upon industry and its productive powers.

In the following book, I have endeavoured to explain the nature of stock, the effects of its  
accumulation into capital of different kinds, and the effects of the different employments of those  
capitals. This book is divided into five chapters. In the first chapter, I have endeavoured to shew  
what are the different parts or branches into which the stock, either of an individual, or of a great  
35 society, naturally divides itself. In the second, I have endeavoured to explain the nature and  
operation of money, considered as a particular branch of the general stock of the society. The stock  
which is accumulated into a capital, may either be employed by the person to whom it belongs, or it

1 may be lent to some other person. In the third and fourth chapters, I have endeavoured to examine  
the manner in which it operates in both these situations. The fifth and last chapter treats of the  
different effects which the different employments of capital immediately produce upon the quantity,  
both of national industry, and of the annual produce of land and labour.

## 5 CHAPTER I. OF THE DIVISION OF STOCK.

10 When the stock which a man possesses is no more than sufficient to maintain him for a few days or a  
few weeks, he seldom thinks of deriving any revenue from it. He consumes it as sparingly as he can,  
and endeavours, by his labour, to acquire something which may supply its place before it be  
consumed altogether. His revenue is, in this case, derived from his labour only. This is the state of  
the greater part of the labouring poor in all countries.

15 But when he possesses stock sufficient to maintain him for months or years, he naturally endeavours  
to derive a revenue from the greater part of it, reserving only so much for his immediate  
consumption as may maintain him till this revenue begins to come in. His whole stock, therefore, is  
distinguished into two parts. That part which he expects is to afford him this revenue is called his  
capital. The other is that which supplies his immediate consumption, and which consists either, first,  
in that portion of his whole stock which was originally reserved for this purpose; or, secondly, in his  
revenue, from whatever source derived, as it gradually comes in; or, thirdly, in such things as had  
been purchased by either of these in former years, and which are not yet entirely consumed, such as a  
20 stock of clothes, household furniture, and the like. In one or other, or all of these three articles,  
consists the stock which men commonly reserve for their own immediate consumption.

There are two different ways in which a capital may be employed so as to yield a revenue or profit to  
its employer.

25 First, it maybe employed in raising, manufacturing, or purchasing goods, and selling them again  
with a profit. The capital employed in this manner yields no revenue or profit to its employer, while  
it either remains in his possession, or continues in the same shape. The goods of the merchant yield  
him no revenue or profit till he sells them for money, and the money yields him as little till it is  
again exchanged for goods. His capital is continually going from him in one shape, and returning to  
him in another; and it is only by means of such circulation, or successive changes, that it can yield  
30 him any profit. Such capitals, therefore, may very properly be called circulating capitals.

Secondly, it may be employed in the improvement of land, in the purchase of useful machines and  
instruments of trade, or in such like things as yield a revenue or profit without changing masters, or  
circulating any further. Such capitals, therefore, may very properly be called fixed capitals.

35 Different occupations require very different proportions between the fixed and circulating capitals  
employed in them.

1 The capital of a merchant, for example, is altogether a circulating capital. He has occasion for no machines or instruments of trade, unless his shop or warehouse be considered as such.

Some part of the capital of every master artificer or manufacturer must be fixed in the instruments of his trade. This part, however, is very small in some, and very great in others, A master tailor requires  
5 no other instruments of trade but a parcel of needles. Those of the master shoemaker are a little, though but a very little, more expensive. Those of the weaver rise a good deal above those of the shoemaker. The far greater part of the capital of all such master artificers, however, is circulated either in the wages of their workmen, or in the price of their materials, and repaid, with a profit, by the price of the work.

10 In other works a much greater fixed capital is required. In a great iron-work, for example, the furnace for melting the ore, the forge, the slit-mill, are instruments of trade which cannot be erected without a very great expense. In coal works, and mines of every kind, the machinery necessary, both for drawing out the water, and for other purposes, is frequently still more expensive.

That part of the capital of the farmer which is employed in the instruments of agriculture is a fixed,  
15 that which is employed in the wages and maintenance of his labouring servants is a circulating capital. He makes a profit of the one by keeping it in his own possession, and of the other by parting with it. The price or value of his labouring cattle is a fixed capital, in the same manner as that of the instruments of husbandry; their maintenance is a circulating capital, in the same manner as that of the labouring servants. The farmer makes his profit by keeping the labouring cattle, and by parting with their maintenance. Both the price and the maintenance of the cattle which are bought in and fattened, not for labour, but for sale, are a circulating capital. The farmer makes his profit by parting  
20 with them. A flock of sheep or a herd of cattle, that, in a breeding country, is brought in neither for labour nor for sale, but in order to make a profit by their wool, by their milk, and by their increase, is a fixed capital. The profit is made by keeping them. Their maintenance is a circulating capital. The profit is made by parting with it; and it comes back with both its own profit and the profit upon the whole price of the cattle, in the price of the wool, the milk, and the increase. The whole value of the seed, too, is properly a fixed capital. Though it goes backwards and forwards between  
25 the ground and the granary, it never changes masters, and therefore does not properly circulate. The farmer makes his profit, not by its sale, but by its increase.

The general stock of any country or society is the same with that of all its inhabitants or members; and, therefore, naturally divides itself into the same three portions, each of which has a distinct function or office.

30 The first is that portion which is reserved for immediate consumption, and of which the characteristic is, that it affords no revenue or profit. It consists in the stock of food, clothes, household furniture, etc. which have been purchased by their proper consumers, but which are not yet entirely consumed. The whole stock of mere dwelling-houses, too, subsisting at anyone time in the country, make a part of this first portion. The stock that is laid out in a house, if it is to be the dwelling-house of the proprietor, ceases from that moment to serve in the function of a capital, or to  
35 afford any revenue to its owner. A dwelling-house, as such, contributes nothing to the revenue of its inhabitant; and though it is, no doubt, extremely useful to him, it is as his clothes and household



1 furniture are useful to him, which, however, make a part of his expense, and not of his revenue. If it  
is to be let to a tenant for rent, as the house itself can produce nothing, the tenant must always pay  
the rent out of some other revenue, which he derives, either from labour, or stock, or land. Though a  
house, therefore, may yield a revenue to its proprietor, and thereby serve in the function of a capital  
to him, it cannot yield any to the public, nor serve in the function of a capital to it, and the revenue  
5 of the whole body of the people can never be in the smallest degree increased by it. Clothes and  
household furniture, in the same manner, sometimes yield a revenue, and thereby serve in the  
function of a capital to particular persons. In countries where masquerades are common, it is a trade  
to let out masquerade dresses for a night. Upholsterers frequently let furniture by the month or by  
the year. Undertakers let the furniture of funerals by the day and by the week. Many people let  
furnished houses, and get a rent, not only for the use of the house, but for that of the furniture. The  
10 revenue, however, which is derived from such things, must always be ultimately drawn from some  
other source of revenue. Of all parts of the stock, either of an individual or of a society, reserved for  
immediate consumption, what is laid out in houses is most slowly consumed. A stock of clothes may  
last several years; a stock of furniture half a century or a century; but a stock of houses, well built and  
properly taken care of, may last many centuries. Though the period of their total consumption,  
however, is more distant, they are still as really a stock reserved for immediate consumption as either  
15 clothes or household furniture.

The second of the three portions into which the general stock of the society divides itself, is the fixed  
capital; of which the characteristic is, that it affords a revenue or profit without circulating or  
changing masters. It consists chiefly of the four following articles.

20 First, of all useful machines and instruments of trade, which facilitate and abridge labour.

Secondly, of all those profitable buildings which are the means of procuring a revenue, not only to  
the proprietor who lets them for a rent, but to the person who possesses them, and pays that rent for  
them; such as shops, warehouses, work-houses, farm-houses, with all their necessary buildings,  
stables, granaries, etc. These are very different from mere dwelling-houses. They are a sort of  
instruments of trade, and may be considered in the same light.

25 Thirdly, of the improvements of land, of what has been profitably laid out in clearing, draining,  
inclosing, manuring, and reducing it into the condition most proper for tillage and culture. An  
improved farm may very justly be regarded in the same light as those useful machines which facilitate  
and abridge labour, and by means of which an equal circulating capital can afford a much greater  
revenue to its employer. An improved farm is equally advantageous and more durable than any of  
30 those machines, frequently requiring no other repairs than the most profitable application of the  
farmer's capital employed in cultivating it.

35 Fourthly, of the acquired and useful abilities of all the inhabitants and members of the society. The  
acquisition of such talents, by the maintenance of the acquirer during his education, study, or  
apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his  
person. Those talents, as they make a part of his fortune, so do they likewise that of the society to  
which he belongs. The improved dexterity of a workman may be considered in the same light as a

1 machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit.

The third and last of the three portions into which the general stock of the society naturally divides itself, is the circulating capital, of which the characteristic is, that it affords a revenue only by  
5 circulating or changing masters. It is composed likewise of four parts.

First, of the money, by means of which all the other three are circulated and distributed to their proper consumers.

10 Secondly, of the stock of provisions which are in the possession of the butcher, the grazier, the farmer, the corn-merchant, the brewer, etc. and from the sale of which they expect to derive a profit.

Thirdly, of the materials, whether altogether rude, or more or less manufactured, of clothes, furniture, and building which are not yet made up into any of those three shapes, but which remain in the hands of the growers, the manufacturers, the mercers, and drapers, the timber-merchants, the carpenters and joiners, the brick-makers, etc.

15 Fourthly, and lastly, of the work which is made up and completed, but which is still in the hands of the merchant and manufacturer, and not yet disposed of or distributed to the proper consumers; such as the finished work which we frequently find ready made in the shops of the smith, the cabinet-maker, the goldsmith, the jeweller, the china-merchant, etc. The circulating capital consists, in this manner, of the provisions, materials, and finished work of all kinds that are in the hands of  
20 their respective dealers, and of the money that is necessary for circulating and distributing them to those who are finally to use or to consume them.

Of these four parts, three—provisions, materials, and finished work, are either annually or in a longer or shorter period, regularly withdrawn from it, and placed either in the fixed capital, or in the stock reserved for immediate consumption.

25 Every fixed capital is both originally derived from, and requires to be continually supported by, a circulating capital. All useful machines and instruments of trade are originally derived from a circulating capital, which furnishes the materials of which they are made, and the maintenance of the workmen who make them. They require, too, a capital of the same kind to keep them in constant repair.

30 No fixed capital can yield any revenue but by means of a circulating capital. The most useful machines and instruments of trade will produce nothing, without the circulating capital, which affords the materials they are employed upon, and the maintenance of the workmen who employ them. Land, however improved, will yield no revenue without a circulating capital, which maintains the labourers who cultivate and collect its produce.

35 To maintain and augment the stock which maybe reserved for immediate consumption, is the sole end and purpose both of the fixed and circulating capitals. It is this stock which feeds, clothes, and

1 lodges the people. Their riches or poverty depend upon the abundant or sparing supplies which those two capitals can afford to the stock reserved for immediate consumption.

5 So great a part of the circulating capital being continually withdrawn from it, in order to be placed in the other two branches of the general stock of the society, it must in its turn require continual supplies without which it would soon cease to exist. These supplies are principally drawn from three sources; the produce of land, of mines, and of fisheries. These afford continual supplies of provisions and materials, of which part is afterwards wrought up into finished work and by which are replaced the provisions, materials, and finished work, continually withdrawn from the circulating capital. From mines, too, is drawn what is necessary for maintaining and augmenting that part of it which consists in money. For though, in the ordinary course of business, this part is not, like the other 10 three, necessarily withdrawn from it, in order to be placed in the other two branches of the general stock of the society, it must, however, like all other things, be wasted and worn out at last, and sometimes, too, be either lost or sent abroad, and must, therefore, require continual, though no doubt much smaller supplies.

15 Lands, mines, and fisheries, require all both a fixed and circulating capital to cultivate them; and their produce replaces, with a profit not only those capitals, but all the others in the society. Thus the farmer annually replaces to the manufacturer the provisions which he had consumed, and the materials which he had wrought up the year before; and the manufacturer replaces to the farmer the finished work which he had wasted and worn out in the same time. This is the real exchange that is annually made between those two orders of people, though it seldom happens that the rude produce of the one, and the manufactured produce of the other, are directly bartered for one another; because it seldom happens that the farmer sells his corn and his cattle, his flax and his wool, to the very same 20 person of whom he chuses to purchase the clothes, furniture, and instruments of trade, which he wants. He sells, therefore, his rude produce for money, with which he can purchase, wherever it is to be had, the manufactured produce he has occasion for. Land even replaces, in part at least, the capitals with which fisheries and mines are cultivated. It is the produce of land which draws the fish from the waters; and it is the produce of the surface of the earth which extracts the minerals from its bowels.

25 The produce of land, mines, and fisheries, when their natural fertility is equal, is in proportion to the extent and proper application of the capitals employed about them. When the capitals are equal, and equally well applied, it is in proportion to their natural fertility.

30 In all countries where there is a tolerable security, every man of common understanding will endeavour to employ whatever stock he can command, in procuring either present enjoyment or future profit. If it is employed in procuring present enjoyment, it is a stock reserved for immediate consumption. If it is employed in procuring future profit, it must procure this profit either by staying with him, or by going from him. In the one case it is a fixed, in the other it is a circulating capital. A man must be perfectly crazy, who, where there is a tolerable security, does not employ all the stock which he commands, whether it be his own, or borrowed of other people, in some one or 35 other of those three ways.

1 In those unfortunate countries, indeed, where men are continually afraid of the violence of their  
superiors, they frequently bury or conceal a great part of their stock, in order to have it always at  
hand to carry with them to some place of safety, in case of their being threatened with any of those  
disasters to which they consider themselves at all times exposed. This is said to be a common practice  
in Turkey, in Indostan, and, I believe, in most other governments of Asia. It seems to have been a  
5 common practice among our ancestors during the violence of the feudal government. Treasure-trove  
was, in these times, considered as no contemptible part of the revenue of the greatest sovereigns in  
Europe. It consisted in such treasure as was found concealed in the earth, and to which no particular  
person could prove any right. This was regarded, in those times, as so important an object, that it  
was always considered as belonging to the sovereign, and neither to the finder nor to the proprietor  
of the land, unless the right to it had been conveyed to the latter by an express clause in his charter.  
10 It was put upon the same footing with gold and silver mines, which, without a special clause in the  
charter, were never supposed to be comprehended in the general grant of the lands, though mines of  
lead, copper, tin, and coal were, as things of smaller consequence.

## 15 **BOOK III. OF THE DIFFERENT PROGRESS OF OPULENCE IN DIFFERENT NATIONS**

### 20 **CHAPTER I. OF THE NATURAL PROGRESS OF OPULENCE.**

The great commerce of every civilized society is that carried on between the inhabitants of the town  
and those of the country. It consists in the exchange of rude for manufactured produce, either  
immediately, or by the intervention of money, or of some sort of paper which represents money.  
25 The country supplies the town with the means of subsistence and the materials of manufacture. The  
town repays this supply, by sending back a part of the manufactured produce to the inhabitants of  
the country. The town, in which there neither is nor can be any reproduction of substances, may  
very properly be said to gain its whole wealth and subsistence from the country. We must not,  
however, upon this account, imagine that the gain of the town is the loss of the country. The gains  
of both are mutual and reciprocal, and the division of labour is in this, as in all other cases,  
30 advantageous to all the different persons employed in the various occupations into which it is  
subdivided. The inhabitants of the country purchase of the town a greater quantity of manufactured  
goods with the produce of a much smaller quantity of their own labour, than they must have  
employed had they attempted to prepare them themselves. The town affords a market for the surplus  
produce of the country, or what is over and above the maintenance of the cultivators; and it is there  
that the inhabitants of the country exchange it for something else which is in demand among them.  
35 The greater the number and revenue of the inhabitants of the town, the more extensive is the market  
which it affords to those of the country; and the more extensive that market, it is always the more

1 advantageous to a great number. The corn which grows within a mile of the town, sells there for the  
same price with that which comes from twenty miles distance. But the price of the latter must,  
generally, not only pay the expense of raising it and bringing it to market, but afford, too, the  
ordinary profits of agriculture to the farmer. The proprietors and cultivators of the country,  
therefore, which lies in the neighbourhood of the town, over and above the ordinary profits of  
5 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 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, it has never been pretended  
10 that either the country loses by its commerce with the town, or the town by that with the country  
which maintains it.

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  
15 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 the  
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  
20 in the progress of opulence in different ages and nations.

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 institutions had  
never thwarted those natural inclinations, the towns could nowhere 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 completely cultivated and improved. Upon equal, or  
25 nearly equal profits, most men will choose 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 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  
30 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 pleasure 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 everybody; 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  
35 primitive employment.

1 Without the assistance of some artificers, indeed, the cultivation of land cannot be carried on, but  
with great inconveniency and continual interruption. Smiths, carpenters, wheelwrights and  
ploughwrights, masons and bricklayers, tanners, shoemakers, and tailors, are people whose service  
the farmer has frequent occasion for. Such artificers, too, stand occasionally in need of the assistance  
5 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  
10 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 only in proportion to  
the extension of improvement and cultivation. Had human institutions, therefore, never disturbed  
15 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 of country.

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. When an artificer  
20 has acquired a little 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. 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; but that a planter who  
cultivates his own land, and derives his necessary subsistence from the labour of his own family, is  
25 really a master, and independent of all the world.

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 prepare work for more distant sale. The smith erects some  
30 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  
farther.

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  
35 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

1 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 domestic 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  
5 considerable advantage that the 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 wealth of ancient  
Egypt, that of China and Indostan, sufficiently demonstrate that a nation may attain a very high  
degree of opulence, though the greater part of its exportation trade be carried on by foreigners. 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.

10 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  
15 manufacturing kind must have been carried on in those towns, before they could well think of  
employing themselves in foreign commerce.

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  
20 improvements of agriculture. The manners and customs which the nature of their original  
government introduced, and which remained after that government was greatly altered, necessarily  
forced them into this unnatural and retrograde order.

## 25 **BOOK IV. OF SYSTEMS OF POLITICAL ECONOMY.**

Political economy, considered as a branch of the science of a statesman or legislator, proposes two  
distinct objects; first, to provide a plentiful revenue or subsistence for the people, or, more properly,  
to enable them to provide such a revenue or subsistence for themselves; and, secondly, to supply the  
30 state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both  
the people and the sovereign.

The different progress of opulence in different ages and nations, has given occasion to two different  
systems of political economy, with regard to enriching the people. The one may be called the system  
of commerce, the other that of agriculture. I shall endeavour to explain both as fully and distinctly as  
35 I can, and shall begin with the system of commerce. It is the modern system, and is best understood  
in our own country and in our own times.

## CHAPTER I. OF THE PRINCIPLE OF THE COMMERCIAL OR MERCANTILE SYSTEM.

That wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value. In consequence of its being the instrument of commerce, when we have money we can more readily obtain whatever else we have occasion for, than by means of any other commodity. The great affair, we always find, is to get money. When that is obtained, there is no difficulty in making any subsequent purchase. In consequence of its being the measure of value, we estimate that of all other commodities by the quantity of money which they will exchange for. We say of a rich man, that he is worth a great deal, and of a poor man, that he is worth very little money. A frugal man, or a man eager to be rich, is said to love money; and a careless, a generous, or a profuse man, is said to be indifferent about it. To grow rich is to get money; and wealth and money, in short, are, in common language, considered as in every respect synonymous.

A rich country, in the same manner as a rich man, is supposed to be a country abounding in money; and to heap up gold and silver in any country is supposed to be the readiest way to enrich it. For some time after the discovery of America, the first inquiry of the Spaniards, when they arrived upon any unknown coast, used to be, if there was any gold or silver to be found in the neighbourhood? By the information which they received, they judged whether it was worth while to make a settlement there, or if the country was worth the conquering. Plano Carpino, a monk sent ambassador from the king of France to one of the sons of the famous Gengis Khan, says, that the Tartars used frequently to ask him, if there was plenty of sheep and oxen in the kingdom of France? Their inquiry had the same object with that of the Spaniards. They wanted to know if the country was rich enough to be worth the conquering. Among the Tartars, as among all other nations of shepherds, who are generally ignorant of the use of money, cattle are the instruments of commerce and the measures of value. Wealth, therefore, according to them, consisted in cattle, as, according to the Spaniards, it consisted in gold and silver. Of the two, the Tartar notion, perhaps, was the nearest to the truth.

Mr Locke remarks a distinction between money and other moveable goods. All other moveable goods, he says, are of so consumable a nature, that the wealth which consists in them cannot be much depended on; and a nation which abounds in them one year may, without any exportation, but merely by their own waste and extravagance, be in great want of them the next. Money, on the contrary, is a steady friend, which, though it may travel about from hand to hand, yet if it can be kept from going out of the country, is not very liable to be wasted and consumed. Gold and silver, therefore, are, according to him, the most solid and substantial part of the moveable wealth of a nation; and to multiply those metals ought, he thinks, upon that account, to be the great object of its political economy.



1 Others admit, that if a nation could be separated from all the world, it would be of no consequence  
how much or how little money circulated in it. The consumable goods, which were circulated by  
means of this money, would only be exchanged for a greater or a smaller number of pieces; but the  
real wealth or poverty of the country, they allow, would depend altogether upon the abundance or  
5 scarcity of those consumable goods. But it is otherwise, they think, with countries which have  
connections with foreign nations, and which are obliged to carry on foreign wars, and to maintain  
fleets and armies in distant countries. This, they say, cannot be done, but by sending abroad money  
to pay them with; and a nation cannot send much money abroad, unless it has a good deal at home.  
Every such nation, therefore, must endeavour, in time of peace, to accumulate gold and silver, that  
when occasion requires, it may have wherewithal to carry on foreign wars.

10 In consequence of those popular notions, all the different nations of Europe have studied, though to  
little purpose, every possible means of accumulating gold and silver in their respective countries.  
Spain and Portugal, the proprietors of the principal mines which supply Europe with those metals,  
have either prohibited their exportation under the severest penalties, or subjected it to a considerable  
duty. The like prohibition seems anciently to have made a part of the policy of most other European  
nations. It is even to be found, where we should least of all expect to find it, in some old Scotch acts  
15 of Parliament, which forbid, under heavy penalties, the carrying gold or silver forth of the kingdom.  
The like policy anciently took place both in France and England.

When those countries became commercial, the merchants found this prohibition, upon many  
occasions, extremely inconvenient. They could frequently buy more advantageously with gold and  
silver, than with any other commodity, the foreign goods which they wanted, either to import into  
their own, or to carry to some other foreign country. They remonstrated, therefore, against this  
20 prohibition as hurtful to trade.

They represented, first, that the exportation of gold and silver, in order to purchase foreign goods,  
did not always diminish the quantity of those metals in the kingdom; that, on the contrary, it might  
frequently increase the quantity; because, if the consumption of foreign goods was not thereby  
increased in the country, those goods might be re-exported to foreign countries, and being there sold  
25 for a large profit, might bring back much more treasure than was originally sent out to purchase  
them. Mr Mun compares this operation of foreign trade to the seed-time and harvest of agriculture.  
"If we only behold," says he, "the actions of the husbandman in the seed time, when he casteth away  
much good corn into the ground, we shall account him rather a madman than a husbandman. But  
when we consider his labours in the harvest, which is the end of his endeavours, we shall find the  
worth and plentiful increase of his actions."

30 They represented, secondly, that this prohibition could not hinder the exportation of gold and silver,  
which, on account of the smallness of their bulk in proportion to their value, could easily be  
smuggled abroad. That this exportation could only be prevented by a proper attention to what they  
called the balance of trade. That when the country exported to a greater value than it imported, a  
balance became due to it from foreign nations, which was necessarily paid to it in gold and silver,  
and thereby increased the quantity of those metals in the kingdom. But that when it imported to a  
35 greater value than it exported, a contrary balance became due to foreign nations, which was  
necessarily paid to them in the same manner, and thereby diminished that quantity: that in this case,

1 to prohibit the exportation of those metals, could not prevent it, but only, by making it more  
dangerous, render it more expensive: that the exchange was thereby turned more against the country  
which owed the balance, than it otherwise might have been; the merchant who purchased a bill upon  
the foreign country being obliged to pay the banker who sold it, not only for the natural risk,  
trouble, and expense of sending the money thither, but for the extraordinary risk arising from the  
5 prohibition; but that the more the exchange was against any country, the more the balance of trade  
became necessarily against it; the money of that country becoming necessarily of so much less value,  
in comparison with that of the country to which the balance was due. That if the exchange between  
England and Holland, for example, was five per cent. against England, it would require 105 ounces  
of silver in England to purchase a bill for 100 ounces of silver in Holland: that 105 ounces of silver  
in England, therefore, would be worth only 100 ounces of silver in Holland, and would purchase  
10 only a proportionable quantity of Dutch goods; but that 100 ounces of silver in Holland, on the  
contrary, would be worth 105 ounces in England, and would purchase a proportionable quantity of  
English goods; that the English goods which were sold to Holland would be sold so much cheaper,  
and the Dutch goods which were sold to England so much dearer, by the difference of the exchange:  
that the one would draw so much less Dutch money to England, and the other so much more  
English money to Holland, as this difference amounted to: and that the balance of trade, therefore,  
15 would necessarily be so much more against England, and would require a greater balance of gold and  
silver to be exported to Holland.

Those arguments were partly solid and partly sophistical. They were solid, so far as they asserted that  
the exportation of gold and silver in trade might frequently be advantageous to the country. They  
were solid, too, in asserting that no prohibition could prevent their exportation, when private people  
found any advantage in exporting them. But they were sophistical, in supposing, that either to  
20 preserve or to augment the quantity of those metals required more the attention of government, than  
to preserve or to augment the quantity of any other useful commodities, which the freedom of trade,  
without any such attention, never fails to supply in the proper quantity. They were sophistical, too,  
perhaps, in asserting that the high price of exchange necessarily increased what they called the  
unfavourable balance of trade, or occasioned the exportation of a greater quantity of gold and silver.  
That high price, indeed, was extremely disadvantageous to the merchants who had any money to pay  
25 in foreign countries. They paid so much dearer for the bills which their bankers granted them upon  
those countries. But though the risk arising from the prohibition might occasion some extraordinary  
expense to the bankers, it would not necessarily carry any more money out of the country. This  
expense would generally be all laid out in the country, in smuggling the money out of it, and could  
seldom occasion the exportation of a single sixpence beyond the precise sum drawn for. The high  
price of exchange, too, would naturally dispose the merchants to endeavour to make their exports  
30 nearly balance their imports, in order that they might have this high exchange to pay upon as small a  
sum as possible. The high price of exchange, besides, must necessarily have operated as a tax, in  
raising the price of foreign goods, and thereby diminishing their consumption. It would tend,  
therefore, not to increase, but to diminish, what they called the unfavourable balance of trade, and  
consequently the exportation of gold and silver.

35 Such as they were, however, those arguments convinced the people to whom they were addressed.  
They were addressed by merchants to parliaments and to the councils of princes, to nobles, and to  
country gentlemen; by those who were supposed to understand trade, to those who were conscious

1 to them selves that they knew nothing about the matter. That foreign trade enriched the country,  
experience demonstrated to the nobles and country gentlemen, as well as to the merchants; but how,  
or in what manner, none of them well knew. The merchants knew perfectly in what manner it  
enriched themselves, it was their business to know it. But to know in what manner it enriched the  
country, was no part of their business. The subject never came into their consideration, but when  
5 they had occasion to apply to their country for some change in the laws relating to foreign trade. It  
then became necessary to say something about the beneficial effects of foreign trade, and the manner  
in which those effects were obstructed by the laws as they then stood. To the judges who were to  
decide the business, it appeared a most satisfactory account of the matter, when they were told that  
foreign trade brought money into the country, but that the laws in question hindered it from  
10 bringing so much as it otherwise would do. Those arguments, therefore, produced the wished-for  
effect. The prohibition of exporting gold and silver was, in France and England, confined to the coin  
of those respective countries. The exportation of foreign coin and of bullion was made free. In  
Holland, and in some other places, this liberty was extended even to the coin of the country. The  
attention of government was turned away from guarding against the exportation of gold and silver,  
to watch over the balance of trade, as the only cause which could occasion any augmentation or  
diminution of those metals. From one fruitless care, it was turned away to another care much more  
15 intricate, much more embarrassing, and just equally fruitless. The title of Mun's book, England's  
Treasure in Foreign Trade, became a fundamental maxim in the political economy, not of England  
only, but of all other commercial countries. The inland or home trade, the most important of all, the  
trade in which an equal capital affords the greatest revenue, and creates the greatest employment to  
the people of the country, was considered as subsidiary only to foreign trade. It neither brought  
money into the country, it was said, nor carried any out of it. The country, therefore, could never  
20 become either richer or poorer by means of it, except so far as its prosperity or decay might indirectly  
influence the state of foreign trade.

A country that has no mines of its own, must undoubtedly draw its gold and silver from foreign  
countries, in the same manner as one that has no vineyards of its own must draw its wines. It does  
not seem necessary, however, that the attention of government should be more turned towards the  
one than towards the other object. A country that has wherewithal to buy wine, will always get the  
25 wine which it has occasion for; and a country that has wherewithal to buy gold and silver, will never  
be in want of those metals. They are to be bought for a certain price, like all other commodities; and  
as they are the price of all other commodities, so all other commodities are the price of those metals.  
We trust, with perfect security, that the freedom of trade, without any attention of government, will  
always supply us with the wine which we have occasion for; and we may trust, with equal security,  
30 that it will always supply us with all the gold and silver which we can afford to purchase or to  
employ, either in circulating our commodities or in other uses.

The quantity of every commodity which human industry can either purchase or produce, naturally  
regulates itself in every country according to the effectual demand, or according to the demand of  
those who are willing to pay the whole rent, labour, and profits, which must be paid in order to  
prepare and bring it to market. But no commodities regulate themselves more easily or more exactly,  
35 according to this effectual demand, than gold and silver; because, on account of the small bulk and  
great value of those metals, no commodities can be more easily transported from one place to  
another; from the places where they are cheap, to those where they are dear; from the places where

1 they exceed, to those where they fall short of this effectual demand. If there were in England, for  
example, an effectual demand for an additional quantity of gold, a packet-boat could bring from  
Lisbon, or from wherever else it was to be had, fifty tons of gold, which could be coined into more  
than five millions of guineas. But if there were an effectual demand for grain to the same value, to  
import it would require, at five guineas a-ton, a million of tons of shipping, or a thousand ships of a  
5 thousand tons each. The navy of England would not be sufficient.

When the quantity of gold and silver imported into any country exceeds the effectual demand, no  
vigilance of government can prevent their exportation. All the sanguinary laws of Spain and Portugal  
are not able to keep their gold and silver at home. The continual importations from Peru and Brazil  
exceed the effectual demand of those countries, and sink the price of those metals there below that in  
10 the neighbouring countries. If, on the contrary, in any particular country, their quantity fell short of  
the effectual demand, so as to raise their price above that of the neighbouring countries, the  
government would have no occasion to take any pains to import them. If it were even to take pains  
to prevent their importation, it would not be able to effectuate it. Those metals, when the Spartans  
had got wherewithal to purchase them, broke through all the barriers which the laws of Lycurgus  
opposed to their entrance into Lacedaemon. All the sanguinary laws of the customs are not able to  
15 prevent the importation of the teas of the Dutch and Gottenburg East India companies; because  
somewhat cheaper than those of the British company. A pound of tea, however, is about a hundred  
times the bulk of one of the highest prices, sixteen shillings, that is commonly paid for it in silver,  
and more than two thousand times the bulk of the same price in gold, and, consequently, just so  
many times more difficult to smuggle.

It is partly owing to the easy transportation of gold and silver, from the places where they abound to  
20 those where they are wanted, that the price of those metals does not fluctuate continually, like that  
of the greater part of other commodities, which are hindered by their bulk from shifting their  
situation, when the market happens to be either over or under-stocked with them. The price of those  
metals, indeed, is not altogether exempted from variation; but the changes to which it is liable are  
generally slow, gradual, and uniform. In Europe, for example, it is supposed, without much  
25 foundation, perhaps, that during the course of the present and preceding century, they have been  
constantly, but gradually, sinking in their value, on account of the continual importations from the  
Spanish West Indies. But to make any sudden change in the price of gold and silver, so as to raise or  
lower at once, sensibly and remarkably, the money price of all other commodities, requires such a  
revolution in commerce as that occasioned by the discovery of America.

If, notwithstanding all this, gold and silver should at any time fall short in a country which has  
30 wherewithal to purchase them, there are more expedients for supplying their place, than that of  
almost any other commodity. If the materials of manufacture are wanted, industry must stop. If  
provisions are wanted, the people must starve. But if money is wanted, barter will supply its place,  
though with a good deal of inconveniency. Buying and selling upon credit, and the different dealers  
compensating their credits with one another, once a-month, or once a-year, will supply it with less  
inconveniency. A well-regulated paper-money will supply it not only without any inconveniency,  
35 but, in some cases, with some advantages. Upon every account, therefore, the attention of  
government never was so unnecessarily employed, as when directed to watch over the preservation or  
increase of the quantity of money in any country.

1 No complaint, however, is more common than that of a scarcity of money. Money, like wine, must  
always be scarce with those who have neither wherewithal to buy it, nor credit to borrow it. Those  
who have either, will seldom be in want either of the money, or of the wine which they have  
occasion for. This complaint, however, of the scarcity of money, is not always confined to  
improvident spendthrifts. It is sometimes general through a whole mercantile town and the country  
5 in its neighbourhood. Over-trading is the common cause of it. Sober men, whose projects have been  
disproportioned to their capitals, are as likely to have neither wherewithal to buy money, nor credit  
to borrow it, as prodigals, whose expense has been disproportioned to their revenue. Before their  
projects can be brought to bear, their stock is gone, and their credit with it. They run about  
everywhere to borrow money, and everybody tells them that they have none to lend. Even such  
general complaints of the scarcity of money do not always prove that the usual number of gold and  
10 silver pieces are not circulating in the country, but that many people want those pieces who have  
nothing to give for them. When the profits of trade happen to be greater than ordinary over-trading  
becomes a general error, both among great and small dealers. They do not always send more money  
abroad than usual, but they buy upon credit, both at home and abroad, an unusual quantity of  
goods, which they send to some distant market, in hopes that the returns will come in before the  
demand for payment. The demand comes before the returns, and they have nothing at hand with  
15 which they can either purchase money or give solid security for borrowing. It is not any scarcity of  
gold and silver, but the difficulty which such people find in borrowing, and which their creditor find  
in getting payment, that occasions the general complaint of the scarcity of money.

It would be too ridiculous to go about seriously to prove, that wealth does not consist in money, or  
in gold and silver; but in what money purchases, and is valuable only for purchasing. Money, no  
doubt, makes always a part of the national capital; but it has already been shown that it generally  
20 makes but a small part, and always the most unprofitable part of it.

It is not because wealth consists more essentially in money than in goods, that the merchant finds it  
generally more easy to buy goods with money, than to buy money with goods; but because money is  
the known and established instrument of commerce, for which every thing is readily given in  
exchange, but which is not always with equal readiness to be got in exchange for every thing. The  
25 greater part of goods, besides, are more perishable than money, and he may frequently sustain a  
much greater loss by keeping them. When his goods are upon hand, too, he is more liable to such  
demands for money as he may not be able to answer, than when he has got their price in his coffers.  
Over and above all this, his profit arises more directly from selling than from buying; and he is, upon  
all these accounts, generally much more anxious to exchange his goods for money than his money  
for goods. But though a particular merchant, with abundance of goods in his warehouse, may  
30 sometimes be ruined by not being able to sell them in time, a nation or country is not liable to the  
same accident, The whole capital of a merchant frequently consists in perishable goods destined for  
purchasing money. But it is but a very small part of the annual produce of the land and labour of a  
country, which can ever be destined for purchasing gold and silver from their neighbours. The far  
greater part is circulated and consumed among themselves; and even of the surplus which is sent  
abroad, the greater part is generally destined for the purchase of other foreign goods. Though gold  
35 and silver, therefore, could not be had in exchange for the goods destined to purchase them, the  
nation would not be ruined. It might, indeed, suffer some loss and inconveniency, and be forced  
upon some of those expedients which are necessary for supplying the place of money. The annual

1 produce of its land and labour, however, would be the same, or very nearly the same as usual;  
because the same, or very nearly the same consumable capital would be employed in maintaining it.  
And though goods do not always draw money so readily as money draws goods, in the long-run they  
draw it more necessarily than even it draws them. Goods can serve many other purposes besides  
purchasing money, but money can serve no other purpose besides purchasing goods. Money,  
5 therefore, necessarily runs after goods, but goods do not always or necessarily run after money. The  
man who buys, does not always mean to sell again, but frequently to use or to consume; whereas he  
who sells always means to buy again. The one may frequently have done the whole, but the other  
can never have done more than the one half of his business. It is not for its own sake that men desire  
money, but for the sake of what they can purchase with it.

10 Consumable commodities, it is said, are soon destroyed; whereas gold and silver are of a more  
durable nature, and were it not for this continual exportation, might be accumulated for ages  
together, to the incredible augmentation of the real wealth of the country. Nothing, therefore, it is  
pretended, can be more disadvantageous to any country, than the trade which consists in the  
exchange of such lasting for such perishable commodities. We do not, however, reckon that trade  
disadvantageous, which consists in the exchange of the hardware of England for the wines of France,  
15 and yet hardware is a very durable commodity, and were it not for this continual exportation, might  
too be accumulated for ages together, to the incredible augmentation of the pots and pans of the  
country. But it readily occurs, that the number of such utensils is in every country necessarily limited  
by the use which there is for them; that it would be absurd to have more pots and pans than were  
necessary for cooking the victuals usually consumed there; and that, if the quantity of victuals were  
to increase, the number of pots and pans would readily increase along with it; a part of the increased  
quantity of victuals being employed in purchasing them, or in maintaining an additional number of  
20 workmen whose business it was to make them. It should as readily occur, that the quantity of gold  
and silver is, in every country, limited by the use which there is for those metals; that their use  
consists in circulating commodities, as coin, and in affording a species of household furniture, as  
plate; that the quantity of coin in every country is regulated by the value of the commodities which  
are to be circulated by it; increase that value, and immediately a part of it will be sent abroad to  
purchase, wherever it is to be had, the additional quantity of coin requisite for circulating them: that  
25 the quantity of plate is regulated by the number and wealth of those private families who choose to  
indulge themselves in that sort of magnificence; increase the number and wealth of such families,  
and a part of this increased wealth will most probably be employed in purchasing, wherever it is to  
be found, an additional quantity of plate; that to attempt to increase the wealth of any country,  
either by introducing or by detaining in it an unnecessary quantity of gold and silver, is as absurd as  
it would be to attempt to increase the good cheer of private families, by obliging them to keep an  
30 unnecessary number of kitchen utensils. As the expense of purchasing those unnecessary utensils  
would diminish, instead of increasing, either the quantity or goodness of the family provisions; so  
the expense of purchasing an unnecessary quantity of gold and silver must, in every country, as  
necessarily diminish the wealth which feeds, clothes, and lodges, which maintains and employs the  
people. Gold and silver, whether in the shape of coin or of plate, are utensils, it must be  
remembered, as much as the furniture of the kitchen. Increase the use of them, increase the  
35 consumable commodities which are to be circulated, managed, and prepared by means of them, and  
you will infallibly increase the quantity; but if you attempt by extraordinary means to increase the  
quantity, you will as infallibly diminish the use, and even the quantity too, which in those metals can

1 never be greater than what the use requires. Were they ever to be accumulated beyond this quantity, their transportation is so easy, and the loss which attends their lying idle and unemployed so great, that no law could prevent their being immediately sent out of the country.

5 It is not always necessary to accumulate gold and silver, in order to enable a country to carry on foreign wars, and to maintain fleets and armies in distant countries. Fleets and armies are maintained, not with gold and silver, but with consumable goods. The nation which, from the annual produce of its domestic industry, from the annual revenue arising out of its lands, and labour, and consumable stock, has wherewithal to purchase those consumable goods in distant countries, can maintain foreign wars there.

10 A nation may purchase the pay and provisions of an army in a distant country three different ways; by sending abroad either, first, some part of its accumulated gold and silver; or, secondly, some part of the annual produce of its manufactures; or, last of all, some part of its annual rude produce.

15 The gold and silver which can properly be considered as accumulated, or stored up in any country, may be distinguished into three parts; first, the circulating money; secondly, the plate of private families; and, last of all, the money which may have been collected by many years parsimony, and laid up in the treasury of the prince.

20 It can seldom happen that much can be spared from the circulating money of the country; because in that there can seldom be much redundancy. The value of goods annually bought and sold in any country requires a certain quantity of money to circulate and distribute them to their proper consumers, and can give employment to no more. The channel of circulation necessarily draws to itself a sum sufficient to fill it, and never admits any more. Something, however, is generally withdrawn from this channel in the case of foreign war. By the great number of people who are maintained abroad, fewer are maintained at home. Fewer goods are circulated there, and less money becomes necessary to circulate them. An extraordinary quantity of paper money of some sort or other, too, such as exchequer notes, navy bills, and bank bills, in England, is generally issued upon such occasions, and, by supplying the place of circulating gold and silver, gives an opportunity of sending a greater quantity of it abroad. All this, however, could afford but a poor resource for maintaining a foreign war, of great expense, and several years duration.

30 The melting down of the plate of private families has, upon every occasion, been found a still more insignificant one. The French, in the beginning of the last war, did not derive so much advantage from this expedient as to compensate the loss of the fashion.

35 The accumulated treasures of the prince have in former times afforded a much greater and more lasting resource. In the present times, if you except the king of Prussia, to accumulate treasure seems to be no part of the policy of European princes.

40 The funds which maintained the foreign wars of the present century, the most expensive perhaps which history records, seem to have had little dependency upon the exportation either of the circulating money, or of the plate of private families, or of the treasure of the prince. The last French war cost Great Britain upwards of £90,000,000, including not only the £75,000,000 of new debt

1 that was contracted, but the additional 2s. in the pound land-tax, and what was annually borrowed  
of the sinking fund. More than two-thirds of this expense were laid out in distant countries; in  
Germany, Portugal, America, in the ports of the Mediterranean, in the East and West Indies. The  
kings of England had no accumulated treasure. We never heard of any extraordinary quantity of  
plate being melted down. The circulating gold and silver of the country had not been supposed to  
5 exceed £18,000,000. Since the late recoinage of the gold, however, it is believed to have been a good  
deal under-rated. Let us suppose, therefore, according to the most exaggerated computation which I  
remember to have either seen or heard of, that, gold and silver together, it amounted to  
£30,000,000. Had the war been carried on by means of our money, the whole of it must, even  
according to this computation, have been sent out and returned again, at least twice in a period of  
between six and seven years. Should this be supposed, it would afford the most decisive argument, to  
10 demonstrate how unnecessary it is for government to watch over the preservation of money, since,  
upon this supposition, the whole money of the country must have gone from it, and returned to it  
again, two different times in so short a period, without any body's knowing any thing of the matter.  
The channel of circulation, however, never appeared more empty than usual during any part of this  
period. Few people wanted money who had wherewithal to pay for it. The profits of foreign trade,  
indeed, were greater than usual during the whole war, but especially towards the end of it. This  
15 occasioned, what it always occasions, a general over-trading in all the ports of Great Britain; and this  
again occasioned the usual complaint of the scarcity of money, which always follows over-trading.  
Many people wanted it, who had neither wherewithal to buy it, nor credit to borrow it; and because  
the debtors found it difficult to borrow, the creditors found it difficult to get payment. Gold and  
silver, however, were generally to be had for their value, by those who had that value to give for  
them.

20 The enormous expense of the late war, therefore, must have been chiefly defrayed, not by the  
exportation of gold and silver, but by that of British commodities of some kind or other. When the  
government, or those who acted under them, contracted with a merchant for a remittance to some  
foreign country, he would naturally endeavour to pay his foreign correspondent, upon whom he  
granted a bill, by sending abroad rather commodities than gold and silver. If the commodities of  
Great Britain were not in demand in that country, he would endeavour to send them to some other  
25 country in which he could purchase a bill upon that country. The transportation of commodities,  
when properly suited to the market, is always attended with a considerable profit; whereas that of  
gold and silver is scarce ever attended with any. When those metals are sent abroad in order to  
purchase foreign commodities, the merchant's profit arises, not from the purchase, but from the sale  
of the returns. But when they are sent abroad merely to pay a debt, he gets no returns, and  
consequently no profit. He naturally, therefore, exerts his invention to find out a way of paying his  
30 foreign debts, rather by the exportation of commodities, than by that of gold and silver. The great  
quantity of British goods, exported during the course of the late war, without bringing back any  
returns, is accordingly remarked by the author of the Present State of the Nation.

Besides the three sorts of gold and silver above mentioned, there is in all great commercial countries  
a good deal of bullion alternately imported and exported, for the purposes of foreign trade. This  
35 bullion, as it circulates among different commercial countries, in the same manner as the national  
coin circulates in every country, may be considered as the money of the great mercantile republic.  
The national coin receives its movement and direction from the commodities circulated within the



1       precincts of each particular country; the money in the mercantile republic, from those circulated  
between different countries. Both are employed in facilitating exchanges, the one between different  
individuals of the same, the other between those of different nations. Part of this money of the great  
mercantile republic may have been, and probably was, employed in carrying on the late war. In time  
of a general war, it is natural to suppose that a movement and direction should be impressed upon it,  
5       different from what it usually follows in profound peace, that it should circulate more about the seat  
of the war, and be more employed in purchasing there, and in the neighbouring countries, the pay  
and provisions of the different armies. But whatever part of this money of the mercantile republic  
Great Britain may have annually employed in this manner, it must have been annually purchased,  
either with British commodities, or with something else that had been purchased with them; which  
still brings us back to commodities, to the annual produce of the land and labour of the country, as  
10       the ultimate resources which enabled us to carry on the war. It is natural, indeed, to suppose, that so  
great an annual expense must have been defrayed from a great annual produce. The expense of 1761,  
for example, amounted to more than £19,000,000. No accumulation could have supported so great  
an annual profusion. There is no annual produce, even of gold and silver, which could have  
supported it. The whole gold and silver annually imported into both Spain and Portugal, according  
to the best accounts, does not commonly much exceed £6,000,000 sterling, which, in some years,  
15       would scarce have paid four months expense of the late war.

The commodities most proper for being transported to distant countries, in order to purchase there  
either the pay and provisions of an army, or some part of the money of the mercantile republic to be  
employed in purchasing them, seem to be the finer and more improved manufactures; such as  
contain a great value in a small bulk, and can therefore be exported to a great distance at little  
expense. A country whose industry produces a great annual surplus of such manufactures, which are  
20       usually exported to foreign countries, may carry on for many years a very expensive foreign war,  
without either exporting any considerable quantity of gold and silver, or even having any such  
quantity to export. A considerable part of the annual surplus of its manufactures must, indeed, in  
this case, be exported without bringing back any returns to the country, though it does to the  
merchant; the government purchasing of the merchant his bills upon foreign countries, in order to  
purchase there the pay and provisions of an army. Some part of this surplus, however, may still  
25       continue to bring back a return. The manufacturers during; the war will have a double demand  
upon them, and be called upon first to work up goods to be sent abroad, for paying the bills drawn  
upon foreign countries for the pay and provisions of the army: and, secondly, to work up such as are  
necessary for purchasing the common returns that had usually been consumed in the country. In the  
midst of the most destructive foreign war, therefore, the greater part of manufactures may frequently  
30       flourish greatly; and, on the contrary, they may decline on the return of peace. They may flourish  
amidst the ruin of their country, and begin to decay upon the return of its prosperity. The different  
state of many different branches of the British manufactures during the late war, and for some time  
after the peace, may serve as an illustration of what has been just now said.

No foreign war, of great expense or duration, could conveniently be carried on by the exportation of  
the rude produce of the soil. The expense of sending such a quantity of it into a foreign country as  
35       might purchase the pay and provisions of an army would be too great. Few countries, too, produce  
much more rude produce than what is sufficient for the subsistence of their own inhabitants. To  
send abroad any great quantity of it, therefore, would be to send abroad a part of the necessary

1 subsistence of the people. It is otherwise with the exportation of manufactures. The maintenance of  
the people employed in them is kept at home, and only the surplus part of their work is exported.  
Mr Hume frequently takes notice of the inability of the ancient kings of England to carry on,  
without interruption, any foreign war of long duration. The English in those days had nothing  
wherewithal to purchase the pay and provisions of their armies in foreign countries, but either the  
5 rude produce of the soil, of which no considerable part could be spared from the home  
consumption, or a few manufactures of the coarsest kind, of which, as well as of the rude produce,  
the transportation was too expensive. This inability did not arise from the want of money, but of the  
finer and more improved manufactures. Buying and selling was transacted by means of money in  
England then as well as now. The quantity of circulating money must have borne the same  
10 proportion, to the number and value of purchases and sales usually transacted at that time, which it  
does to those transacted at present; or, rather, it must have borne a greater proportion, because there  
was then no paper, which now occupies a great part of the employment of gold and silver. Among  
nations to whom commerce and manufactures are little known, the sovereign, upon extraordinary  
occasions, can seldom draw any considerable aid from his subjects, for reasons which shall be  
explained hereafter. It is in such countries, therefore, that he generally endeavours to accumulate a  
15 treasure, as the only resource against such emergencies. Independent of this necessity, he is, in such a  
situation, naturally disposed to the parsimony requisite for accumulation. In that simple state, the  
expense even of a sovereign is not directed by the vanity which delights in the gaudy finery of a  
court, but is employed in bounty to his tenants, and hospitality to his retainers. But bounty and  
hospitality very seldom lead to extravagance; though vanity almost always does. Every Tartar chief,  
accordingly, has a treasure. The treasures of Mazepa, chief of the Cossacks in the Ukraine, the  
famous ally of Charles XII., are said to have been very great. The French kings of the Merovingian  
20 race had all treasures. When they divided their kingdom among their different children, they divided  
their treasures too. The Saxon princes, and the first kings after the Conquest, seem likewise to have  
accumulated treasures. The first exploit of every new reign was commonly to seize the treasure of the  
preceding king, as the most essential measure for securing the succession. The sovereigns of  
improved and commercial countries are not under the same necessity of accumulating treasures,  
because they can generally draw from their subjects extraordinary aids upon extraordinary occasions.  
They are likewise less disposed to do so. They naturally, perhaps necessarily, follow the mode of the  
25 times; and their expense comes to be regulated by the same extravagant vanity which directs that of  
all the other great proprietors in their dominions. The insignificant pageantry of their court becomes  
every day more brilliant; and the expense of it not only prevents accumulation, but frequently  
encroaches upon the funds destined for more necessary expenses. What Dercyllidas said of the court  
of Persia, may be applied to that of several European princes, that he saw there much splendour, but  
little strength, and many servants, but few soldiers.

30 The importation of gold and silver is not the principal, much less the sole benefit, which a nation  
derives from its foreign trade. Between whatever places foreign trade is carried on, they all of them  
derive two distinct benefits from it. It carries out that surplus part of the produce of their land and  
labour for which there is no demand among them, and brings back in return for it something else for  
which there is a demand. It gives a value to their superfluities, by exchanging them for something  
35 else, which may satisfy a part of their wants and increase their enjoyments. By means of it, the  
narrowness of the home market does not hinder the division of labour in any particular branch of art  
or manufacture from being carried to the highest perfection. By opening a more extensive market for

1 whatever part of the produce of their labour may exceed the home consumption, it encourages them  
to improve its productive power, and to augment its annual produce to the utmost, and thereby to  
increase the real revenue and wealth of the society. These great and important services foreign trade  
is continually occupied in performing to all the different countries between which it is carried on.  
They all derive great benefit from it, though that in which the merchant resides generally derives the  
5 greatest, as he is generally more employed in supplying the wants, and carrying out the superfluities  
of his own, than of any other particular country. To import the gold and silver which may be wanted  
into the countries which have no mines, is, no doubt a part of the business of foreign commerce. It  
is, however, a most insignificant part of it. A country which carried on foreign trade merely upon  
this account, could scarce have occasion to freight a ship in a century.

10 It is not by the importation of gold and silver that the discovery of America has enriched Europe. By  
the abundance of the American mines, those metals have become cheaper. A service of plate can now  
be purchased for about a third part of the corn, or a third part of the labour, which it would have  
cost in the fifteenth century. With the same annual expense of labour and commodities, Europe can  
annually purchase about three times the quantity of plate which it could have purchased at that time.  
But when a commodity comes to be sold for a third part of what had been its usual price, not only  
15 those who purchased it before can purchase three times their former quantity, but it is brought down  
to the level of a much greater number of purchasers, perhaps to more than ten, perhaps to more than  
twenty times the former number. So that there may be in Europe at present, not only more than  
three times, but more than twenty or thirty times the quantity of plate which would have been in it,  
even in its present state of improvement, had the discovery of the American mines never been made.  
So far Europe has, no doubt, gained a real conveniency, though surely a very trifling one. The  
20 cheapness of gold and silver renders those metals rather less fit for the purposes of money than they  
were before. In order to make the same purchases, we must load ourselves with a greater quantity of  
them, and carry about a shilling in our pocket, where a groat would have done before. It is difficult  
to say which is most trifling, this inconveniency, or the opposite conveniency. Neither the one nor  
the other could have made any very essential change in the state of Europe. The discovery of  
America, however, certainly made a most essential one. By opening a new and inexhaustible market  
25 to all the commodities of Europe, it gave occasion to new divisions of labour and improvements of  
art, which in the narrow circle of the ancient commerce could never have taken place, for want of a  
market to take off the greater part of their produce. The productive powers of labour were improved,  
and its produce increased in all the different countries of Europe, and together with it the real  
revenue and wealth of the inhabitants. The commodities of Europe were almost all new to America,  
and many of those of America were new to Europe. A new set of exchanges, therefore, began to take  
30 place, which had never been thought of before, and which should naturally have proved as  
advantageous to the new, as it certainly did to the old continent. The savage injustice of the  
Europeans rendered an event, which ought to have been beneficial to all, ruinous and destructive to  
several of those unfortunate countries.

35 The discovery of a passage to the East Indies by the Cape of Good Hope, which happened much  
about the same time, opened perhaps a still more extensive range to foreign commerce, than even  
that of America, notwithstanding the greater distance. There were but two nations in America, in  
any respect, superior to the savages, and these were destroyed almost as soon as discovered. The rest  
were mere savages. But the empires of China, Indostan, Japan, as well as several others in the East

1 Indies, without having richer mines of gold or silver, were, in every other respect, much richer, better  
cultivated, and more advanced in all arts and manufactures, than either Mexico or Peru, even though  
we should credit, what plainly deserves no credit, the exaggerated accounts of the Spanish writers  
concerning the ancient state of those empires. But rich and civilized nations can always exchange to a  
much greater value with one another, than with savages and barbarians. Europe, however, has  
5 hitherto derived much less advantage from its commerce with the East Indies, than from that with  
America. The Portuguese monopolized the East India trade to themselves for about a century; and it  
was only indirectly, and through them, that the other nations of Europe could either send out or  
receive any goods from that country. When the Dutch, in the beginning of the last century, began to  
encroach upon them, they vested their whole East India commerce in an exclusive company. The  
English, French, Swedes, and Danes, have all followed their example; so that no great nation of  
10 Europe has ever yet had the benefit of a free commerce to the East Indies. No other reason need be  
assigned why it has never been so advantageous as the trade to America, which, between almost every  
nation of Europe and its own colonies, is free to all its subjects. The exclusive privileges of those East  
India companies, their great riches, the great favour and protection which these have procured them  
from their respective governments, have excited much envy against them. This envy has frequently  
15 represented their trade as altogether pernicious, on account of the great quantities of silver which it  
every year exports from the countries from which it is carried on. The parties concerned have replied,  
that their trade by this continual exportation of silver, might indeed tend to impoverish Europe in  
general, but not the particular country from which it was carried on; because, by the exportation of a  
part of the returns to other European countries, it annually brought home a much greater quantity  
of that metal than it carried out. Both the objection and the reply are founded in the popular notion  
which I have been just now examining. It is therefore unnecessary to say any thing further about  
20 either. By the annual exportation of silver to the East Indies, plate is probably somewhat dearer in  
Europe than it otherwise might have been; and coined silver probably purchases a larger quantity  
both of labour and commodities. The former of these two effects is a very small loss, the latter a very  
small advantage; both too insignificant to deserve any part of the public attention. The trade to the  
East Indies, by opening a market to the commodities of Europe, or, what comes nearly to the same  
thing, to the gold and silver which is purchased with those commodities, must necessarily tend to  
25 increase the annual production of European commodities, and consequently the real wealth and  
revenue of Europe. That it has hitherto increased them so little, is probably owing to the restraints  
which it everywhere labours under.

I thought it necessary, though at the hazard of being tedious, to examine at full length this popular  
notion, that wealth consists in money or in gold and silver. Money, in common language, as I have  
already observed, frequently signifies wealth; and this ambiguity of expression has rendered this  
30 popular notion so familiar to us, that even they who are convinced of its absurdity, are very apt to  
forget their own principles, and, in the course of their reasonings, to take it for granted as a certain  
and undeniable truth. Some of the best English writers upon commerce set out with observing, that  
the wealth of a country consists, not in its gold and silver only, but in its lands, houses, and  
consumable goods of all different kinds. In the course of their reasonings, however, the lands,  
houses, and consumable goods, seem to slip out of their memory; and the strain of their argument  
35 frequently supposes that all wealth consists in gold and silver, and that to multiply those metals is the  
great object of national industry and commerce.

1 The two principles being established, however, that wealth consisted in gold and silver, and that  
those metals could be brought into a country which had no mines, only by the balance of trade, or  
by exporting to a greater value than it imported; it necessarily became the great object of political  
economy to diminish as much as possible the importation of foreign goods for home consumption,  
and to increase as much as possible the exportation of the produce of domestic industry. Its two  
5 great engines for enriching the country, therefore, were restraints upon importation, and  
encouragement to exportation.

The restraints upon importation were of two kinds.

10 First, restraints upon the importation of such foreign goods for home consumption as could be  
produced at home, from whatever country they were imported.

Secondly, restraints upon the importation of goods of almost all kinds, from those particular  
countries with which the balance of trade was supposed to be disadvantageous.

Those different restraints consisted sometimes in high duties, and sometimes in absolute  
prohibitions.

15 Exportation was encouraged sometimes by drawbacks, sometimes by bounties, sometimes by  
advantageous treaties of commerce with foreign states, and sometimes by the establishment of  
colonies in distant countries.

20 Drawbacks were given upon two different occasions. When the home manufactures were subject to  
any duty or excise, either the whole or a part of it was frequently drawn back upon their exportation;  
and when foreign goods liable to a duty were imported, in order to be exported again, either the  
whole or a part of this duty was sometimes given back upon such exportation.

Bounties were given for the encouragement, either of some beginning manufactures, or of such sorts  
of industry of other kinds as were supposed to deserve particular favour.

25 By advantageous treaties of commerce, particular privileges were procured in some foreign state for  
the goods and merchants of the country, beyond what were granted to those of other countries.

By the establishment of colonies in distant countries, not only particular privileges, but a monopoly  
was frequently procured for the goods and merchants of the country which established them.

30 The two sorts of restraints upon importation above mentioned, together with these four  
encouragements to exportation, constitute the six principal means by which the commercial system  
proposes to increase the quantity of gold and silver in any country, by turning the balance of trade in  
its favour. I shall consider each of them in a particular chapter, and, without taking much farther  
notice of their supposed tendency to bring money into the country, I shall examine chiefly what are  
likely to be the effects of each of them upon the annual produce of its industry. According as they  
35 tend either to increase or diminish the value of this annual produce, they must evidently tend either  
to increase or diminish the real wealth and revenue of the country.

## CHAPTER II. OF RESTRAINTS UPON IMPORTATION FROM FOREIGN COUNTRIES OF SUCH GOODS AS CAN BE PRODUCED AT HOME.

By restraining, either by high duties, or by absolute prohibitions, the importation of such goods from foreign countries as can be produced at home, the monopoly of the home market is more or less secured to the domestic industry employed in producing them. Thus the prohibition of importing either live cattle or salt provisions from foreign countries, secures to the graziers of Great Britain the monopoly of the home market for butcher's meat. The high duties upon the importation of corn, which, in times of moderate plenty, amount to a prohibition, give a like advantage to the growers of that commodity. The prohibition of the importation of foreign woollen is equally favourable to the woollen manufacturers. The silk manufacture, though altogether employed upon foreign materials, has lately obtained the same advantage. The linen manufacture has not yet obtained it, but is making great strides towards it. Many other sorts of manufactures have, in the same manner obtained in Great Britain, either altogether, or very nearly, a monopoly against their countrymen. The variety of goods, of which the importation into Great Britain is prohibited, either absolutely, or under certain circumstances, greatly exceeds what can easily be suspected by those who are not well acquainted with the laws of the customs.

That this monopoly of the home market frequently gives great encouragement to that particular species of industry which enjoys it, and frequently turns towards that employment a greater share of both the labour and stock of the society than would otherwise have gone to it, cannot be doubted. But whether it tends either to increase the general industry of the society, or to give it the most advantageous direction, is not, perhaps, altogether so evident.

The general industry of the society can never exceed what the capital of the society can employ. As the number of workmen that can be kept in employment by any particular person must bear a certain proportion to his capital, so the number of those that can be continually employed by all the members of a great society must bear a certain proportion to the whole capital of the society, and never can exceed that proportion. No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society, than that into which it would have gone of its own accord.

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society.

First, every individual endeavours to employ his capital as near home as he can, and consequently as much as he can in the support of domestic industry, provided always that he can thereby obtain the ordinary, or not a great deal less than the ordinary profits of stock.

1 Thus, upon equal, or nearly equal profits, every wholesale merchant naturally prefers the home trade  
to the foreign trade of consumption, and the foreign trade of consumption to the carrying trade. In  
the home trade, his capital is never so long out of his sight as it frequently is in the foreign trade of  
consumption. He can know better the character and situation of the persons whom he trusts; and if  
he should happen to be deceived, he knows better the laws of the country from which he must seek  
5 redress. In the carrying trade, the capital of the merchant is, as it were, divided between two foreign  
countries, and no part of it is ever necessarily brought home, or placed under his own immediate  
view and command. The capital which an Amsterdam merchant employs in carrying corn from  
Koningsberg to Lisbon, and fruit and wine from Lisbon to Koningsberg, must generally be the one  
half of it at Koningsberg, and the other half at Lisbon. No part of it need ever come to Amsterdam.  
10 The natural residence of such a merchant should either be at Koningsberg or Lisbon; and it can only  
be some very particular circumstances which can make him prefer the residence of Amsterdam. The  
uneasiness, however, which he feels at being separated so far from his capital, generally determines  
him to bring part both of the Koningsberg goods which he destines for the market of Lisbon, and of  
the Lisbon goods which he destines for that of Koningsberg, to Amsterdam; and though this  
necessarily subjects him to a double charge of loading and unloading as well as to the payment of  
some duties and customs, yet, for the sake of having some part of his capital always under his own  
15 view and command, he willingly submits to this extraordinary charge; and it is in this manner that  
every country which has any considerable share of the carrying trade, becomes always the emporium,  
or general market, for the goods of all the different countries whose trade it carries on. The  
merchant, in order to save a second loading and unloading, endeavours always to sell in the home  
market, as much of the goods of all those different countries as he can; and thus, so far as he can, to  
convert his carrying trade into a foreign trade of consumption. A merchant, in the same manner,  
20 who is engaged in the foreign trade of consumption, when he collects goods for foreign markets, will  
always be glad, upon equal or nearly equal profits, to sell as great a part of them at home as he can.  
He saves himself the risk and trouble of exportation, when, so far as he can, he thus converts his  
foreign trade of consumption into a home trade. Home is in this manner the centre, if I may say so,  
round which the capitals of the inhabitants of every country are continually circulating, and towards  
which they are always tending, though, by particular causes, they may sometimes be driven off and  
repelled from it towards more distant employments. But a capital employed in the home trade, it has  
25 already been shown, necessarily puts into motion a greater quantity of domestic industry, and gives  
revenue and employment to a greater number of the inhabitants of the country, than an equal capital  
employed in the foreign trade of consumption; and one employed in the foreign trade of  
consumption has the same advantage over an equal capital employed in the carrying trade. Upon  
equal, or only nearly equal profits, therefore, every individual naturally inclines to employ his capital  
30 in the manner in which it is likely to afford the greatest support to domestic industry, and to give  
revenue and employment to the greatest number of people of his own country.

Secondly, every individual who employs his capital in the support of domestic industry, necessarily  
endeavours so to direct that industry, that its produce may be of the greatest possible value.

35 The produce of industry is what it adds to the subject or materials upon which it is employed. In  
proportion as the value of this produce is great or small, so will likewise be the profits of the  
employer. But it is only for the sake of profit that any man employs a capital in the support of  
industry; and he will always, therefore, endeavour to employ it in the support of that industry of

1 which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.

5 But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can, both to employ his capital in the support of domestic industry, and so to direct that industry that its produce maybe of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain; and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

15 What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can in his local situation judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

25 To give the monopoly of the home market to the produce of domestic industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must in almost all cases be either a useless or a hurtful regulation. If the produce of domestic can be brought there as cheap as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase with a part of its produce, or, what is the same thing, with the price of a part of it, whatever else they have occasion for.

35 What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage. The general industry of the country being always in proportion to the capital which employs it, will not thereby be diminished, no more than that of the abovementioned artificers; but only left to find out the way in which it can be employed with the



1 greatest advantage. It is certainly not employed to the greatest advantage, when it is thus directed  
towards an object which it can buy cheaper than it can make. The value of its annual produce is  
certainly more or less diminished, when it is thus turned away from producing commodities  
evidently of more value than the commodity which it is directed to produce. According to the  
supposition, that commodity could be purchased from foreign countries cheaper than it can be made  
5 at home; it could therefore have been purchased with a part only of the commodities, or, what is the  
same thing, with a part only of the price of the commodities, which the industry employed by an  
equal capital would have produced at home, had it been left to follow its natural course. The  
industry of the country, therefore, is thus turned away from a more to a less advantageous  
employment; and the exchangeable value of its annual produce, instead of being increased, according  
to the intention of the lawgiver, must necessarily be diminished by every such regulation.

10 By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner  
than it could have been otherwise, and after a certain time may be made at home as cheap, or  
cheaper, than in the foreign country. But though the industry of the society may be thus carried with  
advantage into a particular channel sooner than it could have been otherwise, it will by no means  
follow that the sum-total, either of its industry, or of its revenue, can ever be augmented by any such  
regulation. The industry of the society can augment only in proportion as its capital augments, and  
15 its capital can augment only in proportion to what can be gradually saved out of its revenue. But the  
immediate effect of every such regulation is to diminish its revenue; and what diminishes its revenue  
is certainly not very likely to augment its capital faster than it would have augmented of its own  
accord, had both capital and industry been left to find out their natural employments.

20 Though, for want of such regulations, the society should never acquire the proposed manufacture, it  
would not upon that account necessarily be the poorer in anyone period of its duration. In every  
period of its duration its whole capital and industry might still have been employed, though upon  
different objects, in the manner that was most advantageous at the time. In every period its revenue  
might have been the greatest which its capital could afford, and both capital and revenue might have  
been augmented with the greatest possible rapidity.

25 The natural advantages which one country has over another, in producing particular commodities,  
are sometimes so great, that it is acknowledged by all the world to be in vain to struggle with them.  
By means of glasses, hot-beds, and hot-walls, very good grapes can be raised in Scotland, and very  
good wine, too, can be made of them, at about thirty times the expense for which at least equally  
good can be brought from foreign countries. Would it be a reasonable law to prohibit the  
importation of all foreign wines, merely to encourage the making of claret and Burgundy in  
Scotland? But if there would be a manifest absurdity in turning towards any employment thirty  
30 times more of the capital and industry of the country than would be necessary to purchase from  
foreign countries an equal quantity of the commodities wanted, there must be an absurdity, though  
not altogether so glaring, yet exactly of the same kind, in turning towards any such employment a  
thirtieth, or even a three hundredth part more of either. Whether the advantages which one country  
has over another be natural or acquired, is in this respect of no consequence. As long as the one  
country has those advantages, and the other wants them, it will always be more advantageous for the  
35 latter rather to buy of the former than to make. It is an acquired advantage only, which one artificer

1 has over his neighbour, who exercises another trade; and yet they both find it more advantageous to buy of one another, than to make what does not belong to their particular trades.

5 Merchants and manufacturers are the people who derive the greatest advantage from this monopoly of the home market. The prohibition of the importation of foreign cattle and of salt provisions, together with the high duties upon foreign corn, which in times of moderate plenty amount to a prohibition, are not near so advantageous to the graziers and farmers of Great Britain, as other regulations of the same kind are to its merchants and manufacturers. Manufactures, those of the finer kind especially, are more easily transported from one country to another than corn or cattle. It is in the fetching and carrying manufactures, accordingly, that foreign trade is chiefly employed. In manufactures, a very small advantage will enable foreigners to undersell our own workmen, even in the home market. It will require a very great one to enable them to do so in the rude produce of the soil. If the free importation of foreign manufactures were permitted, several of the home manufactures would probably suffer, and some of them perhaps go to ruin altogether, and a considerable part of the stock and industry at present employed in them, would be forced to find out some other employment. But the freest importation of the rude produce of the soil could have no such effect upon the agriculture of the country.

15 If the importation of foreign cattle, for example, were made ever so free, so few could be imported, that the grazing trade of Great Britain could be little affected by it. Live cattle are, perhaps, the only commodity of which the transportation is more expensive by sea than by land. By land they carry themselves to market. By sea, not only the cattle, but their food and their water too, must be carried at no small expense and inconveniency. The short sea between Ireland and Great Britain, indeed, renders the importation of Irish cattle more easy. But though the free importation of them, which was lately permitted only for a limited time, were rendered perpetual, it could have no considerable effect upon the interest of the graziers of Great Britain. Those parts of Great Britain which border upon the Irish sea are all grazing countries. Irish cattle could never be imported for their use, but must be drove through those very extensive countries, at no small expense and inconveniency, before they could arrive at their proper market. Fat cattle could not be drove so far. Lean cattle, therefore, could only be imported; and such importation could interfere not with the interest of the feeding or fattening countries, to which, by reducing the price of lean cattle it would rather be advantageous, but with that of the breeding countries only. The small number of Irish cattle imported since their importation was permitted, together with the good price at which lean cattle still continue to sell, seem to demonstrate, that even the breeding countries of Great Britain are never likely to be much affected by the free importation of Irish cattle. The common people of Ireland, indeed, are said to have sometimes opposed with violence the exportation of their cattle. But if the exporters had found any great advantage in continuing the trade, they could easily, when the law was on their side, have conquered this mobbish opposition.

35 Feeding and fattening countries, besides, must always be highly improved, whereas breeding countries are generally uncultivated. The high price of lean cattle, by augmenting the value of uncultivated land, is like a bounty against improvement. To any country which was highly improved throughout, it would be more advantageous to import its lean cattle than to breed them. The province of Holland, accordingly, is said to follow this maxim at present. The mountains of Scotland, Wales, and Northumberland, indeed, are countries not capable of much improvement,

1 and seem destined by nature to be the breeding countries of Great Britain. The freest importation of foreign cattle could have no other effect than to hinder those breeding countries from taking advantage of the increasing population and improvement of the rest of the kingdom, from raising their price to an exorbitant height, and from laying a real tax upon all the more improved and cultivated parts of the country.

5 The freest importation of salt provisions, in the same manner, could have as little effect upon the interest of the graziers of Great Britain as that of live cattle. Salt provisions are not only a very bulky commodity, but when compared with fresh meat they are a commodity both of worse quality, and, as they cost more labour and expense, of higher price. They could never, therefore, come into competition with the fresh meat, though they might with the salt provisions of the country. They might be used for victualling ships for distant voyages, and such like uses, but could never make any  
10 considerable part of the food of the people. The small quantity of salt provisions imported from Ireland since their importation was rendered free, is an experimental proof that our graziers have nothing to apprehend from it. It does not appear that the price of butcher's meat has ever been sensibly affected by it.

15 Even the free importation of foreign corn could very little affect the interest of the farmers of Great Britain. Corn is a much more bulky commodity than butcher's meat. A pound of wheat at a penny is as dear as a pound of butcher's meat at fourpence. The small quantity of foreign corn imported even in times of the greatest scarcity, may satisfy our farmers that they can have nothing to fear from the freest importation. The average quantity imported, one year with another, amounts only, according to the very well informed author of the Tracts upon the Corn Trade, to 23,728 quarters of all sorts of grain, and does not exceed the five hundredth and seventy-one part of the annual  
20 consumption. But as the bounty upon corn occasions a greater exportation in years of plenty, so it must, of consequence, occasion a greater importation in years of scarcity, than in the actual state of tillage would otherwise take place. By means of it, the plenty of one year does not compensate the scarcity of another; and as the average quantity exported is necessarily augmented by it, so must likewise, in the actual state of tillage, the average quantity imported. If there were no bounty, as less corn would be exported, suit is probable that, one year with another, less would be imported than at present. The corn-merchants, the fetchers and carriers of corn between Great Britain and foreign  
25 countries, would have much less employment, and might suffer considerably; but the country gentlemen and farmers could suffer very little. It is in the corn-merchants, accordingly, rather than the country gentlemen and farmers, that I have observed the greatest anxiety for the renewal and continuation of the bounty.

30 Country gentlemen and farmers are, to their great honour, of all people, the least subject to the wretched spirit of monopoly. The undertaker of a great manufactory is sometimes alarmed if another work of the same kind is established within twenty miles of him; the Dutch undertaker of the woollen manufacture at Abbeville, stipulated that no work of the same kind should be established within thirty leagues of that city. Farmers and country gentlemen, on the contrary, are generally disposed rather to promote, than to obstruct, the cultivation and improvement of their neighbours farms and estates. They have no secrets, such as those of the greater part of manufacturers, but are  
35 generally rather fond of communicating to their neighbours, and of extending as far as possible any new practice which they may have found to be advantageous. "Pius quaestus", says old Cato,

1 "stabilissimusque, minimeque invidiosus; minimeque male cogitantes sunt, qui in eo studio occupati  
sunt." Country gentlemen and farmers, dispersed in different parts of the country, cannot so easily  
combine as merchants and manufacturers, who being collected into towns, and accustomed to that  
exclusive corporation spirit which prevails in them, naturally endeavour to obtain, against all their  
countrymen, the same exclusive privilege which they generally possess against the inhabitants of their  
5 respective towns. They accordingly seem to have been the original inventors of those restraints upon  
the importation of foreign goods, which secure to them the monopoly of the home market. It was  
probably in imitation of them, and to put themselves upon a level with those who, they found, were  
disposed to oppress them, that the country gentlemen and farmers of Great Britain so far forgot the  
generosity which is natural to their station, as to demand the exclusive privilege of supplying their  
countrymen with corn and butcher's meat. They did not, perhaps, take time to consider how much  
10 less their interest could be affected by the freedom of trade, than that of the people whose example  
they followed.

To prohibit, by a perpetual law, the importation of foreign corn and cattle, is in reality to enact, that  
the population and industry of the country shall, at no time, exceed what the rude produce of its  
own soil can maintain.

15 There seem, however, to be two cases, in which it will generally be advantageous to lay some burden  
upon foreign, for the encouragement of domestic industry.

The first is, when some particular sort of industry is necessary for the defence of the country. The  
defence of Great Britain, for example, depends very much upon the number of its sailors and  
shipping. The act of navigation, therefore, very properly endeavours to give the sailors and shipping  
of Great Britain the monopoly of the trade of their own country, in some cases, by absolute  
20 prohibitions, and in others, by heavy burdens upon the shipping of foreign countries. The following  
are the principal dispositions of this act.

25 First, All ships, of which the owners, masters, and three-fourths of the mariners, are not British  
subjects, are prohibited, upon pain of forfeiting ship and cargo, from trading to the British  
settlements and plantations, or from being employed in the coasting trade of Great Britain.

30 Secondly, A great variety of the most bulky articles of importation can be brought into Great Britain  
only, either in such ships as are above described, or in ships of the country where those goods are  
produced, and of which the owners, masters, and three-fourths of the mariners, are of that particular  
country; and when imported even in ships of this latter kind, they are subject to double aliens duty.  
If imported in ships of any other country, the penalty is forfeiture of ship and goods. When this act  
was made, the Dutch were, what they still are, the great carriers of Europe; and by this regulation  
they were entirely excluded from being the carriers to Great Britain, or from importing to us the  
goods of any other European country.

35 Thirdly, A great variety of the most bulky articles of importation are prohibited from being  
imported, even in British ships, from any country but that in which they are produced, under pain  
of forfeiting ship and cargo. This regulation, too, was probably intended against the Dutch. Holland

1 was then, as now, the great emporium for all European goods; and by this regulation, British ships were hindered from loading in Holland the goods of any other European country.

5 Fourthly, Salt fish of all kinds, whale fins, whalebone, oil, and blubber, not caught by and cured on board British vessels, when imported into Great Britain, are subject to double aliens duty. The Dutch, as they are still the principal, were then the only fishers in Europe that attempted to supply foreign nations with fish. By this regulation, a very heavy burden was laid upon their supplying Great Britain.

10 When the act of navigation was made, though England and Holland were not actually at war, the most violent animosity subsisted between the two nations. It had begun during the government of the long parliament, which first framed this act, and it broke out soon after in the Dutch wars, during that of the Protector and of Charles II. It is not impossible, therefore, that some of the regulations of this famous act may have proceeded from national animosity. They are as wise, however, as if they had all been dictated by the most deliberate wisdom. National animosity, at that particular time, aimed at the very same object which the most deliberate wisdom would have recommended, the diminution of the naval power of Holland, the only naval power which could endanger the security of England.

15 The act of navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it. The interest of a nation, in its commercial relations to foreign nations, is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap, and to sell as dear as possible. But it will be most likely to buy cheap, when, by the most perfect freedom of trade, it encourages all nations to bring to it the goods which it has occasion to purchase; and, for the same reason, it will be most likely to sell dear, when its markets are thus filled with the greatest number of buyers. The act of navigation, it is true, lays no burden upon foreign ships that come to export the produce of British industry. Even the ancient aliens duty, which used to be paid upon all goods, exported as well as imported, has, by several subsequent acts, been taken off from the greater part of the articles of exportation. But if foreigners, either by prohibitions or high duties, are hindered from coming to sell, they cannot always afford to come to buy; because, coming without a cargo, they must lose the freight from their own country to Great Britain. By diminishing the number of sellers, therefore, we necessarily diminish that of buyers, and are thus likely not only to buy foreign goods dearer, but to sell our own cheaper, than if there was a more perfect freedom of trade. As defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.

30 The second case, in which it will generally be advantageous to lay some burden upon foreign for the encouragement of domestic industry, is when some tax is imposed at home upon the produce of the latter. In this case, it seems reasonable that an equal tax should be imposed upon the like produce of the former. This would not give the monopoly of the borne market to domestic industry, nor turn towards a particular employment a greater share of the stock and labour of the country, than what would naturally go to it. It would only hinder any part of what would naturally go to it from being turned away by the tax into a less natural direction, and would leave the competition between foreign and domestic industry, after the tax, as nearly as possible upon the same footing as before it. In Great Britain, when any such tax is laid upon the produce of domestic industry, it is usual, at the

1 same time, in order to stop the clamorous complaints of our merchants and manufacturers, that they will be undersold at home, to lay a much heavier duty upon the importation of all foreign goods of the same kind.

5 This second limitation of the freedom of trade, according to some people, should, upon most occasions, be extended much farther than to the precise foreign commodities which could come into competition with those which had been taxed at home. When the necessaries of life have been taxed in any country, it becomes proper, they pretend, to tax not only the like necessaries of life imported from other countries, but all sorts of foreign goods which can come into competition with any thing that is the produce of domestic industry. Subsistence, they say, becomes necessarily dearer in consequence of such taxes; and the price of labour must always rise with the price of the labourer's subsistence. Every commodity, therefore, which is the produce of domestic industry, though not immediately taxed itself, becomes dearer in consequence of such taxes, because the labour which produces it becomes so. Such taxes, therefore, are really equivalent, they say, to a tax upon every particular commodity produced at home. In order to put domestic upon the same footing with foreign industry, therefore, it becomes necessary, they think, to lay some duty upon every foreign commodity, equal to this enhancement of the price of the home commodities with which it can come into competition.

15 Whether taxes upon the necessaries of life, such as those in Great Britain upon soap, salt, leather, candles, etc. necessarily raise the price of labour, and consequently that of all other commodities, I shall consider hereafter, when I come to treat of taxes. Supposing, however, in the mean time, that they have this effect, and they have it undoubtedly, this general enhancement of the price of all commodities, in consequence of that labour, is a case which differs in the two following respects from that of a particular commodity, of which the price was enhanced by a particular tax immediately imposed upon it.

25 First, It might always be known with great exactness, how far the price of such a commodity could be enhanced by such a tax; but how far the general enhancement of the price of labour might affect that of every different commodity about which labour was employed, could never be known with any tolerable exactness. It would be impossible, therefore, to proportion, with any tolerable exactness, the tax of every foreign, to the enhancement of the price of every home commodity.

30 Secondly, Taxes upon the necessaries of life have nearly the same effect upon the circumstances of the people as a poor soil and a bad climate. Provisions are thereby rendered dearer, in the same manner as if it required extraordinary labour and expense to raise them. As, in the natural scarcity arising from soil and climate, it would be absurd to direct the people in what manner they ought to employ their capitals and industry, so is it likewise in the artificial scarcity arising from such taxes. To be left to accommodate, as well as they could, their industry to their situation, and to find out those employments in which, notwithstanding their unfavourable circumstances, they might have some advantage either in the home or in the foreign market, is what, in both cases, would evidently be most for their advantage. To lay a new-tax upon them, because they are already overburdened with taxes, and because they already pay too dear for the necessaries of life, to make them likewise pay too dear for the greater part of other commodities, is certainly a most absurd way of making amends.

1 Such taxes, when they have grown up to a certain height, are a curse equal to the barrenness of the earth, and the inclemency of the heavens, and yet it is in the richest and most industrious countries that they have been most generally imposed. No other countries could support so great a disorder. As the strongest bodies only can live and enjoy health under an unwholesome regimen, so the nations only, that in every sort of industry have the greatest natural and acquired advantages, can  
5 subsist and prosper under such taxes. Holland is the country in Europe in which they abound most, and which, from peculiar circumstances, continues to prosper, not by means of them, as has been most absurdly supposed, but in spite of them.

As there are two cases in which it will generally be advantageous to lay some burden upon foreign for the encouragement of domestic industry, so there are two others in which it may sometimes be a matter of deliberation, in the one, how far it is proper to continue the free importation of certain  
10 foreign goods; and, in the other, how far, or in what manner, it may be proper to restore that free importation, after it has been for some time interrupted.

The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is when some foreign nation restrains, by high duties or prohibitions, the importation of some of our manufactures into their country. Revenge, in this case,  
15 naturally dictates retaliation, and that we should impose the like duties and prohibitions upon the importation of some or all of their manufactures into ours. Nations, accordingly, seldom fail to retaliate in this manner. The French have been particularly forward to favour their own manufactures, by restraining the importation of such foreign goods as could come into competition with them. In this consisted a great part of the policy of Mr Colbert, who, notwithstanding his great abilities, seems in this case to have been imposed upon by the sophistry of merchants and  
20 manufacturers, who are always demanding a monopoly against their countrymen. It is at present the opinion of the most intelligent men in France, that his operations of this kind have not been beneficial to his country. That minister, by the tariff of 1667, imposed very high duties upon a great number of foreign manufactures. Upon his refusing to moderate them in favour of the Dutch, they, in 1671, prohibited the importation of the wines, brandies, and manufactures of France. The war of 1672 seems to have been in part occasioned by this commercial dispute. The peace of Nimeguen put  
25 an end to it in 1678, by moderating some of those duties in favour of the Dutch, who in consequence took off their prohibition. It was about the same time that the French and English began mutually to oppress each other's industry, by the like duties and prohibitions, of which the French, however, seem to have set the first example, The spirit of hostility which has subsisted between the two nations ever since, has hitherto hindered them from being moderated on either side. In 1697, the English prohibited the importation of bone lace, the manufacture of Flanders. The  
30 government of that country, at that time under the dominion of Spain, prohibited, in return, the importation of English woollens. In 1700, the prohibition of importing bone lace into England was taken off; upon condition that the importation of English woollens into Flanders should be put on the same footing as before.

There may be good policy in retaliations of this kind, when there is a probability that they will  
35 procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compensate the transitory inconveniency of paying dearer during a short time for some sorts of goods. To judge whether such retaliations are likely to produce such an

1 effect, does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to  
be governed by general principles, which are always the same, as to the skill of that insidious and  
crafty animal vulgarly called a statesman or politician, whose councils are directed by the momentary  
fluctuations of affairs. When there is no probability that any such repeal can be procured, it seems a  
bad method of compensating the injury done to certain classes of our people, to do another injury  
5 ourselves, not only to those classes, but to almost all the other classes of them. When our neighbours  
prohibit some manufacture of ours, we generally prohibit, not only the same, for that alone would  
seldom affect them considerably, but some other manufacture of theirs. This may, no doubt, give  
encouragement to some particular class of workmen among ourselves, and, by excluding some of  
their rivals, may enable them to raise their price in the home market. Those workmen however, who  
10 suffered by our neighbours prohibition, will not be benefited by ours. On the contrary, they, and  
almost all the other classes of our citizens, will thereby be obliged to pay dearer than before for  
certain goods. Every such law, therefore, imposes a real tax upon the whole country, not in favour of  
that particular class of workmen who were injured by our neighbours prohibitions, but of some  
other class.

The case in which it may sometimes be a matter of deliberation, how far, or in what manner, it is  
proper to restore the free importation of foreign goods, after it has been for some time interrupted, is  
15 when particular manufactures, by means of high duties or prohibitions upon all foreign goods which  
can come into competition with them, have been so far extended as to employ a great multitude of  
hands. Humanity may in this case require that the freedom of trade should be restored only by slow  
gradations, and with a good deal of reserve and circumspection. Were those high duties and  
prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast  
20 into the home market, as to deprive all at once many thousands of our people of their ordinary  
employment and means of subsistence. The disorder which this would occasion might no doubt be  
very considerable. It would in all probability, however, be much less than is commonly imagined, for  
the two following reasons.

First, All those manufactures of which any part is commonly exported to other European countries  
without a bounty, could be very little affected by the freest importation of foreign goods. Such  
25 manufactures must be sold as cheap abroad as any other foreign goods of the same quality and kind,  
and consequently must be sold cheaper at home. They would still, therefore, keep possession of the  
home market; and though a capricious man of fashion might sometimes prefer foreign wares, merely  
because they were foreign, to cheaper and better goods of the same kind that were made at home,  
this folly could, from the nature of things, extend to so few, that it could make no sensible  
impression upon the general employment of the people. But a great part of all the different branches  
of our woollen manufacture, of our tanned leather, and of our hardware, are annually exported to  
30 other European countries without any bounty, and these are the manufactures which employ the  
greatest number of hands. The silk, perhaps, is the manufacture which would suffer the most by this  
freedom of trade, and after it the linen, though the latter much less than the former.

Secondly, Though a great number of people should, by thus restoring the freedom of trade, be  
thrown all at once out of their ordinary employment and common method of subsistence, it would  
35 by no means follow that they would thereby be deprived either of employment or subsistence. By the  
reduction of the army and navy at the end of the late war, more than 100,000 soldiers and seamen, a



1 number equal to what is employed in the greatest manufactures, were all at once thrown out of their  
ordinary employment: but though they no doubt suffered some inconveniency, they were not  
thereby deprived of all employment and subsistence. The greater part of the seamen, it is probable,  
gradually betook themselves to the merchant service as they could find occasion, and in the mean  
5 time both they and the soldiers were absorbed in the great mass of the people, and employed in a  
great variety of occupations. Not only no great convulsion, but no sensible disorder, arose from so  
great a change in the situation of more than 100,000 men, all accustomed to the use of arms, and  
many of them to rapine and plunder. The number of vagrants was scarce anywhere sensibly  
increased by it; even the wages of labour were not reduced by it in any occupation, so far as I have  
10 been able to learn, except in that of seamen in the merchant service. But if we compare together the  
habits of a soldier and of any sort of manufacturer, we shall find that those of the latter do not tend  
so much to disqualify him from being employed in a new trade, as those of the former from being  
employed in any. The manufacturer has always been accustomed to look for his subsistence from his  
labour only; the soldier to expect it from his pay. Application and industry have been familiar to the  
15 one; idleness and dissipation to the other. But it is surely much easier to change the direction of  
industry from one sort of labour to another, than to turn idleness and dissipation to any. To the  
greater part of manufactures, besides, it has already been observed, there are other collateral  
manufactures of so similar a nature, that a workman can easily transfer his industry from one of  
them to another. The greater part of such workmen, too, are occasionally employed in country  
labour. The stock which employed them in a particular manufacture before, will still remain in the  
country, to employ an equal number of people in some other way. The capital of the country  
remaining the same, the demand for labour will likewise be the same, or very nearly the same,  
20 though it may be exerted in different places, and for different occupations. Soldiers and seamen,  
indeed, when discharged from the king's service, are at liberty to exercise any trade within any town  
or place of Great Britain or Ireland. Let the same natural liberty of exercising what species of  
industry they please, be restored to all his Majesty's subjects, in the same manner as to soldiers and  
seamen; that is, break down the exclusive privileges of corporations, and repeal the statute of  
apprenticeship, both which are really encroachments upon natural Liberty, and add to those the  
25 repeal of the law of settlements, so that a poor workman, when thrown out of employment, either in  
one trade or in one place, may seek for it in another trade or in another place, without the fear either  
of a prosecution or of a removal; and neither the public nor the individuals will suffer much more  
from the occasional disbanding some particular classes of manufacturers, than from that of the  
soldiers. Our manufacturers have no doubt great merit with their country, but they cannot have  
more than those who defend it with their blood, nor deserve to be treated with more delicacy.

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as  
30 absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the  
prejudices of the public, but, what is much more unconquerable, the private interests of many  
individuals, irresistibly oppose it. Were the officers of the army to oppose, with the same zeal and  
unanimity, any reduction in the number of forces, with which master manufacturers set themselves  
against every law that is likely to increase the number of their rivals in the home market; were the  
former to animate their soldiers. In the same manner as the latter inflame their workmen, to attack  
with violence and outrage the proposers of any such regulation; to attempt to reduce the army would  
35 be as dangerous as it has now become to attempt to diminish, in any respect, the monopoly which  
our manufacturers have obtained against us. This monopoly has so much increased the number of

1 some particular tribes of them, that, like an overgrown standing army, they have become formidable  
to the government, and, upon many occasions, intimidate the legislature. The member of parliament  
who supports every proposal for strengthening this monopoly, is sure to acquire not only the  
reputation of understanding trade, but great popularity and influence with an order of men whose  
5 numbers and wealth render them of great importance. If he opposes them, on the contrary, and still  
more, if he has authority enough to be able to thwart them, neither the most acknowledged probity,  
nor the highest rank, nor the greatest public services, can protect him from the most infamous abuse  
and detraction, from personal insults, nor sometimes from real danger, arising from the insolent  
outrage of furious and disappointed monopolists.

10 The undertaker of a great manufacture, who, by the home markets being suddenly laid open to the  
competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very  
considerably. That part of his capital which had usually been employed in purchasing materials, and  
in paying his workmen, might, without much difficulty, perhaps, find another employment; but that  
part of it which was fixed in workhouses, and in the instruments of trade, could scarce be disposed of  
without considerable loss. The equitable regard, therefore, to his interest, requires that changes of  
15 this kind should never be introduced suddenly, but slowly, gradually, and after a very long warning.  
The legislature, were it possible that its deliberations could be always directed, not by the clamorous  
importunity of partial interests, but by an extensive view of the general good, ought, upon this very  
account, perhaps, to be particularly careful, neither to establish any new monopolies of this kind, nor  
to extend further those which are already established. Every such regulation introduces some degree  
of real disorder into the constitution of the state, which it will be difficult afterwards to cure without  
occasioning another disorder.

20 How far it may be proper to impose taxes upon the importation of foreign goods, in order not to  
prevent their importation, but to raise a revenue for government, I shall consider hereafter when I  
come to treat of taxes. Taxes imposed with a view to prevent, or even to diminish importation, are  
evidently as destructive of the revenue of the customs as of the freedom of trade.