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by William Roscher

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PRINCIPLES OF POLITICAL ECONOMY\*\*\*

# Principles Of Political Economy

By

**William Roscher,**

Professor of Political Economy at the University of Leipzig,

Corresponding Member of the Institute of France,

Privy Counsellor To His Majesty,

The King Of Saxony.

From the Thirteenth (1877) German Edition.

With Additional Chapters Furnished By The  
Author,

For This First English And American Edition,

On Paper Money, International Trade,

And The Protective System;

And A Preliminary Essay

On The Historical Method In Political Economy

(From the French)

By

L. Wolowski

The Whole Translated By

**John J. Lalor, A. M.**

Vol. I.

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1878

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# Dedication.

TO

WILLIAM H. GAYLORD, Esq.,

*COUNSELLOR AT LAW,*

OF CLEVELAND, OHIO,

TO WHOSE BROTHERLY CARE IT IS LARGELY DUE  
THAT I LIVED TO  
TRANSLATE THEM,

THESE VOLUMES

ARE AFFECTIONATELY INSCRIBED.

# Translator's Preface.

Our literature is rich enough in works on the principles of Political Economy. So far as the translator is informed, however, it possesses none in which the science is treated in accordance with the historical method. We may therefore venture to express the hope that this translation will fill a place hitherto unoccupied in the literatures of England and America, and fill it all the more efficiently and acceptably, as Professor ROSCHER is the founder and still the leader of the historical school of Political Economy. Were this the only recommendation of our undertaking, it would not be a useless one. But a glance at Professor ROSCHER'S book will convince even the most hasty reader that its pages fascinate by their interest and are rich in treasures of erudition which should not remain inaccessible to the English student from being locked up in a foreign tongue.

The present translation has received, throughout, the revision of the author, and should any imperfections remain in the rendering of his thought into English, the blame is certainly not his, for his revision has been most minute.

The three appendices have been supplied by Professor ROSCHER expressly for this edition. As they are intended to form a part of the work on the Political Economy of Industry and Commerce, on which he is now engaged, he authorizes their publication in English, only by the publishers of this edition of his principles; and only for the purpose of being added to the present translation. He desires especially that their appearance in their present shape should not in any way interfere with any of his rights in his forthcoming volume, and that they should not be translated into any language nor translated back into German. [vi]

The essay of Mr. WOŁOWSKI, on the historical method in Political Economy constitutes no part of Professor ROSCHER'S book, and neither he nor its author, but only the translator, is responsible for its appearance here. In it the reader will find a short sketch of the life of Professor ROSCHER, brought down to the date at which the essay was written. The translator has little to add to that sketch, all the information he possesses in addition to what it contains being embraced in the following lines from a letter received by him from the author in answer to a request that he would supply the biographical data not to be found in WOŁOWSKI'S essay: "You might perhaps say ... that I have repeatedly declined calls to the Universities of Munich, Vienna and Berlin, but that I have never regretted remaining in Leipzig."

The acknowledgments of the translator are due, in the first place, to the eminent author himself, for the revision of the plate-proof of the entire work, and then to Professor WILLIAM F. ALLEN, of the University of Wisconsin, for his interest in the progress of the enterprise, and for many valuable suggestions; also to Professor W. G. SUMNER, of Yale College, for some excellent hints as to the best translation of certain words in the Appendix on Paper Money.

## Author's Preface. (1st Edition.)

*My System der Volkswirtschaft* shall, *Deo volente*, be completed in four parts. The second shall contain the national economy of agriculture and the related branches of natural production; the third, the national economy of industry and commerce; the fourth, of the economy of the state and of the commune (*Gemeindehaushalt*). While the entire work shall constitute one systematic whole, each part shall have its own appropriate title, constitute an independent treatise, and be sold separately.

Of the peculiar method which I have followed in this work, and which will produce still better fruits in the succeeding volumes, I have given a sufficient explanation in §§ 26 ff., and all I desire now is to say a few words on the relation the notes bear to the text. The careful reader will soon be convinced that of the many citations in this work, not one has been made from a vain desire of the display of erudition. Part of them serves as the necessary proof of surprising facts adduced, but which are little known. Another part of them is intended to incite the reader to the study of certain questions nearly related to those treated in the text, but which are still different from them. The object of the greater number is to supply information concerning the history of economic principles. As far as the sources at my command permitted, I have endeavored to point out the first germs, the chief stages of development, the contrasts, and, finally, what has been thus far attained in economic science. This sometimes required some little victory over self, inasmuch as I was conscious of having independently discovered certain facts, when I afterwards found that some old and long-forgotten writer had made similar observations. Thus, this work may serve both as a handbook and as a history of the literature of Political

Economy. Students of the science know how little has thus far been done by writers in this direction. And hence I shall be very grateful to those who labor in the same field, if they will, either by writing to me personally, or through the medium of the press, inform me when I have erred in ascribing a truth, or a scientifically important error, to its earliest author.

I have already said in the title that this work is intended not for the learned only, but for all educated men, for men of a serious turn of mind, who desire truth and science for their own sake. Like that ancient historian, whom I honor above all others as my teacher, I desire that my work should be useful to those, ὅσοι βουλήσοντο τῶν τε γενομένων τὸ σαφὲς σκοπεῖν καὶ τῶν μελλόντων ποτὲ αὐθις κατὰ τὸ ἀνθρώπειον τοιούτων καὶ παραπλησίων ἔσεσθαι. (*Thucydides* I, 22.)

UNIVERSITY OF LEIPZIG,

*End of May, 1854.*



## From The Author's Prefaces. (2d to 11th Edition.)

The preface to the second edition is dated October, 1856; that to the third, April, 1858; that to the fourth, April, 1861; that to the fifth, November, 1863; that to the sixth, November, 1865; that to the seventh, November, 1868; that to the eighth, August, 1869; that to the ninth, March, 1871; that to the tenth, May, 1873; that to the eleventh (unaltered), December, 1873. Each successive edition, nearly, has been announced as an improved and enlarged one; and the tenth edition contains one hundred and fifty-six pages more than the first, although in places, a large number of abbreviations had been made from previous editions. There are many things in some of the previous editions which criticism induced me, long since, to change. I have considered it my duty to the public, who gave my work so warm and friendly a reception, to take into consideration, in each successive edition, not only my own new investigations, but those also of all others with which I became acquainted, and, whenever possible, to correct statistical illustrations from the latest sources. I have especially, in each following edition, enriched a number of paragraphs with here and there historical, ethnographic and statistical features. Plutarch is certainly right, spite of the fact that pedants may abuse him for it, when he says, that trifling acts, a word and even a jest, are often more important, as characterizing the life of a people or an age, than great battles which cost the lives of tens of thousands of men.

I have changed the titles “Ricardo's Law of Rent,” and “The Malthusian Law of the Increase of Population,” which I formerly used, for others. But I would not be misunderstood here. I hold

it to be a duty of reverence in the learned—as it has long been practiced in the case of the natural sciences—in the sciences of the human mind to call the natural laws, methods etc., in acquainting us with which, some one particular investigator has won very distinguished merit, by the name of that investigator. In the case of the law of rent, the application of this rule would as unquestionably entitle Ricardo to this honor as it would Malthus in that of the increase of population, spite of the fact that Ricardo may not have succeeded in finding the best possible form of the abstraction, and although Malthus even, in a one-sided reaction against a former still greater one-sidedness, was not always able to steer clear of positive and negative errors. Recent science has endeavored, and successfully, to examine the facts which contradict the Ricardian and Malthusian formulations of the laws in question, and to extend the formulas accordingly. I have myself contributed hereto to the extent of my ability. But, in the interval, it is not hard to comprehend that, while this process of elucidation is going on, most scholars, those especially possessed more of a dogmatic than of a historical turn of mind, should estimate these two leaders more in accordance with their few defects than with the great merits of their discoveries. If, therefore, I now drop the title “Malthusian law,” it is to guard hasty readers from the illusion that §§ 242 seq. teach what the great crowd understand by Malthusianism; when they might, perhaps, omit that portion entirely. For my own part, I have no doubt that, when the process of elucidation above referred to shall have been thoroughly finished, the future will accord both to Ricardo and Malthus their full meed of honor as political economists and discoverers of the first rank.<sup>1</sup>

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<sup>1</sup> The author's preface to the twelfth edition is confined to pointing out the improvements etc., made in the eleventh. There is no new preface to the thirteenth edition of the original, which appeared in 1877.—TRANSLATOR {FNS.



# Preliminary Essay.

Preliminary Essay On The Application Of The Historical  
Method To The Study Of Political Economy,

By M. Wolowski,

Member Of The Institute Of France.

*“Nunquam bene percipiemus usu necessarium nisi et noverimus jus illud usu non necessarium. Nexum est et colligatum alterum alteri. Nulli sunt servi nobis, cur quaestiones de servis vexamus? Digna imperito vox.”—Cuj., vii, in titul. Dig. De Justitia et Jure.<sup>2</sup>*

*“Homo sum, humani nihil a me alienum puto.”—Terence.<sup>3</sup>*

*“Ista praepotens, ac gloriosa philosophia.”—Cicero, De Or., I, 43.<sup>4</sup>*

## I.

It is no foolish desire to make a vain display of citations, that induces us, at the beginning of this essay, intended to point out the results of the application of a new method to the study of

---

<sup>2</sup> “We shall never thoroughly understand the reason of customary law unless we also have a knowledge of that which is not customary. The one is connected and bound to the other. We have no slaves; why vex ourselves with questions about slaves?—Words worthy of a novice.”

<sup>3</sup> “I am a man; I think nothing foreign to me that pertains to man.”

<sup>4</sup> “That excellent and glorious philosophy.”

Political Economy, to invoke the authority of a poet and moralist, of a juriconsult and of a philosopher. The writer finds in the words just quoted the loftiest expression of the thought which dictates these lines, viz.: that the impartial researches of history, a profound feeling of man's moral and material wants, and the light of philosophy, should govern in the teaching of a science, the object of which is to show us how those things which are intended to satisfy our wants are produced and distributed among the several classes or individuals of a nation; how they are exchanged one against another, and how they are consumed. [002]

The nineteenth century affords us something more than the admirable spectacle of the rapid and fertile development of mechanical power and natural forces. This is but one of the aspects, we might even say but one of the results, of the general progress of the human mind. The renovation of moral and intellectual studies has served as a starting point for the application to facts of the conquests of thought. Science has preceded art.

In the foremost rank of the studies just referred to is *philosophy*, which initiates us into the knowledge of human nature, the basis of right, and which translates its legitimate aspirations into a language which we can understand; *history*, that *prophetess* of the truth, as one of the ancients called it, which places before us the faithful picture of times past, not by simply putting together a skeleton of facts, but by following the living progress of events and the organic development of institutions. Such, at least, has been the work of those noble minds who have consecrated their energies to the resuscitation of ages past, in their true shape, and such is the service for which we are indebted to them for the successful accomplishment of the reformation of historical studies, which they attempted with such rare devotion and such marvelous sagacity.

This renovation of history has exerted the most fertile influence in the region of philosophy, in that of law, and we believe that

it will prove no less useful in that of Political Economy. It has served to put us on our guard against being easily misled by *a priori* notions.

[003]

By exhibiting to us the results of the life and of the experience of centuries, by teaching us by what steps the human mind has risen to its present eminence, and what the education given it in the past has been, it has enabled us to ascend from phenomena to the principles which preside over them; from facts to the law; and it has substituted for arbitrary assumptions and purely ideal systems, the slow but progressive work of the genius of nations. Not that it turns a deaf ear to the exalted lessons of philosophy, nor that it denies the *eternal relations resulting from the nature of things*. Far from it. On the contrary, it supplies a solid basis to intellectual investigations, and, so to speak, an answer for all the moral sciences, to this saying of Rœderer: "Politics is a field which has been traversed thus far only in a balloon; it is time to put foot on solid ground."

Neither does history, as thus understood, confine itself to mere description; it also assumes the office of judge. While it pulls down much that passion and inaccuracy have reared, and thus restores respect for the past, it does not turn that past into a fetish. It looks it boldly in the face and questions it, instead of prostrating itself before it and worshipping it with downcast eyes. Thus, by plainly showing us the many bonds which tie us to it, it escapes at once both the rashness of impatience and the wearisomeness of routine.

The impartiality it inculcates is not indifference; and there is no danger that the justice it metes out to past ages shall degenerate into a vain scepticism or a convenient optimism.

The study of history, thus understood, has another advantage; it accustoms us to those patient and disinterested investigations, to those lengthy labors, the positive result of which at first escapes us for a time, only to burst on our eyes, with so much more brilliancy, when rigorous research has succeeded in discovering

it. It frees us from the deadly constraint of immediate utility.

There is nothing more fatal to science than the feverish impatience for results which obtains only too much in our own days, and which induces people to run after him who is in the greatest hurry, and which leads to hasty conclusions. [004]

“Research undertaken from a disinterested love of science,” says the learned Hugo, one of the masters of the historical school of law in Germany,<sup>5</sup> “that research which at first promises no other advantage but truth and the culture of the mind, is precisely that which brings us the richest rewards. Would we not be behind, in all the sciences, if we had clung only to those principles, the utility of which in practice was already known? Do we not, to-day, from many a discovery, reap advantages of which its author never dreamed?”

Doubtless this tendency, unless restrained by other demands, is not exempt from danger. We may be carried away by the attraction peculiar to these noble studies, withdraw into antiquity and fall into a species of historical mysticism which ends in the affirmation, that whatever has been is true, absolutely, and which, instead of confining itself to the explanation of transitory phenomena, invests them with all the dignity of principles. We shall endeavor to avoid the peril pointed out by Mallebranche. “Learned men study rather to acquire a chimerical greatness in the imagination of other men, than to acquire greater breadth and strength of mind themselves. They make their heads a kind of store-room, into which they gather, without order or discrimination, everything which has a look of erudition,—I mean to say everything which may seem rare or extraordinary and excite the wonder of other people. They glory in getting together, in this archæological museum, antiques with nothing that is rich or solid about them, and the price of which depends on nothing but fancy, chance or passion.”

---

<sup>5</sup> Introduction to the *Civilistisches Magazin*.

[005]

A display of erudition may obscure the truth, and bury it under its weight, instead of bringing it out into relief. By concentrating the mind on the material vestiges of the past, it may withdraw it from the intellectual movement of the present, and give us a race of scholars, of great merit, doubtless, but who move about like strangers among their contemporaries.

Without a sense for the practical, and without ideas of an elevated nature, a person may, indeed, be a man of erudition—he cannot be a historian. As the proverb says, the forest cannot be seen, for the trees. That this noble study may bear its best and most useful fruit; that is, that it should preserve us against ambitious *formulas* and destructive chimeras, we must pursue another way.

“The world,” says Montaigne, “is incapable of curing itself. It is so impatient of what burthens it, that it thinks only of how it shall rid itself of it, without inquiring at what price. A thousand examples show us that it cures itself ordinarily at its own cost. The getting rid of the present evil is not cure, unless there be a general amendment of condition. Good does not immediately succeed evil. One evil, and a worse, may follow another, like Cæsar's assassins, who brought the republic to such a pass, that they had reason to repent the meddling with it.” Such, too frequently, is the lot of those who, abandoning themselves to their imagination, and without consulting the past, mix together promises of liberty and the despotism of Utopias which they would impose on nations under pretext of enfranchising them. Despising the work of the ages, they think they can build upon a soil shaken by destruction and crumbled, until it may be likened to moving sand.

Contempt for the past is associated with a passion for reform. Men think of destroying that which should only be transformed. They condemn everything that has been, unconditionally, and launch out towards a new future. The suffering which has been gone through irritates and troubles the mind. The work of pulling



down is so easy, it is supposed that the work of building up is equally so. Hence systems rise, as if the world were to begin anew. The pride of liberty and of human action becomes the principle of science; and, like all new principles, it pretends to exclusive and absolute dominion. Rationalism governs; abstract philosophy ignores the traditions and the requirements of the life of nations; and finds now in it, as in geometry, nothing but principles and deductions. The memory of recent oppression causes us to act as Tarquin did, and to level down the higher classes instead of elevating the inferior. Liberty and equality then govern by their negative side, instead of exercising the positive and beneficent influence they should have, to develop all forces to their utmost, to ennoble the mind, to give more elasticity to the soul and greater vigor to thought, to give birth to those varied forms and to that moral energy, which should bring us nearer to final equality in the bosom of God.<sup>6</sup> [006]

We forget that no one is born *free*, and that every one ought to endeavor to become so,

Feindlich ist des Mannes Streben  
Mit zermalmender Gewalt  
Geht der Wilde durch des Leben  
Ohne Rast und Aufenthalt,

—*Schiller.*

and make himself worthy of liberty, by the exercise of manly virtue! Because the form has been changed, we believe that we have changed human nature.

It is easy to understand, why, where these ideas prevail, the study of the past should be neglected and despised. Efforts are made to avoid it. Why, it is asked, revive memories of oppression and misery? The old world is wrecked. It is annihilated. Peace

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<sup>6</sup> *Dunoyer, De la Liberté du Travail.*

to its ashes! Or else, after it has been destroyed, it is sought for again; and, under pretext of eradicating the evils existing in it, an attack is made on the eternal basis on which human society rests, on the laws not made by man, and which it is not given to man to change. The world becomes one vast laboratory, in which the rashest experiments are multiplied in number, in which mankind is but clay in the hands of the potter which every pretended “thinker” may mould at will, by giving him the false appearances of independence and of an emancipated being.

[007]

And, indeed, if the will of man be all-powerful, if states are to be distinguished from one another only by their boundaries, if everything may be changed like the scenery in a play by a flourish of the magic wand of a system, if man may arbitrarily make the right, if nations can be put through evolutions like a regiment of troops; what a field would the world present for attempts at the realization of the wildest dreams, and what a temptation would be offered to take possession, by main force, of the government of human affairs, to destroy the rights of property and the rights of capital, to gratify ardent longings without trouble, and provide the much coveted means of enjoyment. The Titans have tried to scale the heavens, and have fallen into the most degrading materialism. Purely speculative dogmatism sinks into materialism.

All is changed, both men and things. Yet we hear the same old style of declamation. There are those who wish to plough up the soil which the harrow of the revolution went over yesterday; and they believe they are marching in the way of progress. They do not see that they have mistaken their age, and that the bold attempts of the past have now come to possess a directly opposite meaning. Without stopping to inquire to what side the new world inclines, they repeat the same words, and swear *in verba magistri*, and go the road of destruction, believing themselves to be creating the world anew!

Nothing is more natural than that these excesses should produce other excesses, in a contrary direction. Moved by hatred

or fear of revolutionary absolutism, nations seek an asylum in governmental absolutism, or they retrograde towards the middle ages, and consider the mutual bond of protection and dependence of that period as the ideal and the realization of true liberty. History is no longer the organic development of social life, and man, like a soldier that thoughtlessly and capriciously has gone beyond his place of supplies, is obliged to retrace his steps. The reaction is clearly defined. The past is opposed to the present, not as a lesson to be turned to advantage, but as a model which must be hastily accepted; and men become revolutionary in a backward direction. [008]

However, history, rigorously studied, knows neither these complaisances nor these weaknesses. It does not descend to the apotheosis of a past which cannot return again. The real historical spirit consists in rightly discerning what belongs to each epoch. Its object is, by no means, to call back the dead to life, but to explain why and how they lived. In harmony with a healthy philosophy, it assigns a limit to the vagaries of arbitrary will, beyond which the latter cannot go. It unceasingly calls us back, from the heights of abstraction, to positive facts and things.

In the creation of systems, only one thing was wont to be forgotten, men, who were treated, in them, like so many ciphers; for intellectual despotism has this in common with all despotic authority. History teaches us that we can reach nothing great or lasting, but by addressing ourselves to the soul. If the soul decays, there can be no longer great thoughts or great actions. Society lives by the spirit which inhabits it. It may, for an instant, submit to the empire of force, but, in the long run, it hearkens only to the voice of justice. It was thus that the greatest revolution which history records, that of Christianity, was accomplished. It addressed itself only to the soul; but by changing the hearts of men, it transformed society entirely.

The violent struggle between an imperious dogmatism and an unintelligent and mistaken attempt at a retrogressive movement

is resolved into a higher view, which permits the union of conservatism and progress. Violent attempts and rash endeavors made, threatened to bring contempt on the noblest teachings of philosophy, and to make them repulsive to man; and, on the other hand, a blind respect for the institutions consecrated by history threatened to stifle all examination and all freedom of judgment.

[009] But a healthier doctrine has permitted us to understand, that we are continuing the work of preceding generations; that we are developing the germs which they successively sowed; that we are perfecting that which they had only sketched, and that we are letting drop that which has no support in the social condition of man. Every thing is connected; each thing is linked to every other; nothing is repeated. The hopes of sudden and total renovation, based on absolute formulas, vanish before the touch of this solid study. This shows us how firm and unshaken are those reforms which have begun by taking hold of the minds of men, the precise spirit of which had penetrated into the souls of whole nations before they had manifested themselves in facts.

Law and Economy constitute a part of the life of nations in the same way that language and customs do. The power of history in no way contradicts the supremacy of reason.

## II.

These two tendencies, the rationalistic and the historical, are everywhere found face to face. They carry on an eternal warfare, which is renewed in every age, under new names and new forms. Accomplished facts and renovating thought divide the world between them. They at one time moderate its speed, and at others, spur it on its way. But these two forces, instead of compromising the destinies of humanity by their opposing action, maintain and balance them, as the contrary impulses given by the

hand of the Great Architect has peopled the universe with worlds which gravitate in space.

Victor Cousin, a very competent authority on the subject, has said that the history of philosophy is the torch of philosophy itself. The remarkable works which have enriched it in this direction are well known. History, on its side, is enlightened by philosophy. Thus, it teaches us not to despise facts, but at the same time not to be slaves to precedent. It does equal justice to the incredulous and to the fanatic, to too supple practitioners and to intractable theorizers.

[010]

We may doubtless say with Henri Klimrath, who, in connection with a few others, had undertaken the work of the restoration of historical study in its application to French law, that there is an absolute, true, beautiful, good and just, the *ratio recta summi Jovis*,<sup>7</sup> the supreme reason founded in the nature of things.<sup>8</sup> The eternal truths taught by philosophy constitute the higher law, a law which dates not from the day on which it was reduced to writing, but from the day of its birth; and it was born with the divine intelligence itself. “*Qui non tum denique incipit lex esse, cum scripta est, sed tum cum orta est. Orta autem simul est cum mente divina.*”<sup>9</sup> And Troplong rightly adds: “There are rules anterior to all positive laws. I cannot grant that the action of conscience and the idea of right are the work of the legislator. It is not law that made the family, property, liberty, equality, the idea of good and evil. It may, indeed, give organization to all these things, but in doing so, it is only working on the foundation which nature has laid, and it is perfect in proportion as it comes nearer to the eternal, immutable laws which the Creator has engraved on our hearts. What changes is not the eternal law, the

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<sup>7</sup> Cicero, De Leg., I.

<sup>8</sup> Discours Préliminaire du Code Civil.

<sup>9</sup> Cicero, De Leg., II, 4. “Legem neque hominum ingeniis excogitatum, nec scitum aliquod esse populorum, sed æternum quiddam quod universum mundum regeret, imperandi, prohibendique sapientia.” *Ibid.*

revelation of which comes to man incessantly and by a necessary action, but the form in which humanity clothes it, the institutions which man builds on its immutable foundation.”<sup>10</sup>

[011]

We therefore believe in the law of nature, and regret that our opinion is not shared by Mr. Roscher, at least that he does not explicitly enough express his faith in it, nor apply it broadly enough in the beautiful work which we are happy to render accessible to the French public.<sup>11</sup> We believe in it in its philosophical sense, and not simply in the juridical sense attached to it by Ulpian. “Let us not,” observes Portalis, “confound the physical order of nature, common to all animated beings, with the natural law which is peculiar to man. We call *natural law*, the principles which govern man considered as a moral being, that is, as an intelligent and free being, intended to live in the society of other beings, intelligent and free like himself.”<sup>12</sup> Ulpian's famous tripartite division, of natural law, the law of nations, and the civil

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<sup>10</sup> Revue de Législ. et de Jurispr. (1841, XIII, p. 39.) *Montesquieu* says: “The relations of justice and equity are anterior to all positive laws.”

<sup>11</sup> Mr. Wolowski translated the second edition of Roscher's *Principles* into French, and prefixed the present essay thereto as a preface. Since Wolowski's translation appeared, the original work has gone through eleven editions, been largely increased in size, and enriched with new notes, the result of nearly twenty additional years of research and thought. The thirteenth German edition, from which the present translation is made, is larger than the first by one hundred and seventy pages.—*Translator's note*.

<sup>12</sup> And he adds: “Animals which yield only to an impulse or blind instinct, come together only fortuitously or periodically and in a manner destitute of all morality. But in the case of men, reason is mixed up more or less with every act of their lives. Sentiment is found side by side with desire, and right succeeds instinct. I discover a real contract in the union of the two sexes.”

It would be impossible to present a more complete or eloquent refutation of the definition of the Roman juriconsults which debases marriage to the level of the promiscuous coming together of animals, and which limits the natural law to the law common to man and beast. “*Jus naturale est quod natura omnia animalia docuit; nam jus istud non humani generis proprium, sed omnium animalium quæ in terra, quæ in mare nascuntur, avium quoque commune est. Hinc descendit maris atque feminæ conjunctio, quam nos matrimonium*

law, is proof, from the meaning he attaches to them, either of a misunderstanding or of the imperfect idea which the Stoics had conceived of the essence of natural law. In vain Cujas exhausted all the resources of his noble intellect to explain it.<sup>13</sup>

[012]

It is necessary to draw a distinction between physical law and the law (*droit*) of intelligent beings. Doubtless the existence of men as well as that of animals is limited by time. They both live and die; but the soul escapes the necessities of material nature.

The moment there is question of *right*, intelligence governs, reason comes into play, and the science of right and wrong is appealed to as a guide. Hence the *natural* law of the human species is not the physical law which all creatures obey.

It was necessary for us to insist upon these principles. It was necessary for us to show that there is a law independent of positive and local law, a law which is not the expression of an arbitrary will, but an emanation from the nature of things.<sup>14</sup>

Hence come the features in common which we meet with everywhere, and the variable forms which develop law in harmony with the special conditions of each civil society.

We must descend into the very depths of human nature to

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appellamus, hinc liberorum procreatio, hinc educatio; videmus etenim cætera quoque animalia, feras etiam, istius juris peritia censerii." D. L. I. De Just. et Jure.

<sup>13</sup> Comment. in tit. Dig., De Just. et Jure, VII, 11th Naples edition. The ingenious argument of the great jurisconsult falls to the ground under the beautiful words of Cicero: "Ut justitia, ita jus sine ratione non consistit; soli ratione utentes jure ac lege vivunt." De Natura Deorum, II, 62. "Virtus ratione constat, brutæ ratione non utuntur, cujus sunt expertia, ergo jure non vivunt, et ut rationis, sic jures sunt expertia." Besides, Cujas himself recognizes how faulty and incomplete was the definition he was defending: "At ne jus quidem naturale, de quo agimus, est commune omnium animalium quatenus rationale, est, sed quatenus sensible est, sensui congruit. Tullius participare hominem cum brutis eo quod sentit, sed ratione ab eo differre. Et alio loco: jus naturale esse commune omnium Quiritium, veluti ut se velint tueri: sed hoc distare hominem a bellua, quod bellua sensu moveatur, homo etiam ratione."

<sup>14</sup> Rossi.

discover these eternal and permanent laws; and if the mere effort of the mind should not reach them directly, they might be discovered in the phenomena of the life of nations. History affords us the counter-proof and confirmation of the philosophical doctrine.

The development of society does not afford a mathematical expression of these higher truths. It gives them a form which is unceasingly modified in the written law. The person who discovers in them nothing but an absolute rule, looks upon the changes as evidences of caprice and error. He alone understands the revolutions of things who knows their cause and the necessity which produces them.

[013]

Solon was right when he gave the Athenians not the most perfect laws, but the best which they could bear.

It is not in the attempts contemporary with the infancy of society, or nearly so, that we are to look for the complete realization of the precepts of the natural law; for principles obey the rule laid down by Aristotle. "The nature of each thing is precisely that which constitutes its end; and when each being has attained its entire development, we say that that is its own proper nature."<sup>15</sup>

The ideas of natural law are purified in proportion as society grows enlightened and free; but the truth appears only successively in the phases it passes through. It allows us to grasp one aspect of itself after another, but does not surrender itself entirely, at any one moment, to the investigations of the historian or the jurisconsult.

History and philosophy interpenetrate and complement one another.

### III.

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<sup>15</sup> Politics, I, ch. I, II.



The two schools, that of philosophy and that of history have met in our day, in the field of law. Who is there that does not remember the great and noble contest carried on, about the beginning of this century, between two descendants of Frenchmen who had sought a refuge in Germany, and who united in their own persons, and in so marvelous a manner, the different aptitudes of the country they owed their origin to, and of the land that gave them birth,—between Thibaut and Savigny?

It would be difficult to find a scientific question of a higher character, debated by champions more worthy to throw light upon it.

The *Code Napoléon* had appeared. It had, to use Rossi's happy expression, transferred into law the social revolution produced by the destruction of privilege. It was the practical formula expressive of the conquests which had been made. [014]

The philosophy of the eighteenth century had previously inspired the Prussian Code. And yet, it was on the question of codification that this memorable controversy was carried on. The two principal combatants, while manfully battling, the one against the other, continued to hold each other in high esteem, and the profound study of law was developed in the midst of the *melée*.

We cannot delay long on this subject, nor analyze the arguments advanced by Thibaut<sup>16</sup> and Savigny.<sup>17</sup> What interests us at present is not so much the question debated, as the intellectual movement to which it gave birth. Savigny sustained the ancient law, Thibaut attacked it. Numerous and distinguished jurisconsults ranged themselves on the one side and the other. A new school grew up which, with the most brilliant success, made law throw light on history and history on law.

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<sup>16</sup> Ueber die Nothwendigkeit eines Allgemeinen burgerlichen Rechts fur Deutschland.

<sup>17</sup> Vom Beruf unserer Zeit für Gesetzgebung etc.

The application of the historical method to the study of law was productive of the most happy results.

Without acknowledging it to themselves, the chiefs of the contending parties were each obeying a political impulse. Savigny was by his birth and his tastes carried into the camp of conservatism; Thibaut, led by his convictions, into the liberal ranks. Nevertheless, the natural elevation of their genius preserved them from all exaggeration. The glorious defender of tradition preserved a liberal spirit, and the ardent advocate of reform desired no upheaval.

In what more nearly concerns the question with which we are now occupied, Savigny—while he maintained that law was something contingent, human, national; and while he brought out into relief the practical and exalted character of its successive developments which introduced reform and guarded against revolution—developments which, not confiding in the letter of the written law, unceasingly feed the living and created law, that law called in the energetic language of a great jurisconsult, a law *écrit es coeurs des citoyens*—is far from denying the importance of a high and healthy philosophy which directs man in the uninterrupted labor to which he is called, in the sphere of jurisprudence.

[015]

Men can no more renounce law than language, the forms of which last they have gradually modified in order to better translate their thoughts into words. The legislator's task is the successive elaboration of obligatory provisions. He will sometimes oppose and sometimes second the natural progress of law; but, in doing so, it will ever be necessary for him to ascend to the nature of things, and grasp their relations, if he would not go astray in practice, or lose himself among the successive and partial changes to which the illustrious Berlin professor would confine the legitimate ambition of legislative power. To go beyond this, in an age like ours, seemed to him to be a work of destruction. However, far from denying the influence of thought,

and therefore of philosophy, acting within its sphere, Savigny invokes its fertile aid.

Thibaut, on the other hand, with more confidence in the powers of the spirit of modern times, did not believe a good codification to be impossible. His starting point had been a cry for national independence. He well knew how much veneration was due those institutions which were the slow and progressive work of national genius, and what was the power they possessed. He wished, therefore, to reform, not to abolish them. He well understood that the greatness of the *Code Napoléon* itself, and the respect which it inspired were due to the fact that its roots ran deep into the soil of the past, even while the modern idea it contained shone like a bright light in the world of things. Hence, without contesting the value of history, he refused to acknowledge its right to exclusive reign.<sup>18</sup>

[016]

The life and activity prevailing in the study of law, and the brilliant successes that study has recently achieved, are due, say, without hesitation: Spare the works of Cicero.' He joyfully exclaimed: 'I have at last found a man who judges rightly of Cicero. I share your admiration for him, and that is the reason I have given my boy the name of Marcus.' The ice was now broken, and he frankly told me that he could not understand how I could be an inveterate enemy of Roman law and of the history of law. I gave him to understand that I had simply been slandered, and I added, that, in order to live entirely with the classics, I had always refused to give legal advice, or act as a counsellor, although I might have made a fortune in that way. I told him that I owed my gayety and vigor, in great part, to my love for the classics of all ages, even those outside the domain of jurisprudence; but that I held, above all things, to the good qualities of the German nation, and that I did not hesitate to say with Facciolatus: 'Expedit omnes gentes Romanis legibus operam dare, suis vivere.'

"When he heard those words of mine, he exclaimed with his usual energy and vivacity: 'Habes me consentientem, labes me consentientem.' From that moment all coldness between us was at an end, and we approached, without any embarrassment, a host of questions in one conversation in which I endeavored, as I had before, to learn from him.

"Thus I receive with sincere gratitude, all the works, both useful and profound, which have appeared in our day on the history of law. It would be folly in me to deny the impetus which the study of positive law has received.

[017]

in great part, to the illustrious representatives of the historical school. We may add, here, that the French historical school, which has so worthily inherited the spirit of Montesquieu, has not achieved less in this direction than the older German school. It has reconciled the opposing but not mutually hostile, tendencies of Savigny and Thibaut. It has conscientiously scrutinized facts to show their concatenation, and to allow their meaning and bearing to be clearly grasped. A French jurisconsult, who is at the same time our highest authority in the natural law, opened the way by his excellent essays on the necessity of reforming the historical studies applicable to law; on the influence of the legists

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for that man's name was Niebuhr.... When he [Niebuhr] returned from Italy to devote himself entirely to science, in his retreat at Bonn, he passed through Heidelberg, where he remained five or six days. During a great part of that time we came frequently together. He was at first a little cold; but Cicero made us friends. After a happy word let drop concerning that writer, he asked me what I thought of him. I answered laconically: 'If they were burning all the Latin authors, and I were permitted to grant a pardon to one of them, I should New sources have been discovered. Their newness and importance have excited the zeal of many scholars who have studied them profoundly; a fact which made a review of the older sources, still by far the most important, necessary. These two circumstances soon rendered it imperative to proceed to the making of scrupulous dogmatic researches. Thus there now is a new life among jurisconsults, and a great activity, which, it is my hope, may continue long.'

<sup>18</sup> In one of his latest productions (Ueber die sogenannte historische und nicht historische Rechtsschule, Archives du Droit Civil, Heidelberg, XXI 1838) the veteran of the philosophical school, resuming a debate begun a quarter of a century before, energetically defends himself against the erroneous interpretations which it was sought to give to his thoughts. "Does it follow," he inquires, "that because a man is desirous of reform, he must surrender the study of the past? And if there be new laws to construe, how could his evil

on French civilization<sup>19</sup> etc.; and by his prefaces, equal in value to whole works, on hypothecation, sales, loans, partnership, charter-parties etc. He may truly be said to have renewed the ancient and prolific alliance of history and law.

Instead of pursuing a pure abstraction, this historical school has confined itself to the knowledge of the life of man and the evolution of society. It has applied to law, with what success is well known, the principle which has regenerated the social sciences, philosophy, letters, history, Political Economy,—sciences which are, so to speak, different provinces of one intellectual empire, which interpenetrate one another without being confounded one with another, between which no jealous barrier should be raised, and between which reciprocity of exchange should be encouraged by the suppression of factitious duties, which have existed only too long.

[018]

## IV.

We need not dwell any longer on the character of the historical method as applied to law, nor on the services it has already rendered. On this point, there can be no two opinions. And, if any one wonders that we should speak of it at all, in a work on Political Economy, we can only say to him, that we have done so

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genius deter him from the necessary knowledge of ancient laws? Is there a single juriconsult, who, in the hope of a better future, despises the meaning and spirit of that which still exists? I do not know even one.... And when I am accused of passing by the institutions of the past with coldness and hatred in my heart, because I was one of the first to express the hope of a better future, a charge is laid at my door which is perfectly incomprehensible ... I am reproached with despising the history of law. It is a slander on me. Although I have only laughed at these reports, one man's mistake grieved me;

<sup>19</sup> Revue de Législ. et de Jurisprudence, 1834-35.

to call his attention to an instructive precedent, and for the further reason that the same method is peculiarly well adapted to the study of Political Economy. Its advantages are the same here, its tendencies the same, and the same motives exist to induce us to use it here. In describing the successive phases of the question in the case of law, we have performed an important part of the task we had imposed upon ourselves, of vindicating the employment of the historical method, in the sphere of Political Economy.

The study of history is the best and most powerful antidote against social romances and ideal fancies. François Beaudouin was right when he said: "*Cæca sine historia jurisprudentia;*" and we are very sure that, without history as an element in it, Political Economy runs a great risk of walking blindfold.

The human mind has need of being able to know where it is at any moment, surrounded, as it is, by so many roads, running in so many different directions. It ought to account to itself for its progress, its deviations from the right path, and for its mistakes.<sup>20</sup> History alone can throw any light on questions which are not simply intellectual curiosities, but which, rather, are most deeply concerned with the vital interests of society. It confirms the noble teachings of philosophy, by showing how our life is made up of one unchanging tissue of relations, and how man, even if he may vary their colors, and change their design, cannot renew their texture.

[019] It teaches us to admire nothing, and to despise nothing, beyond measure. It enlightens us concerning questions of a very complicated nature. Witnessing the evolutions of humanity, following the development of social facts and theories, we better discern principles, and grow wary in relation to the alchemists of thought, who imagine that society may be made to undergo a transformation between the rising and the setting of the sun.

As there is a natural law, so, too, there are certain principles

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<sup>20</sup> *Rossi.*

of Political Economy which emanate from philosophy, and may be reduced to one supreme principle; that of liberty and responsibility. The domain of Political Economy is the *labor* of generations. But we reject with all our strength, the materialistic doctrine which, inexplicably confusing matters, endeavors to assimilate ideas so distinct as intelligence and things; and which would descend so low as to employ the dynamometer to measure the creative force of man and its results, and which sees only figures where there is a living soul.

Man is an intelligent being, served by organs,<sup>21</sup> by *personal* organs, with which the Creator has endowed him, by giving him a body provided with marvellous aptitudes, by *external* organs which he finds in nature subjected to his power. Man was created in the image of God, say the Scriptures, and these words contain a deep meaning. He alone, of all terrestrial beings, possesses a spark of divine intelligence. He alone has been called to pursue the magnificent work of creation, by giving a new face to a world to which he cannot add so much as an atom.

*Labor* is nothing but the action of spirit on itself and on matter.<sup>22</sup> Hence its dignity and grandeur. Hence, also, the difficulties in the way of economic studies; since, to consider them only as concerned with questions of material production, is to forget that the products of industry are made for man, not man for industrial products; to ignore the close relationship between their fruitful investigations and the whole circle of the moral sciences; to debase them and to mutilate them. [020]

From the moment that science concerns itself with man only, and the action of the mind; from the moment that its end becomes not simply material enjoyment, but moral elevation, the questions it discusses become indeed more complex, but the answer, when found, is more prolific in results. Wealth,

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<sup>21</sup> *M. de Bonald.*

<sup>22</sup> *M. Cousin* has brought this out in an admirable manner in his lectures on Adam Smith. *Cours de Philosophie Moderne.*

then, is treated only as one of the forces of civilization. Other interests than purely material ones occupy the first place. This matter-of-fact philosophy which, according to Bacon's precept, seeks to improve the conditions of life, bears in mind, that the most fruitful source of material development lies in intellectual development. It humbly recognizes that it is not the first-born of the family, and draws new strength from this avowal. From the moment that it is the mind which *produces* and which governs the world, intellectual and moral perfection become the cause and effect of material progress. "But seek ye first the kingdom of God and his righteousness, and all these things shall be added unto you."

The increase of production, then, appears an instrument of elevation in the moral order.<sup>23</sup> It is energy of soul, intelligence and manly virtue which constitute the chief source of the wealth of nations; which create it, develop it, and preserve it. Wealth increases, declines, and disappears with the increase, decline and disappearance of these noble attributes of the soul.

Labor is the child of thought. Nothing happens in the external world which was not first conceived in the mind. The hand is the servant of the intellect; and its work is successful, beautiful or useful in proportion to the activity and development of the intellect, and in proportion as the just, the beautiful and the good exert their power over it.

Production is, therefore, not a material, but a spiritual, work. How, then, can acts and their morality be separated? How not understand that the market of labor has its own distinct laws, and that education, even from a material stand-point, becomes the highest interest and the most important duty of society, since on it depends the efficiency of labor?

From the time that, after a long series of years, the doctrine of Christianity had permeated the law of the civilized world; from

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<sup>23</sup> *Channing.*



the time that the teaching of Paul, that all men are children of one Father, took form and body, and that the principle of the equality of all men before their Maker, was supplemented by the doctrine and by the practice of that equality before the laws, the thinking masses have endeavored to discover the wherefore of their actions, and the why of their sufferings. They have called the past to account, and inquired why they have obtained so limited a share.

The people, therefore, think; and it is, therefore, a matter of importance that they should think aright. It is of importance, that they should be guarded against fallacious Utopian promises. Henceforth, there is no security for the stability of the world but in the contentment of minds. There is no rest for mankind, unless men will understand the conditions of their destiny; unless, instead of running,

“Toujours insatiable et jamais assouvis,”

after the intoxicating cup of material enjoyment—for wants not governed by the intellect and the heart are infinite in number, and the gratification of one gives birth to another—they submit to the law of sacrifice, and give play to the noblest faculty with which the Creator has endowed us, moral empire over self.

We shall meet on this road, hard of ascent, not only peace of soul, but goods, more real and more numerous, than those with which the allurements of error would dazzle our eyes. The greatest obstacles to be overcome are not material ones, but moral difficulties. As Franklin says, in substance, he that tells you you can succeed, in any way but by labor and economy, is a quack.

But labor is more productive in proportion as it is more intelligent, as hand and mind keep pace with each other, as good moral habits generate order and voluntary discipline. [022]

Economy is sacrifice, binding the present to the future, widening the horizon of thought, inspiring foresight, lengthening the lever of human activity, by providing it with new instruments.

Life ceases to be a worry about how the body shall be sustained, and the material world becomes the shadow of the spiritual. The former is made to serve the latter, and man's free effort lifts him into a higher region of thought, and into a larger field of action. The more mind there is put into a piece of work, says Channing, the more it is worth.

We, men of to-day, are lookers-on at a marvelous spectacle. Steam furrows the earth. Industry has taken an immense start. Mechanical force bends the most rebellious materials. Chemistry, physics and the natural sciences are discovering a new world. But whence all this? What is the principle of this new life? We answer: intellectual and moral progress. Mind has grown; the soul has been expanded. God has permitted man to be free, and furnished him with the means to be so.

Thus man, as Mignet has said, becomes that mighty creature to whom God has given the earth for the vast theater of his action, the universe as the inexhaustible object of his knowledge, the forces of nature for the growing service of his wants, by allowing him, by ever increasing information, to obtain an ever increasing amount of well-being.

Man is free.—1789 put in action the sublime precept of the gospel. He holds his destiny in his own hands. But the rights which he enjoys impose new duties on him. If *equality* be the sentiment which predominates in our day, we should take care not to confound it with the leveling of Communism. Nor is it externally to us, but within ourselves, that it should be developed, by intellectual and moral culture.

History preserves the student from being led astray by a too servile adherence to any system. It exposes the folly of the “social contract,” and of the idyllic dreams of the advantages of savage life. It shows that nature, instead of being prodigal of

her treasures, distributes them with a niggardly hand, and that it is necessary to conquer her by labor, intelligence and patience before we can control her.

It shows us human liberty growing stronger every day, thanks to moral and intellectual progress, supported by the two powerful props of property, the complement of man, the material reflection of his spiritual power; and capital, the fruit of abstinence, the symbol of moral power and the result of enlightened activity.

History walks with a firm step, because it feels secure in a knowledge of the laws of human nature, and in its experience of the successive manifestations of social life. Instead of the vagueness of ideal conceptions, it allows us to grasp and to appreciate what is real in life. It does not confine itself to the study of man. It makes us acquainted with *men*, whose wants extend and are ennobled in proportion to the perfection of their faculties. The feelings and the intellect are simultaneously developed in man. The savage is the most egotistical of men.

Hence, we believe that Political Economy cannot dispense with the services of morals and philosophy, of history and law; for these are branches of one common trunk, through all of which the self-same sap circulates.

## V.

The isolation of the theory of Political Economy is peculiar to our own day. In more remote times, we find this study confounded with the other moral sciences, of which it was an integral part. When the genius of Adam Smith gave it a distinct character, he did not desire to separate it from those branches of knowledge without which it could only remain a bleached plant from the absence of the sunlight of ethics.

We must renounce the singular idea,<sup>24</sup> that thousands of years could pass away without leaving any trace of what enlightened men had thought and elaborated in the matter of Political Economy, among so many nations, and that people should never have thought of cultivating this rich intellectual domain, while in every other direction, it is easy for us to ascend by a road already cleared up to the most remote antiquity.

It has already been acknowledged, that the *classic domain*, fertilized by intellectual culture on a large scale and on a small one, was exceedingly rich in valuable indications, although they do not present themselves under the distinct form, which later affected the different branches of public life.

As to the pretended *primitive simplicity* of the middle ages, which it is claimed, prevailed during that period, a species of economic vegetation, those who maintain it forget the long series of communistic theories which, at near intervals, found expression in many a bloody struggle, and whose repression required the combined efforts of Church and State.

Doubtless, it is not in their modern forms that the elements of politico-economical science are to be found, in the past. But when we succeed in reuniting the scattered and broken parts; when we have made our way into the customs, decrees, ordinances, capitularies, laws and regulations of those times; when, so to speak, we come, unaware, upon the life of nations, in the most ingenuous and confidential documents which reflect it most faithfully because most simply, we may well be astonished at the results obtained. Where we expected, perhaps, to find only erudition, we reap a rich harvest of lessons which are all the more valuable for being disinterested.

Legislative and administrative acts frequently develop real economic doctrines. It is easy to discover in them the

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<sup>24</sup> *Knies*. Die politische Ökonomie vom Standpunkte der geschichtlichen Methode, Braunschweig, 1853.

onward course of a theory which plunges directly into practical applications.

What results might we not expect from these efforts, if the [025] genius of investigation and of divination, which has so elevated historical studies in our day, should have an observing and penetrating eye in this direction! How limited was the field on which Guérard erected the scientific monument which he has left us in his *Polyptique d'Irminon*; and how precious are the lessons he leaves us, since we have here to do, not with the history of professed doctrines or unlooked-for events, but with the historical development of economic society which shows us the living march of principles.

## VI.

Political Economy is not, as we have just said, a new science. It has been a distinct science only a short time. Until the eighteenth century, it was confounded with philosophy, morals, politics, law and history. But it does not follow, that, because it has grown so in importance, as to deserve a place of its own, its intimate relationship with the noble studies which had until then absorbed it should cease. There is another consequence also to be deduced from this. From the moment that Political Economy ceases to be considered a new science, it finds a long series of ancestors behind it, since it is compelled to investigate a past to which so many bonds unite it. This duty may increase its difficulties, but, at the same time, it singularly adds to the attractions of a study which, instead of presenting us only with the arid deductions of dogmatism, comes to us with all the freshness and all the color of life.

We may allow those who make Political Economy simply a piece of arithmetic to ignore these retrospective studies and their importance; for mathematics has little to do with history. But it is

otherwise with the life of nations. These would discover whence they come, in order to learn whither they are tending.

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They are not obeying a vain interest of curiosity, as J. B. Say supposed, when, in sketching a short history of the progress of Political Economy, he said: "However, every kind of history has a right to gratify curiosity." It is a thing to be regretted, that this eminent thinker could thus ignore one of the essential elements of the science to which he rendered such great and unquestioned services. A sense for the historical was wanting in him. "The history of a science," he writes,<sup>25</sup> "is not like the narration of things that have happened. What would it profit us to make a collection of absurd opinions, of decried doctrines which deserved to be decried? It would be at once useless and fastidious to thus exhume them in case we perfectly knew the public economy of social bodies. It can be of little concern to us to learn what our predecessors have dreamed about this subject, and to describe the long series of mistakes in practice which have retarded man's progress in the research after truth. Error is a thing to be forgotten, not learned." As if that which was once to be found in time is not to-day to be found in space; as if there ever was an institution that did not have its *raison d'etre* and had not constituted a resting place in the search after a higher truth or of a more intelligent and salutary application of an old one! There are a great many actual systems and a great many present facts which can be understood only by the help of history; and how frequently would not an acquaintance with history serve to keep us from taking for marvelous inventions the antiquated machinery of other ages, whose only advantage and only merit are that they have remained unknown. How much of the pretended daring of innovators has been old trumpery which the wisdom of the times had cast off as rubbish. Besides, as Bacon has said: "Verumtamen sæpe necessarium est, quod non

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<sup>25</sup> Cours Complet d' Economie politique, II, 540, éd. Guillaumin.

est optimum.”

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## VII.

It is not the result of mere chance that the greatest economists have been both historians and philosophers. We need only mention Adam Smith, Turgot, Malthus, Sismondi, Droz, Rossi and Léon Faucher. It is too frequently forgotten that the father of modern Political Economy, Adam Smith, looked upon the science as only one part of the course of moral philosophy which he taught at Glasgow, and which embraced four divisions:

1. *Universal theology*.—The existence and attributes of God; principles or faculties of the human mind, the basis of religion.

2. *Ethics*.—Theory of the moral sentiments.

3. *Moral principles relating to justice*.—In this, as we learn from one of Adam Smith's pupils in a sketch preserved by David Stewart, he followed a plan which seems to have been suggested to him by Montesquieu. He endeavored to trace the successive advances of jurisprudence from the most barbarous times to the most polished. He carefully showed how the arts which minister to subsistence, and to the accumulation of property, act on laws and governments, and are productive of advances and changes in them analogous to those they experience themselves.

In the first part of his course, as we learn from the same authority, he examined the various political regulations not founded on the principle of justice but in expediency, the object of which is to increase the wealth, the power and the prosperity of the state. From this point of view, he considered the political institutions relating to commerce, finance, the ecclesiastical and military establishments. His lectures on the different subjects constitute the substance of the work he afterwards published

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on the wealth of nations. A pupil of Hutcheson, Adam Smith always applied the experimental method, “which, instead of losing itself in magnificent and hazardous speculations, attaches itself to certain and universal facts discovered to us by our own consciousness, by language, literature, history and society.”<sup>26</sup> Before taking the professorship of philosophy, Adam Smith had taught belleslettres and rhetoric in Edinburgh, in 1748. He had written a work on the origin and formation of languages; and it was because he had profoundly studied the moral sciences that it was given to him to inaugurate a new science and to become a great economist. Mr. Cousin has laid great stress on Adam Smith's taste and talent for history. “Whatever the subject he treats, he turns his eyes backward over the road traversed before himself, and he illuminates every object on his path by the aid of the torch which reflection has placed in his hand. Thus, in Political Economy, his principles not only prepare the future but renew the past, and discover the reason, heretofore unknown, of ancient facts which history had gathered together without understanding them. It is not saying enough to remark that Adam Smith possessed a great variety of historical information; we must add that he possessed the real historical spirit.” Thanks to this eminent faculty of his, the Glasgow philosopher acquired great influence over minds. In 1810, when the French empire had reached the zenith of its greatness, Marwitz wrote: “There is a monarch as powerful as Napoleon: Adam Smith.” We need not recall Turgot's historical researches.

Malthus' chief title to distinction, his work on Population, is as much a historical work as a politico-economical one; and it is not sufficiently known that he was professor of history and Political Economy in the college of the East India Company at Aylesbury.

We need say no more on this subject. The works of the

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<sup>26</sup> *Cousin.*



other writers whom we have mentioned are too well known to permit any one to think that they excluded history and moral science from the study of Political Economy. Hence the school which has risen up in Germany,<sup>27</sup> and which is endeavoring to do for Political Economy what Savigny, Eichhorn, Schrader, Mommsen, Rudorff, and so many other illustrious scholars have done for jurisprudence, cannot be rightly accused of rashness. It has done nothing but unfurl the noble banner borne by the most venerated masters of the science. [029]

## VIII.

At the head of this school stands William Roscher, professor of Political Economy at the University of Leipzig, whose excellent work, *The Principles of Political Economy*, in which he follows *the historical method*, we have just translated. William Roscher is (1857) scarcely forty years of age. He was born at Hanover, October 21, 1817. His laborious and simple life is that of a worthy representative of the science. "You ask me," he wrote us recently, "to give you some information concerning the incidents of my life. I have, thank God, but very little to tell you. Lives whose history it is interesting to relate are seldom happy lives."

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<sup>27</sup> We here append an extract from *Heinrich Contzen's* *Geschichte, Literatur, und Bedeutung der Nationalökonomie*, Cassel und Leipzig, 1876, p. 7: "Roscher ... is rightfully considered the real founder and the principal representative of the historical school. This school is continually gaining in extent, and has found, both in Germany and in France, the most distinguished disciples—men who honor Roscher as their teacher and master, the leader whose beacon light they follow. Roscher combines the richest positive learning with rare clearness and plastic beauty in the presentation of his thought. These are conceded to him on every hand; and it does not detract from him, or alter the fact that he possesses them, that, here and there, an ill-humored or maliciously snappish critic calls them in question." It should be borne in mind here that Wolowski wrote in 1857; Contzen, like Wolowski, a politico-economical writer of mark, in 1876.—*Translator's note.*

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He confined himself to giving us a few dates which are, so to say, the landmarks of a career full of usefulness. Roscher, from 1835 to 1839, studied jurisprudence and philology at the universities of Göttingen and Berlin. The learned teachers who exercised the greatest influence on his intellectual development were the historians Gervinus and Ranke, the philologist K. O. Müller and the Germanist Albrecht. It is easy to see that he went to a good school, and that he profited by it. He was made doctor in 1838; admitted in 1840 as *Privat-docent* at Göttingen; appointed in 1843 professor extraordinary at the same university, and called in 1844 to fill the chair of titular professor at Erlangen. Since 1848 he has acted in the same capacity in the University of Leipzig, where he was for six years member of the Poor Board, where he teaches also in the agricultural college. His fame has grown rapidly. Many of the German universities have emulated one another for the honor of possessing him, but he has not been willing to leave Leipzig. His first remarkable work was his doctor's thesis: *De historicæ doctrinæ apud sophistas majores vestigiis*, written in 1838. In 1842, he published his excellent work, which has since become classical: "The Life, Labors and age of Thucydides."<sup>28</sup> From that time, important works, all bearing the stamp of varied and profound scientific acquirements, and of an erudition remarkable for sagacity and elegance, have followed one another without interruption. In 1843, he treated the question of luxury<sup>29</sup> with a master hand, and laid the foundation of his great work—only the first part of which has thus far appeared—at the same time tracing on a large scale the programme of a course of Political Economy according to the historical method.<sup>30</sup> In 1844, he published his historical study on

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<sup>28</sup> Leben, Werk und Zeitalter des Thukydidés.

<sup>29</sup> *Rau's Archiv.*, Heidelberg. This remarkable essay has since appeared in Roscher's *Ansichten der Volkswirtschaft vom geschichtlichen Standpunkte*, 1861.—*Translator's note.*

<sup>30</sup> Grundriss zu Vorlesungen über die Staatswirtschaft nach geschichtlichen

Socialism and Communism,<sup>31</sup> and in 1845 and 1846, his ideas on the politics and the statistics of systems of agriculture. He is, besides, author of an excellent work on the corn-trade;<sup>32</sup> of a remarkable book on the colonial system;<sup>33</sup> of a sketch on the three forms of the state;<sup>34</sup> of a memoir on the relations between Political Economy and classical antiquity;<sup>35</sup> of a work of the greatest interest, on the history of economic doctrines in England in the sixteenth and seventeenth centuries—a work full of the most curious researches;<sup>36</sup> of a book on the economic principle of forest economy,<sup>37</sup> and lastly, of the great work, the first part of which we have translated, under the title of *The Principles of Political Economy*, and which is to be completed by the successive publication of three other volumes, on the Political Economy of Agriculture, and the related branches of primitive production, the Political Economy of Industry and Commerce, and one on the Political Economy of the State and the Commune. This work, when completed, will be a real cyclopedia of the science.<sup>38</sup> [031]

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Methode.

<sup>31</sup> Berliner Zeitschrift für allgem Geschichte.

<sup>32</sup> Ueber Kornhandel und Theuerungspolitik, 3d ed., 1852.

<sup>33</sup> Untersuchungen über das Kolonialwesen.

<sup>34</sup> Umriss zur Naturlehre der drei Staatsformen (Berliner Zeitschrift, 1847-1848).

<sup>35</sup> Ueber das Verhältniss der Nationalökonomie zum klassischen Alterthume (K. Sachs Akademie der Wissenschaft, 1849). Also to be found in Roscher's *Ansichten etc.*—*Translator*.

<sup>36</sup> Zur Geschichte der englischen Volkswirtschaftslehre im 16 und 17 Jahrh.

<sup>37</sup> Ein nationalökonom. Prinep der Forstwirtschaft.

<sup>38</sup> *Roscher's* complete work he calls "A System of Political Economy." It embraces the four parts above referred to; but each of these parts constitutes an independent work. The first part, or the *Principles of Political Economy*, covers the ground generally covered by English treatises on Political Economy.

Besides the works above mentioned, *Professor Roscher* has written *Ansichten der Volkswirtschaft aus dem geschichtlichen Standpunkte*, 2d ed., Leipzig, 1861; *Die deutsche Nationalökonomik an der Grenzscheide des sechszehnten und siebenzehnten Jahrhunderts*, Leipzig, 1862;

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Side by side with William Roscher, we must mention a young economist, Knies, formerly professor at the University of Marburg, but whom political persecution compelled to accept a secondary position at the gymnasium of Schaffhausen, for a time, and who fills, to-day, in the University of Freiburg, in Breisgau, a position more worthy of his great talent. We hope, in a work which we intend to publish, on Political Economy in Germany, to make the public acquainted with the works of this writer. They deserve to attract the most serious attention. We know of few works which equal his Political Economy, written on the historical method.<sup>39</sup> We shall also have something to say of another economist, formerly professor at Marburg, a victim, also, of the power of the elector of Hesse, Hildebrand, now professor at the University of Zurich. His National-Ökonomie<sup>40</sup> is a book replete with interest, and we have nowhere met with a better criticism of Proudhon's system, than in its pages. If the new school had produced but these three men, it would still have left its impress on the history of the science.

Other works, no less important, will claim our attention in the book to which we have already devoted many years of labor. If we carry out our intention, we shall review the works of a great many scholars, of great merit, whose names only are, unfortunately, known outside of Germany. The works of Rau, of Hermann, of Robert Mohl, of Hannsen, Helferich, Schütz, Kosegarten, Wirth etc., are a rich mine, from which we hope to draw much valuable information. Nor shall we neglect the original productions of J. Moser, the Franklin of Germany, nor the quaint, but sometimes striking, ideas of Adam Müller. Lastly,

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Gründungsgeschichte des Zollvereins, Berlin, 1870; Betrachtungen über die geographische Lage der grossen Städte, Leipzig, 1871; Betrachtungen über die Währungsfrage der deutschen Münzreform, Berlin, 1872; Geschichte der Nationalökonomik in Deutschland, Munich, 1874; Nationalökonomik des Ackerbaues, 8th ed., Stuttgart, 1875.—*Translator's note.*

<sup>39</sup> Die politische Ökonomie vom Standpunkte der geschichtlichen Methode.

<sup>40</sup> Die National Ökonomie der Gegenwart und Zukunft.

our learned friend, Professor Stein of Vienna, will afford us an opportunity to show forth the merit of important and extensive works, animated by the philosophic spirit. For the present, we must confine ourselves to a view of the application of the historical method to Political Economy.

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There is a rather widespread prejudice existing against this order of works, a souvenir of the struggle carried on formerly, between Thibaut and Savigny, which inclines people to suppose that the historical school leans towards the political doctrines of the past, and that it is hostile to the liberal spirit of modern times. Nothing can be farther from the truth. The names of Roscher, Knies and Hildebrand are sufficient to remove this prejudice. Their works, inspired by an enlightened love for progress, do not allow of such a misconstruction. The historical point of view does not consist in the worship of the past, any more than in the depreciation of the present. It does not view the succession of phenomena as a fluctuation of events without unity or purpose. On the contrary, the historical method harmonizes wonderfully well with the wants of genuine progress. The changes accomplished bear testimony to the free and creative power of man, acting within the limit permitted to it by the degrees of intelligence reached, of the development of morals, and of individual liberty. The philosophy of Political Economy, which is the result of this calm teaching, free from the passions of party—for science acknowledges no adherence to party—is like that of law, opposed to the, more or less, ingenious or rash dreams, which build the world over again in thought. In showing how, at all times, humanity has understood and applied the principles which govern the production of wealth, it may say, with the Roman jurisconsult: “*Justitiam namque colimus ... æquum ab iniquo separantes ... veram nisi fallor philosophiam, non simulatam affectantes.*” “The human mind,” says Rossi, “endeavoring to attain to a knowledge of itself, estimating its strength, taking a method, and applying it with a consciousness

of its mode of procedure to the knowledge of all things; such is philosophy. Without it, there is no science in any branch of human knowledge.” Thus do we rise, with the aid of a critical mind, by careful investigation and great sagacity, to the truths founded on observations made.

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## IX.

There is another method, which, starting out from principles, evident of themselves, develops science by way of conclusions drawn, after the manner of the geometers. The apparent severity and simplicity of this method are very seductive, and very dangerous, when we have to deal not with figures, but with men; when the varied, complex and delicate exigencies which accumulate when human nature comes into play do not exactly square with the formula; and, when instead of dealing with abstractions, we have to tackle realities. One of our venerated teachers, the illustrious Rossi, thought he might remove the difficulty by drawing a distinction between *pure* Political Economy and *applied* Political Economy. It is not without a certain amount of hesitation that we dare differ with so high an authority; but confess we must, this distinction is far from satisfying us. The doubt it has left in our mind has been the principal cause which has inclined us to the historical method. “Rational Political Economy,” says Rossi, “is the science which investigates the nature, the causes and the movement of wealth, by basing itself on the general and constant facts of human nature, and of the external world. In applied Political Economy, the science is taken as the mean. Account is taken of external facts. Nationality, time and place play an important part.”

Let us for a moment accept these definitions; what is the consequence? That there are two sciences, the one of which, purely speculative, has more to do with philosophy than with the permanent conflicts which agitate the world; the other of which could not alone furnish us with rules in practice, nor with a formulary for the measures to be taken in a given case, since such a pretension would be both vain and ridiculous, but which would inform the practical judgment of men charged with the solution of the numberless difficult and complicated questions which come up every day. If pure science refuses to interfere in the affairs of this world; if, as the learned originator of the doctrine we are just now considering gives us to understand, it would compromise the solution of questions by the intoxication of logic, and the ambition of perfect system; if, consequently, it is to be worshipped like a motionless and inactive divinity, how could this platonic satisfaction suffice us? Would not the opponents of economic doctrines be disposed to acknowledge all the principles, provided the consequences to be drawn from them were left to themselves; and would they not come to us, bristling with arguments drawn from the circumstances of nationality, time and space, to refute the possibility of applying pure science? [035]

*On ne vaincra jamais les Romains que dans Rome.*

This, therefore, is the ground we must explore. We must develop applied Political Economy which takes cognizance of external circumstances. To do this, no one will question that the best and most decisive of methods is the historical, which concerns itself with time, space and nationality, and which leads to proper reformation where reformation is wanted.

Moreover, principles will be no less firmly established by historical induction than by dogmatic deduction, and, moreover, science will be inseparable from art. We are not of those who deny principles, or who challenge them. What we desire is, that

they should not be worshiped as fetiches, but that they should enter into the very life-blood of nations.

Further: the abstract deductions of pure science do not leave us without disquietude, since they treat man much more like a material than like a moral force. Under the vigorous procedure of speculative mathematics, man becomes a constant quantity for all times and all countries, whereas he is, in reality, a variable quantity. All the elements put in play are ideal entities, the reverse of which we find in poetry, where

Tout prend un corps, une ame, un esprit, un visage!

and where everything loses the character of life, and is transformed into inanimate units. Man is something different from the sum of the services he may be made to render, and from the sum of enjoyments which may be procured for him. We must not run the risk of lowering him to the level of a living tool; and from the moment that we are required to take his moral destiny into account, what becomes of abstract calculation?

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## X.

We have been wrong, says Rossi, in reproaching Quesnay for his famous *laissez faire, laissez passer*, which is pure science. We, also, are of opinion that the reproach was ill founded, for it proceeded from a wrong conception of the principle itself. But it seems to us that, far from condemning this doctrine in its serious application, the historical method may serve to explain and to justify it. Employing less of rigidity and dryness in form, it reaches consequences more in harmony with social life. But it is not to be imagined that we do not meet in this way with many ancient and glorious precedents. The great principles of industrial liberty, as well as those of commercial



liberty, originated in France. Forbonnais was right when he said: “We may congratulate ourselves on being able to find, in our old books and ancient ordinances, wherewith to vindicate for ourselves the right to that light which we generally supposed to have been revealed to the English and Dutch before us.” The further Forbonnais carried his researches into our annals, the greater the number of traces of opposition to the prejudices in favor of exclusion and monopoly, so long made principles of administrative policy, did he find.<sup>41</sup>

The famous axiom, *laissez faire*, and *laissez passer*, the subversive tendencies of which people affect to condemn, was not invented by Quesnay. He only gave a scientific bearing to what was the inspiration of a merchant called Legendre. The latter, consulted by Colbert on the best means of protecting [037] commerce, dropped these words which have since become so celebrated.

We must not lose sight of their real meaning, nor misunderstand the intention which dictated them. What Quesnay said was this: “Let everything alone which is injurious, neither to good morals, nor to liberty, nor to property, nor to personal security. Allow everything to be sold which has been produced without crime.” And he added: “Only freedom judges aright; only competition never sells too dear, and always pays a reasonable and legitimate price.” Far from being the absence of rule, liberty is the rule itself. To *laissez faire* the good is to prevent evil.<sup>42</sup>

There is need of institutions to complete the exercise of the independence acquired by labor, and of laws to regulate that exercise. The *laissez faire* and *laissez passer* of economists is, in no way, like the absolute formula, which some have denounced and others sought to utilize, as relieving authority of all care and all intervention.

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<sup>41</sup> Recherches sur les Finances de France.

<sup>42</sup> Frédéric Passy, de la Contrainte et de la Liberté.

To understand this maxim aright, we must go back to the oppressive regime of ancient society. Quesnay's formula was, first of all, a protest against the restraints which hampered the free development of labor. But it did not tend to abrogate the office of legislator, nor to deprive society or the individual of the support of the public power which watches over the fulfillment of our destiny.

It may have seemed convenient to find in the gravity of a politico-economical principle, an excuse for the sweets of legislative and administrative *far niente*, but it is generally conceded that the role of authority has grown, rather than diminished, under the regime of the liberty of labor. The task is, in our days, a hard one, both for individuals and nations; for liberty dispenses its favors only to the masculine virtues of a laborious and an enlightened people.

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Liberty is not license. It refuses to bend under the yoke, but it submits to rule. The mission of authority is not to constrain, but to counsel; not to command, but to help accomplish; not to absorb individual activity, but to develop it. It does not pretend to raise a convenient indifference on the part of government, nor the indolent withdrawal of all protective influence to the dignity of a principle. To say, on the other hand, that the *laissez faire* and *laissez passer* of the economists means: Let robbery alone; let fraud alone etc., is to amuse one's self playing upon words, and to argue in a manner unworthy of any serious answer. Under pretext of painting a picture of economic doctrine, we are given its caricature. Such has never been the system, to the elaboration of which the purest hearts and noblest intellects have devoted themselves. A negation does not constitute the science of Political Economy.

It is very convenient to inclose humanity within a circle of action, drawn with rigorous precision, and to govern movements seen in advance. But such artificial conceptions mutilate the activity of man. To guarantee man all liberty, and prevent

its abuse—such are the data of the problem. The work is a great and difficult one. Far from yielding in point of elevation to ideal systems, it is superior to them in extent and variety of combinations. Those who ignore its bearing, yield, it may be, to a certain indolence of intellect. Restrained within its natural limits, the famous *laissez faire* and *laissez passer* of the Physiocrates deserves even to-day our respect and our confidence. It ought to be preserved in the grateful memory of men, side by side with the maxim which Quesnay succeeded in having printed at Versailles, by the hand of Louis XV himself: “Pauvres paysans, pauvre royaume; pauvre royaume, pauvre souverain.”<sup>43</sup>

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## XI.

To return to the question of method. Rossi made use of an ingenious example to explain his thought:<sup>44</sup> “Are,” he inquires, “these deductions [of pure science] perfectly legitimate; are these consequences always true? It is incontestably true that a projectile, discharged at a certain angle, will describe a certain curve; this is a mathematical truth. It is equally true, that the resistance offered to the projectile by the medium through which it moves modifies the speculative result in practice, to some extent; this is a truth of observation. Is the mathematical deduction false? By no means; but it supposes a vacuum. I hasten to acknowledge it. Speculative economy also neglects certain facts and leaves certain resistances out of account.” Now, from the moment that we have to deal with human interests, it is not possible to suppose a vacuum, to neglect the most vulgar facts, and the most common instances of resistance, nor to lose one's

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<sup>43</sup> Poor peasantry, poor kingdom; poor kingdom, poor sovereign.

<sup>44</sup> Cours d' Econ. polit., 2e., Leçon I, p. 33.

self in abstraction. The correctives of applied Political Economy either may not wipe out this original sin, or else they run great danger of covering up the principles themselves. In ballistics, again, we may measure the resistance which the medium in which we are obliged to operate, makes the force of impulsion and the target both obey the same law, and yield to the same process of calculation. But is it thus when you touch upon man's innermost and most sensitive part? Is there not danger that the hypotheses may be deceitful, and that you may be accused of toiling in a vacuum? We well know the solid reason that may be opposed to sarcasm of this nature; but is it expedient to lay one's self open to it?

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Moreover, the consequences are not great enough to warrant us to expose ourselves to the danger. The principles of pure science are very small in number. They might even, be easily reduced to one, of which M. Cousin has been the eloquent interpreter—human liberty. This liberty has no need of Political Economy to shine with the luster of evidence; nothing can prevail against it. We can prove that it is as fecund as it is respectable; but if the science of wealth should endeavor to demonstrate the contrary, the primordial bases of society, liberty, property and the family would not be less sacred nor less necessary, for they are the right of humanity. They could not be put aside, even under pretext of any mechanism which would claim to produce more.<sup>45</sup> These sovereign principles of economy flow from the moral law, and they have no reason to dread the power of facts, for the prosperity of nations depends on the respect with which they are surrounded and the guarantees by which they are protected.

We have spoken of the moral law; and, indeed, in our opinion, it is impossible to banish it from the domain of public economy. Any other point of view seems to us too narrow. And when we see eminent men go astray in the pursuit of an ideal which fails

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<sup>45</sup> This would be: *Propter vitiam, vitæ perdere causas.*

to take the human soul into account, and which finds nothing but equations where there are feelings and ideas, we cannot help thinking that they are unfaithful to the thought of the founder of the science, Adam Smith. Man is not simply a piece of machinery. He does not blindly submit to external impulse. Rather is he himself, the greatest of impulses. But to govern things, he must first learn to conquer himself. Personal interest is the powerful motive which he obeys. Man does not live alone, in a state of isolation, in the world. *Væ soli!* He lives in society and profits by the relations which he forms with other beings, intelligent like himself, and for whom he has a natural feeling of sympathy.

The good that comes to them yields satisfaction to him, and the evil that befalls them falls on him likewise. He cannot turn back entirely upon his own personality. Besides his own interest, he feels and shares another interest—the interest of all. Personal interest is perfectly legitimate. The love of self cannot be condemned. The Savior himself has enjoined us to love our neighbor as ourselves. To love him more than ourselves is a very high and beautiful virtue. It is the self-abnegation which inspired Christian heroes. But heroism is rare, and cannot be imposed, nor taken, as a rule. Personal interest is a powerful stimulant, and the superior harmony of social relations makes it contribute to the general good. [041]

What must be condemned is a fatal deviation of this sentiment which destroys its effect and narrows its actions. What we need to prevent is the degeneration of personal interest into an egotism which parches, instead of fertilizing, and which compromises the future by the exclusive search after present advantage; for egotism is short-sighted. On the other hand, the broader and more generous feeling which inclines us to sympathize with our fellow beings in their sorrows, and to unite our destiny to theirs; that is, the feeling of the general interest, has a limit too.

It would be falsified if it absorbed the individual; if it destroyed

the most powerful motive-force by drying up the abundant source of activity; if it attacked moral energy by enervating responsibility; if it extended the circle of results obtained to such an extent that scarcely any one should feel the rebound.

The evil produced by egotism, that sad travesty of personal interest, appears under a form quite as formidable when the general interest takes the form of communism. The coöperation of personal interest and of the general interest is always necessary, both for individual profit and social advantage. There is as much danger in annihilating the individual as in exalting him. History furnishes us with memorable examples of this. It does not allow us to go astray in the narrow ways of a peevish and jealous personality, nor to lose ourselves in the vague labyrinth of a chimerical and false communism. The latter would destroy what constitutes the power and dignity of man. It would wipe out the most prominent features of his noble nature, by destroying the support of energy and activity and the food of moral force.

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## XII.

But, we are told, Political Economy is only the science of selfishness; Adam Smith is the prophet of individualism; grow rich *per fas et nefas* is its ultimate teaching. Such a judgment is evidence of much levity and little enlightenment. How could the man who conceived the study of human interests on so large a scale, the philosopher who acknowledged Hutcheson as his master and gave his ideas a still more expansive character, be the apostle of egotism; and how can the science which he founded be its gospel? There is here an error of fact and a defect of appreciation. Hutcheson had based moral philosophy on the feeling which, according to him, engendered all the other virtues,

on benevolence, which is disinterested, busied with the welfare of others, with the public weal and the general interest. Adam Smith went further, and sought to base it on a still more energetic feeling, on sympathy.

The first sentence of his Theory of the Moral Sentiments, which is a full resumé of his theory, is as follows: "How selfish soever man may be supposed, there are evidently some principles in his nature which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it." And this is no empty declaration on his part. It is the thought which of all in his book is nearest to his heart; and hence he energetically assails those philosophers who look upon self-love and the refinements of self-love as the universal cause of all our sentiments, and seek to explain sympathy by self-love.

La Rochefoucauld, Mandeville and Helvetius never met with a more determined or energetic adversary. Nowhere have the sweet and amiable virtues, such as ingenuous condescension, indulgent humanity, and the respectable and severe virtues, such as disinterestedness and self-control which subject our movements to the requirements of the dignity of our nature, been better understood or interpreted. Adam Smith is the philosopher of sympathy.<sup>46</sup> His theory triumphs over the cowardly and shameful egotism which concentrates the moral life of the individual in himself, and separates it from the life of the human race of the *outré* stoicism which refuses the aid of sentiment to reason.<sup>47</sup> According to him, the law of private morals is sympathy; the law of natural jurisprudence, justice; the law of the production of wealth, free labor. But while he defended this principle with energy, he did not become guilty of a real recantation by worshiping the idol he had just overthrown. He would have been culpable of the strangest of all contradictions if

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<sup>46</sup> *Cousin*, loc. cit., p. 276.

<sup>47</sup> *Ibid.*, 274.

he had made the vice which he had just lacerated the very pivot of another part of his teaching.

We regret that this essay, which has already very much exceeded the limits we assigned it in the beginning, will not permit us to reproduce here Knies' beautiful demonstration, in which he so learnedly and eloquently vindicates Adam Smith from this strange imputation, thereby placing Political Economy on its true basis, the basis of morals, by removing in a decisive way, all pretext of error and all means of subterfuge. This part is one of the best features in his most excellent work on "Political Economy, from the historical Point of View." We shall return to this matter.

### XIII.

What is there that political economists have not been charged with? They have been accused, above all, of a cold heartedness and cruelty, and the sentence passed on them has been resumed in these words: "Political Economy has no bowels!" Indeed, the representative of the science, who has been most attacked and who has been held up as a picture of impassible insensibility; on whom have been heaped the most bloody outrages, is Malthus. Let us hear him. He tells us in his work on Political Economy, that if a country had no other means to grow rich, except by seeking for success in the struggle with other countries, at the cost of a reduction of the wages of labor, he would unhesitatingly say: Away with such riches; that it is much to be desired that the working classes should be well remunerated, and this for a reason much more important than all the considerations relating to wealth; that is, the happiness of the great mass of society. And he goes on to say, that he knows nothing more detestable than the idea of knowingly condemning the laboring classes to cover themselves with rags, to lodge in wretched huts, to enable us to



sell a few more stuffs and calicoes to foreign countries. Certain it is, that no defender, however determined, of the laboring classes, has said anything stronger or more deeply felt. The reason is, that nothing was more foreign to Malthus' ideas than the systematic rigidity of mathematical theories of wealth; that, a minister of the Gospel, he had meditated on its high precepts. His whole doctrine is based on the moral idea. "He was profoundly convinced that there are principles in Political Economy which are true only in as far as they are restricted within certain limits. He saw the principal difficulty of the science in the frequent combination of complicated causes, in the action and reaction of causes on one another, and in the necessity of setting limits or making exceptions to a great number of important propositions." Here we are ever brought back to the undulating ground of living science, instead of having to follow the rectilinear way traced out by the dead letter. We are always driven back, whatever may be pretended to the contrary, to the realities of which history alone possesses the secret. The idea of wealth cannot absorb everything when there is question of judging and enlightening men. To do this, it is necessary to know the various phases of social housekeeping, what nations have thought of economic interests which have never ceased to interest them greatly, what they have attempted and what they have attained. [045]

Hence, we must turn over the leaves of the book of the past, and study its economic aspect, as we have studied its political and literary aspect. We must follow living nations through their divers periods of development, and fathom the causes of the destruction of those that are dead. When we are dealing with the comparative study of the economic destinies of nations, our investigations are limited to a small number of individual nations—a further reason not to omit any, and above all, to scrutinize, as an anatomist would with his scalpel, the principle of life of those which are no more. We may, by accounting to ourselves for the immense variety of phenomena

which are brought to light by the *application* of principles to facts, and in which nothing is absolute or permanent, in which, on the contrary, everything is relative and successive, acquire that sureness of touch and correctness of vision which are among the most valuable conquests of science.

It would be a mistake to suppose that theory simplifies practical solutions. Far from providing us with a sort of formulary, it teaches us to put our finger on a number of difficulties. It brings to the surface the many aspects and fertile and varied considerations, the examination of which is the mission of the real statesman and legislator. In this way, the action of thought and the power of the moral idea are revealed with most *éclat*. Man ceases to be an inert element, and manifests himself as a sensible being, and the sublime thought of Pascal: "Humanity is like one man who lives and learns always," is verified by the result. The wish to violently abdicate the past, it would be vain and rash to attempt to realize. The lessons it transmits to us are as instructive as the picture it unrolls before our eyes is attractive. We have no longer but to see and hear, to be cured of the most generous impatience with what is, and to retreat from the most perilous attempts.

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## XIV.

The unvarying testimony of ages affirms the continued and gradual amelioration of man by individual energy and moral thought.<sup>48</sup> Want and suffering have urged him forward. Foresight, labor, sacrifice and virtue have in part redeemed him. No right has been lessened or usurped, and every step in civilization has been a step in the way of freedom. Instead

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<sup>48</sup> *Frédéric Passy*: De la Contrainte et de la Liberté.

of making the latter responsible for a material and moral wretchedness which it is called upon to cure, we may prove, that, in proportion as real liberty and legal guarantees increase, evil diminishes.

We do not desire to yield to a convenient optimism, and deny the sufferings which weigh only too heavily on the world. We are far from having reached the end assigned to our efforts; but let not the hope we entertain of further progress blind us to that which has already been accomplished. This latter shows us that we are on the right road, and that we have not done unwisely in giving free rein to the human faculties. Sudden changes are made only in theaters. In the real world, the march of progress is slow and laborious. It may be accelerated by a happy hit; but it would be vain to try to hurry it.

Man still suffers. No one desires to deny the evil, but only to estimate its extent. Yet it cannot be gainsaid that its fatal empire is narrowing instead of enlarging. Especially is it the progress accomplished in the higher regions of intellect and of the feelings which here exerts its beneficent influence. On our moral greatness depends our material power. The elevation or debasement of character, the energy or debility of the will—such is the first source of good or evil. The world, a Chalmers rightly says, is so constituted that we should be materially happy if we were morally good.

Industrial progress helps, we have said, towards moral perfection. It is not the source of that perfection, but its instrument; for ignorance and misery, its habitual attendants, are poor advisers. Political Economy shows how the goods of this world are multiplied. It shows how modest comfort may become more and more general, and thus an impetus be given to all noble virtues without awakening a blind passion for riches. It teaches moderation instead of exciting covetousness, nor does it come in conflict with the sublime words of Saint Augustine: “The family of men, living by faith, use the goods of the earth as strangers

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here, not to be captivated by them or turned away by them from the goal to which they tend, which is God, but to find in them a support which, far from aggravating, lightens the burthen of this perishable body which weighs down the soul.”

## XV.

Looked at from below, all things diverge. Looked at from above, all things run into one another and combine with one another. It is one of the great merits of the historical method, that it raises the point of observation and gives the observer the support of tradition and good sense, that master of life; that it prevents a divorce between different branches of knowledge of the same order, which constitute but one intellectual family, which there is no question of confounding, and which it would be dangerous to isolate.

Aristotle, that universal genius, had discovered Political Economy, and it was the historical method which revealed it to him. Be it added, that the great philosopher had seen but one phase of the science, chrematistics, and that his ideas here bear the impress of the age in which he lived. Aristotle, however, distinguished this science from all others and from domestic economy, which is so akin to it. Doubtless, he did not found the modern study of Political Economy, but his powerful intellect gave him a presentiment of it.

[048] The honor of producing at once, Adam Smith, Quesnay and Turgot belongs to the eighteenth century. It was in the course of philosophy at Glasgow that this study found a definite place. The illustrious founder of the science of Political Economy did not contemplate dissolving the ancient alliance between it and the moral sciences, history, philosophy, jurisprudence, belles-lettres—all of which he had explored and studied profoundly. Let those whose ambition it is to walk, even at a distance, in the

footsteps of Adam Smith, not forget what was the cradle of the noble study to which they have devoted their intellects.

L. WOLOWSKI.

# Introduction.

## Chapter I.

### Fundamental Ideas.

#### Section I.

#### Goods—Wants.

The starting point, as well as the object-point of our science is Man.<sup>49</sup>

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<sup>49</sup> *Schäffle*, *Deutsche Vierteljahrsschrift* (1861), emphasizes this. *Adam Smith*, *Wealth of Nations* (1776), very characteristically, begins with the yearly labor of the nation; *J. B. Say* (*Traité d'Economie Politique*, 1802), with *richesses*; *Ricardo* (*Principles of Political Economy and Taxation*, 1817), with the idea of value.

Every man has numberless wants, physical and intellectual.<sup>50</sup><sup>51</sup> Wants are either necessities, decencies (*Anstandsbedürfnisse*) or luxuries. The non-satisfaction of necessary wants causes disease or death; that of the wants of decency endangers one's social position.<sup>52</sup> The much greater number, and the longer continuance of his wants are among the most striking differences between man and the brute:<sup>53</sup> wants such as clothing, fuel,<sup>54</sup> tools, and those resulting from his much longer period of infancy; which last, together with other causes, has contributed so largely to make marriage necessary and universal. While the lower animals have no wants, but necessities, and while their aggregate-want, even in the longest series of generations, admits of no qualitative increase, the circle [052]

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<sup>50</sup> The sum total of the wants (*Bedarf*) of the Bavarian people, for a whole year, is estimated by *Hermann*, *Staatswirthschaftliche Untersuchungen* (2d ed., 1870, p. 81), at 177,000,000 florins for food (77 millions for wheat and potatoes, 69 millions for meat, 15 millions for milk etc., 16 millions for eggs, vegetables, salt and spices); 50 millions for clothing, 45 millions for shelter, 37.5 millions for fuel, 60 millions for beverages.

<sup>51</sup> The original adds: *deren Gesamtheit sein Bedarf heisst*; the aggregate of which is called his [man's] Requisite (*Bedarf*). There being no exact equivalent in English for the word *Bedarf* in this connection, this note is appended.—*Translator*.

<sup>52</sup> According to *Boisguillebert* (ob. 1714) *Traité des Grains*, I., c. 4, the wants *nécessaire, commode, délicat, superflu, magnifique*, arise in successive order with increasing welfare or prosperity, and are surrendered in a reverse order, with increasing need. *Tucker* distinguishes necessities, comforts, and conveniences of the respective conditions, elegancies and refinements, and lastly, "grand and magnificent." (Two Sermons, 1774, 29 ff.); *F. B. W. Hermann*, loc. cit., 1st ed., 1832, 68; necessary goods (*Güter der Nothdurft*), goods that contribute to pleasure and recuperation, to culture and splendor.

<sup>53</sup> Compare *Tucker*, On the Naturalization Bill (1751 seq.), IV, note.

<sup>54</sup> No people without fire (Prometheus!); and it seems that broiling was the earliest mode of preparing food; then followed baking in heated cavities, and

of man's wants is susceptible of indefinite extension.<sup>55</sup> And, indeed, every advance in culture made by man finds expression in an increase in the number and in the keenness of his rational wants. No man who distinguishes himself in anything, but feels spurred thereto by a peculiar want; and this want is both the cause and the effect of the power which is peculiar to him. No one but the poet feels the want of poetizing; no one but the philosopher, of philosophizing. In every particular, intellectual or physical, in which the man is in advance of the child, he experiences new wants unknown to the child. Our education consists, for the most part, in awakening wants and providing for their satisfaction.

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Goods are anything which can be used, whether directly or indirectly, for the satisfaction of any true<sup>56</sup> or legitimate human want,<sup>57</sup> and whose utility, for this purpose, is recognized. Hence, the idea goods is an essentially relative one. Every change in man's wants, or knowledge, is accompanied by a rapid, corresponding change, either in the limits of the circle<sup>58</sup>

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lastly came boiling in vessels. (*Klemm*, Allgemeine Kulturgeschichte, I, 180, 343.)

<sup>55</sup> There is an interesting attempt by *Faucher*, in the *Vierteljahrsschrift für Volkswirtschaft und Kulturgeschichte*, 1868, III, 148 ff., to determine the relative place of our various wants according to their capacity for extension or contraction.

<sup>56</sup> The qualification "true," excludes from the circle of goods, not only all those things which might satisfy only irrational or immoral wants (compare *Mischler*, Grundsätze der Nationalökonomie, 1856, I, 187), but also vindicates the fundamental idea of the whole system of Political Economy, as a subject of moral as well as of psychological investigation.

<sup>57</sup> Even *Aristotle* (*Eth. nicom.* V, 8), considers that all things intended to enter into commerce, should be susceptible of comparison with one another, and that the measure of this comparison is *want*, which is the foundation of all association among men.

<sup>58</sup> An Arab helped pillage a caravan, and carried away, as his share of the booty, a chest of pearls. He thought it a box of rice, and gave them to his wife to cook, but finding they did not boil tender, he threw them away. (*Niebuhr*, Beschreibung von Arabien, 383). See a similar anecdote in *Ammian. Marcell.*, XXII. Compare *Strabo*, VIII, 381.



of goods, or in their relative importance. Thus, the tobacco plant has, probably, existed thousands of years. It became goods, however, only from the time that man recognized its use for smoking, snuffing etc., and experienced the want of it for these purposes. In a similar way, the limestone of the Solenhofen quarries has become *goods*, of considerable importance, only since the invention of lithography; decaying bones, only since that of bone-dust manure; caoutchouc since about 1825, and gutta-percha, only since 1844. On the other hand, charms,<sup>59</sup> philters, and even relics, since the decay of faith in their efficacy, have lost the quality of goods. If the aggregate income of all mankind were, by some sudden revolution, to be equally divided among all, diamonds, for instance, would greatly decline in value, for the reason that it is dependent, in great part, on the wants generated by vanity, or by the desire of outshining others. Beer, tobacco etc., would rise in the scale as goods, because the circle of those to whose wants they minister would have been very greatly extended. On the whole, advancement in civilization has uniformly the effect, of itself, to increase the quantity and number of goods, the wants and knowledge of men being thereby increased. We should reach the ideal here, if all men experienced only true or legitimate wants, but these completely; if they could see their way, clearly, to the satisfaction of them, and find the means of satisfying them with just the amount of effort most conducive to their physico-intellectual development.<sup>60</sup> [054]

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<sup>59</sup> As soon as the Persians renounce the superstition that the daily contemplation of a turquoise is a talisman against the "evil eye" (*K. Ritter*, *Erdkunde*, VIII, 327), that precious stone will lose much of its value. On the other hand, the amulets of antiquity, although they have long lost the quality of goods as objects of superstition, have now a real value for the archæologist.

<sup>60</sup> Since observation shows, that, as time runs on, matter tends more and more to become *goods*, the blind forms of motion in nature to become useful labor and useful sustenance, impersonal and objectless existence to be transformed into personal property and personal culture, *Schäffle* inclines to the belief that the whole mechanism of unconsciously governing nature is destined ultimately

## Section II.

## Goods.—Economic Goods.

By economy (*Wirtschaft*=husbandry or housekeeping), we mean the systematized activity of man, to satisfy his need (*Bedarf*=requisite) of external goods.<sup>61</sup> This treatise is concerned only with economic goods (ends or means of economy).<sup>62</sup> The greater the advance of civilization or human culture, the less apt are men to pursue the satisfaction of their wants, isolated from their fellows, or, in other words, to carry on their economies or husbandries apart from one another. The more numerous the wants of men, and the more different in kind their faculties are, the more natural does exchange<sup>63</sup> become. Since all goods derive their character as goods from the fact that they are destined

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to aid in the realization of moral good, which alone is really valuable. *Das gesellschaftliche System der menschlichen Wirtschaft*, III, Auff., 1873, I, 3.

<sup>61</sup> *Hermann*, loc. cit., 1st ed., I, calls internal goods whatever each of us finds in himself, the free gift of nature; also that which we develop in ourselves by our own free action; and external, whatever we create or obtain, through the external world, as a means of satisfying our wants. The internal goods of one man may be external goods to another, as, for instance, when the former conveys them directly to the latter to be enjoyed, by words, demeanor, etc., or indirectly, in combination with other external goods.

<sup>62</sup> The exclusion of all else, has, indeed, been called one-sidedness and materialism. But, as *Senior* says, no one blames the writer on tactics, because he confines his attention to military subjects; nor is the objection raised, that by so doing, he is encouraging eternal war. On the other hand, *J. B. Storch* (1815) devoted a special division of his work to the consideration of "internal goods" (health, knowledge, morality, security, leisure, etc.). See *Rau's* translation of his *Manual*, II, 337 ff. Compare *Gioja*, *Nuovo Prospetto delle Scienze economiche*, 1815 ff. VIII.

<sup>63</sup> The inclination to exchange is, according to *Adam Smith*, one of the most important marks which distinguish man from the brute. (*Wealth of Nations*, I, ch. 2). But see *Büsch*, *Geldumlanf* (1780), I, § 29, on exchange among the lower animals.

to satisfy human wants, the very possibility of exchange must greatly increase the possibility of things to become goods. Think of the machinist, whose products are used only by the astronomer, while the latter is never in a way to manufacture them for himself. (*Hufeland.*) Commerce is the series of combinations, created by the interchange of services: “a living net of relations, which wants and services are ever weaving and unweaving.” (*Hermann.*) As a rule, with an advance in civilization, there is an increase in the number of goods, which become economic goods, and in the number of economic goods which become commercial goods (objects or means promotive of commerce).<sup>64</sup> But this is to be considered a real advancement only to the extent that that which is obtained is superior to that which was possessed before, in consequence of the specialization of callings or the greater division of labor (§ 48 ff.). When a little street Arab exacts money from a stranger for pointing out the way, we rightly censure him; but no one would find it improper if he should first fit himself to play the part of a guide, and then live by his calling.<sup>65</sup> [056]

<sup>64</sup> Observed by *Aristot.* Polit. I, ch. 6.

<sup>65</sup> The efforts of political economists to select from among the infinite number of goods, those which should constitute the subject of their investigations, have taken two directions in recent times. *Bastiat* here confines himself too exclusively to commerce. The political economist should concern himself only with wants and satisfactions, where the labor, which is the connecting link between them, is undertaken by some other person for a consideration. Thus the ordinary act of respiration lies outside the circle, that of the diver, which is paid for, does not. (*Harmonies économiques*, 1850, 68 ff.) But even *Robinson Crusoe* had his own system of economy. Are the products which the farmer consumes in his own home, the work he does himself, any the less matters of economic moment than the products he sells, or the labors of his servants? *Schäffle* is right when he says that ordinary respiration is no economic function, because it is an unconscious necessity of nature. But his definition is too broad, inasmuch as he places the essence of the economic character of goods or of an act, in the conscious adaptation of means to human ends. (*Tübinger Progr.* z. 27 Sept. 1862, 9, 24 seq.) To take a walk is no economic operation, although it may be the best means to a very important end,—health. The same goods or the same act may have, frequently, according to the end proposed, an economic or

## Section III.

## Goods.—The Three Classes Of Goods.

All economic goods are divided into three classes:

A. *Persons or personal services.* It is entirely repugnant to the feeling of humanity to regard a man's person in its entirety as an instrument intended to satisfy the wants of another.<sup>66</sup>

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Yet this happens wherever slavery exists; in its coarsest form, in cannibalism. Among civilized nations, we can speak, under this head, only of individual services or capabilities of persons; or, indeed, of the aggregate of the services rendered by them during a time determined at pleasure, or a short time.<sup>67</sup>

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non-economic character. The beauty of the human body, for instance, however systematically made use of for purposes of vanity, is not economic goods. But it is an economic speculation, base though it be, when a man relies on his handsome figure to secure a wealthy wife, or, for purposes of gain, allows her to pose as a model to artists or to take part in *tableaux vivants*. According to C. Menger, *Grundsätze der Volkswirtschaftslehre* (1871) I, 51 ff., there are no economic goods, but those the disposable supply of which is, at most, equal to the quantity that is required. But is not the largest navigable stream, even in the most thinly populated country, an economic good?

<sup>66</sup> *Hegel*, *Rechtsphilosophie*, § 67. Even the use of a corpse as manure, or for any mercantile purpose, is repugnant to our feelings, "because of the dignity of personality." (*Schäffle*, *National Ökonomie*, 1860, 28.) In this respect, prostitution is a remnant of slavery. *Schäffle* is right, when he says that to repay personal services with material commodities which do not afford as much food etc., as the former have cost in expenditure of vital energy, is a slow and frequently a very cruel kind of cannibalism. (*Kapitalismus und Socialismus*, 1870, 18).

<sup>67</sup> *Bornitz*, *De rerum Sufficientia in Republica procuranda*, 1625, gives in this encyclopædia of political science, together with a dissertation on agriculture, commerce and manufactures, a complete survey of the *ministeria*. Several modern writers refuse to look upon personal services, or the ability to render

B. *Things*, both moveable and immovable.<sup>68</sup>

C. *Relations* to persons or things which may frequently be estimated just as accurately as material goods. (The *res incorporales* of the Roman law.) I need only mention what is called good-will, which freely, and to the advantage of customers themselves, but still with a limited amount of certainty, attaches to certain localities, and for which tavern-keepers, sometimes, as [058]

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of a species of personality, but not the implements of labor. (Nothwendigkeit einer theolog. Grundlage der Staatswissenschaft, 1819, 48.)

such services, as elements of wealth: compare *Kaufmann*, Untersuchungen im Gebiete der politischen Ökonomie, 1830, II, Heft I. They demonstrate, however, no more than this, that that class of goods has something very peculiar. Thus *Malthus*, Principles of Political Economy (1820), chap. I, sect. I, objects that they cannot be inventoried or taxed; but can material goods be so completely? Can all the parts of the wealth of a nation be so inventoried and taxed? *Rau*, Lehrbuch der pol. Ökonomie (1826) I, § 46, remarks that the personal aptitude to perform services dies with the person, and that personal services cannot be stored up (?), etc. I appeal simply to the definition I have given above of economic goods, and which applies equally to services of every kind which can be performed for other people. Besides, those who oppose this view are unable to give a satisfactory explanation of all the phenomena of commerce. Of course, the qualification "recognized as useful" is of the utmost importance as a mark to determine what is goods. But a prima donna, or a world-renowned physician, cast naked by shipwreck on the shores of North America, is certainly, better off than a blind beggar, his fellow sufferer. Compare *Storch*, Handbuch II, 335 ff. and his *Considérations sur la Nature du Revenu National*.

<sup>68</sup> *Ad. Müller* compares persons, so far as they render any kind of service, to

in theaters, dépôts and clubs, pay so enormous a rent.<sup>69</sup> When a newspaper is sold, the purchaser frequently buys nothing but the existing relations between his colaborers, subscribers etc. No small part of the value of a good business firm consists in the confidence with which it inspires all who deal with it, thus sparing them a world of care and trouble.<sup>70</sup> A general may be of incalculable value to an army which he has himself helped organize. In another, or in the service of a country not his own, he might be entirely valueless, incapable of accomplishing anything.<sup>71</sup> With the progress of civilization, as man becomes more social, the number of valuable relations increases, while that of legalized monopolies is wont to decrease. (*Schäffle*.)<sup>72</sup>

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#### Section IV.

the wealth of the nation. To this class belong debts due from persons or from things, compulsory custom or good-will of every description; as for instance, the seventy-two places of the *agents de change* in Paris, each of which was worth more than a million of francs; or the right of navigating the Elbe as far as Magdeburg, which, about the beginning of this century, was worth in every instance about 10,000 thalers. (*Krug*, Abriss. der St. Œkonomie, 62.)

things, and, so far as they are required to be preserved in their individuality, to persons. The children in the "status" of a country gentleman, for instance, are treated more as persons, and domestics, more like things; the land partakes

<sup>69</sup> The privilege of selling refreshments in the garden of the Palais Royal was formerly let for 38,000 francs a year.

<sup>70</sup> See the cases cited by *Hermann*, Staatswirtsch. Untersuchungen, 6 ff. and by *Bernoulli*, Schweiz. Archiv. für Statistik und N. Œkon. II, 55. Think of the firm of J. M. Farina! In Athens, good stands were leased at a very high rent, even where there was no investment of the lessee's capital. (*Demosthenes*, pro. Phorm., 948; adv. Steph. I, iiiii.) There is, again, the sale of inventions, while they are still "mere ideas." According to *Schäffle*, Theorie der ausschliessenden Verhältnisse, 1857, II ff., the value in exchange of these relations depends on the extra income which is assured in fact, or in law, against diminution, by the exclusion of competition. He, therefore, recommends, instead of the word "relations," "custom," or "publicum." But

## Of Value.—Value In Use.

The economic value of goods is the importance they possess for the purposes of man, considered as engaged in economy (housekeeping, husbandry.<sup>73</sup>)

Looked at from the point of view of the person who wishes to employ them in his use directly, doubtless the oldest point of view, value appears first as value in use; and here, according to the difference of subjective purposes it is intended to subserve, we may speak of production value or enjoyment-value; and of this last, in turn, as utilization-value, or consumption-value. The value in use of goods, is greater in proportion as the number of wants they are calculated to satisfy are more general and more urgent, and in proportion as they are gratified by them more fully, surely, durably, easily and pleasantly.<sup>74</sup> Hence, it is seldom possible to find an accurate mathematical expression of the relation which exists between the value in use of different goods.<sup>75</sup> Thus, it is possible to estimate the nutritive power [060]

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exact mathematical and permanent measure of our wants, passions, desires, tastes and fancies.”

these words, by no means, exhaust the meaning expressed by “relation.” Thus, the good administration of public affairs, although it has no value in exchange, is one of the most valuable economic goods which a people can possess.

<sup>71</sup> The relation mentioned above of a general to an army may even have great value in exchange. Instance, the Italian condottieri in the fifteenth century!

<sup>72</sup> Relations which take from one man, as much as they afford to their possessor, are of value as components of a man's private fortune, but not of

<sup>73</sup> *Schäffle*, N. *Ökonomie*, 10. In the German language, this same word is used to designate utility, and sometimes useful objects (so called values). A clear distinction, however, should be made between utility and value in use. Utility is a quality of things themselves, in relation, it is true, to human wants. Value in use is a quality imputed to them, the result of man's thought, or of his view of them. Thus, for instance, in a beleagured city, the stores of food do not increase in utility, but their value in use does. Compare *Schäffle*, *System*, III, I, 170.

<sup>74</sup> *Genovesi*, *Economia civile* (1869), II, I, 7. *L. Say*, *De la Richesse individuelle et de la Richesse publique* (1827), 29, estimates the value of goods

of different kinds of goods, the value of wheat or of hay for instance, but not the goodness or quality of their taste, of the attractiveness of their appearance, etc.

But, the more men become used to comparing the aggregate of human wants, and the aggregate of the goods which minister to the satisfaction of these wants, as if they were two great wholes, gradually shading each into the other, the more does the value in use of the different kinds of goods assume, for purposes of social rating or estimation, a fungible character.<sup>76</sup> If a new kind of goods be produced or discovered, which satisfies the same wants in a more complete manner than another, the latter, although it has suffered no change, generally loses in the value put upon it, especially if the new goods can be produced in any desired quantity. An instance of this is the change effected in the value of the dyers weed, woad, by the introduction of indigo.

Things present in quantities greater than the amount necessary to supply the want they satisfy, preserve their full value in use, to the limit of that want, after which they are simply an element of possible future value, dependent on an increase of the want; but they have no value for present use.<sup>77</sup>

The economic valuation of goods, however, is by no means exhausted, so far as the isolated individual housekeeper is concerned, by the mere establishing of its value in use. As the

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according to the degree of discomfort attendant on the privation of them.

<sup>75</sup> *Friedländer* has, however, made a general attempt in this direction. *Theorie des Werthes* (Dorpat, 1852). But says *Th. Fix* (*Journal des Economistes*, 1844, IX, 12): "It is as impossible to establish a scale of values, as it is to find an

<sup>76</sup> Compare *Knies*, *Geld und Credit*, 1873, I, 126 ff. The very respectable attempt made by A. *Samter*, *Soziallehre* (1875), with the idea society-value (*Gesellschaftswerth*) covers too nearly the idea of value in exchange. Further research will here have to be made, with the idea of "impotent need," inasmuch as, from a high ethical, national-dietetical point of view, the question is asked whether, to what extent, and how, "impotent need" may be made a potent one.

<sup>77</sup> *Friedländer*, loc. cit, 50. If too many copies of the very best book be published, there is a certainty that a number of them will remain little better than waste paper.



systematic effort of every rational individual in his household management is directed towards the obtaining, by a minimum of sacrifice of pleasure and energy, a maximum satisfaction of his wants, even an Adam or a Crusoe is, in his economy, compelled to estimate not only what the goods to be acquired accomplish (value in use) but also what they will cost—cost-value. Even the most indispensable kind of goods, for instance atmospheric air, is considered to have no value, when it can be obtained in sufficient quantity, without any sacrifice whatever.<sup>78</sup> [061]

## Section V.

## Value.—Value In Exchange.

The value in exchange of goods, or the quality which makes them exchangeable against other goods, is based on a combination of their value in use with their cost-value, such as men in their intercourse with one another will make.<sup>79</sup> Without value in use, value in exchange<sup>80</sup> is unthinkable.

<sup>78</sup> *Schäffle*, System, II, aufl., 55. See also his Kapitalismus und Socialismus, 1870, 31, 35, 43.

<sup>79</sup> Thus *Kleinwächter* (Hildebrand's Jahrbücher für N. Oek. und Statistik, 1867, II, 318), defines value in exchange=value in use + costliness. According to Schäffle, it is "a covert comparison between the cost-value and the value in use of the two kinds of goods to be exchanged." (Kapitalismus und Socialismus, 35.)

<sup>80</sup> An intermediate dealer can, so far as he is himself concerned, attribute value in exchange to goods only to the extent that they have use for the last person who has acquired them. Hence, *Storch* calls *value in use* immediate, and *value in exchange*, mediate value. As the English are always wont to express the immediate in words of Germanic origin, and the mediate in words borrowed from the Latin, *Locke* calls value in use "worth," and value in exchange, simply "value." (*K. Marx*, Das Kapital. Kritik der politischen Ökonomie, 1867, I, 2.)

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But there are many, and even indispensable goods which are not at all susceptible of being exchanged; for instance, the light and heat of the sun, the open sea etc.<sup>81</sup> Other goods, although capable of being exchanged, have no value in exchange, because they exist in superabundance, and may be obtained by everyone, without trouble and without reward; for instance, drinking-water in most places, ice in winter, and wood in the primeval forest.<sup>82</sup> Moreover, the idea of such “free goods” is in great part relative. The water of a river may, for drinking purposes, be “free” goods, and yet, for purposes of irrigation, have great value in exchange. (*John Stuart Mill*).

But, goods, to obtain value in exchange, must, in addition to their value in use, a value which must be recognized<sup>83</sup> by a certain number of persons, at least, have the capacity of becoming the exclusive property of some one individual, and therefore of being alienated or transferred; and this alienation or transfer must be desired because of the difficulty to become possessed of them in any other way.<sup>84</sup>

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<sup>81</sup> It is, of course, otherwise when, for instance, a beautiful sea view, or a desirable position as regards air and sunshine, is connected with a piece of land.

<sup>82</sup> In Ravenna a cistern had greater value in exchange than a vineyard: *Martial*, III, 56. In Paris, too, drinking water, which is transported only with considerable trouble, costs 1-1/3 thalers per cubic meter. We may also mention snow and ice in summer, which last sells in the capitals of southern Europe at 0.34, silber groschens per pound. According to *Carey*, “utility” is the measure of man's power over nature, “value,” the measure of nature's power over man. He very inaccurately adds, that both are always in an opposite direction. (*Principles of Social Science*, 1861, VI, ch. 9.)

<sup>83</sup> Hence *Ad. Müller* calls value in use, individual value, and value in exchange, social value. The Germans call the value of goods whose value in use is recognized by only one person, *Affectionswerth*, (affection-value) a value which influences its value in exchange only when the individual who holds it in high esteem is not himself the possessor of the goods. An instance of this latter is a piece of paper covered with notes, intelligible only to the maker of them.

<sup>84</sup> The very important difference between value in use and value in exchange

## Section VI.

## Value.—Alleged Contradiction Between Value In Use And Value In Exchange.

a greater value in exchange. The two degrees of the idea of value have been examined with much thoroughness by *Hufeland* in his *Neue Grundlegung der Staatswirthschaftskunst* (1807), I, 118 ff.; *Lotz*, *Revision der Grundbegriffe* (1811 ff.), I, 31, ff.; *Storch*, *Handbuch*, I; *Rau*, *Lehrbuch*, I, 56, ff.; *Thomas*, *Theorie des Verkehrs*, I, p. 11; *Knies*, *Tübing. Zeitschr.* 1855; *Bastiat's* declaration (*Harmonies*, p. 171 ff.): that “*valeur*” (by which Bastiat means only value in exchange), = *le raport de deux services échangés*, contains a two-fold error: the ambiguity of the word *services*, which applies equally to a yielding or affording of utility, as to useful labor, and the error that the labor necessary to produce a commodity, and of which the purchaser is relieved, alone determines its value in exchange. Compare *infra* §§ 47, 107, 110, 115 ff., and *Knies*, *loc. cit.*, p. 644 ff.

was recognized even by Aristotle. *Aristot. Pol.* I, 9. *Hutchinson*, *System of Moral Philosophy* (1755), II, 53 ff. The Physiocrats speak very frequently of *valeur usuelle* and *vénale*, on which, according to *Dupont*, *Physiocratie*, CXVIII, the difference between *biens* and *richesses* is based. *La valeur d'un septier de blé, considéré comme richesse ne consiste que dans son prix.* (*Quesnay*, éd. Daire, 300.) *Turgot* distinguishes between “*valeur estimative*” and “*échangeable* or *appréciative*,” the former designating the relation between the amount of energy, physical and mental, which one is willing to spend in order to obtain the goods, to the sum total of his energies, physical and mental;

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Recent, and especially socialistic,<sup>85</sup> writers have alluded to the great “contradiction” between value in use and value in exchange. This contradiction, however, vanishes when the above idea of economy, and the two sides or aspects, which economic value presents, are kept steadily in view. It is said, for instance, that a pound of gold has a much greater value in exchange than a pound of iron; while the value in use of iron, is incomparably greater than that of gold. I question this latter statement. True it is, that the need of iron is much more universal and urgent than the need of gold. On the other hand, a pound of gold yields satisfaction to the want of that metal, much greater than is yielded by a pound of iron, to the want of iron. We may speak of a contradiction between value in use and value in exchange, at the farthest, only in case the existing quantity of an article in trade, which can be done without, is not estimated correspondingly lower than the whole existing supply of a thing which is indispensable. But this is a case which cannot often occur. When, for instance, wheat is very dear, as in years of scarcity, people prefer to pay a very high price for it rather than to dispense, even in part, with its use; and so of all the necessaries of life. As people progress in economic culture, they become more expert in adapting the value in exchange of related goods, not only to their cost-value,

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the latter the relation between the aggregate like energy of two persons which they are willing to spend in order to procure each of the goods to be exchanged, and the sum total of their energies in general. (Valeurs et Monnaies, p. 87, seq., éd. Daire.) *Ad. Smith*, in his *Wealth of Nations*, I, ch. 4, shows that he knew the difference between value in use and value in exchange; but he afterwards drops the consideration of the former, altogether. In this respect he has had only too faithful and one-sided followers among his countrymen, so that *Ricardo*, *Principles*, ch. 28, asks what value in exchange can have in common with the capacity of commodities to serve as food or clothing. (See, however, ch. XIX seq.) Many “free traders” would have no objection to interpose, if a people should abandon the cultivation of wheat, etc., to devote themselves exclusively to the manufacture of point lace, provided the latter had

<sup>85</sup> *Proudhon*, *Système des Contradictions économiques*, 1846, ch. 2.

but also to their value in use.<sup>8687</sup>

The lower the state of a nation's economy, the more isolated men live from one another, the greater is the prominence given by them to value in use, as compared with value in exchange, a fact which makes a valuation of resources, which shall be

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<sup>86</sup> In France, according to *Cordier* (*Mémoire sur l'Agriculture de la Flandre Française*), the wheat harvest yielded, in

1817, forty-eight million hectolitres, with a value in exchange of two thousand and forty-six million francs; in

1818, fifty-three million hectolitres, with a value in exchange of one thousand and four hundred and forty-two million francs; in

1819, sixty-four million hectolitres, with a value in exchange of one thousand and one hundred and seventy million francs.

A rise in the value in exchange of wheat, such as was witnessed in 1817, is synonymous with a decline in the value in exchange of money, and of all those goods whose money price has not risen. It is no objection to the views here advocated, that when the necessaries of life are very scarce, the want of clothing, furniture, articles of luxury etc., is not felt so keenly as at other times, and that the value in use of these commodities really falls; and *vice versa*.

<sup>87</sup> Compare *B. Hildebrand*, *N. (Ökonomie der Gegenwart und Zukunft*, 1848, I, p. 316 ff. *Knies*, loc. cit.

universally applicable, a more difficult matter.<sup>88890</sup>

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## Section VII.

### Resources Or Means (Vermögen).

*Resources*, or *means*, in the sense in which we here use the term, are the aggregate of economic goods owned by a physical or legal person, after deduction is made of the person's debts, and

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But *F. J. Neumann*, (*Tübinger Zeitschrift*, 1872, p. 288 ff.) objects, that even the abstract value of a commodity always suggests the relation of a definite number of concrete men to a definite quantity of goods; else, by the expression, value of goods, is to be understood not what it is generally meant to signify, but only the capacity to satisfy a single want.

<sup>88</sup> The greater importance attached, in our days, to value in exchange, than to value in use, is seen especially in the attitude which the buyer, who is possessed of the more current commodity (money), assumes toward the seller,—an attitude not unlike that of a patron towards his client. In the interior of Africa, the possessor of money, as such, would scarcely look down on the possessor of the means of subsistence. The South American Indians are ready to render an amount of service for a little brandy, which it would be in vain to ask them to perform for ten times its value in gold. (*Ausland*, Jan. 15, 1870.) The miser estimates the possibility of being able to procure for himself, for one dollar, a hundred different articles worth a dollar each, to be worth one hundred dollars.

<sup>89</sup> When the wants of a person or of a people change, it is possible for the value in use of one kind of goods, which had the greater prominence before, to take the place occupied previously by its value in exchange; and *vice versa*. Thus, the youth sells the plaything he used in childhood; the man, the educational apparatus of his earlier years; the old man, the implements that enabled him

all valuable and rightful claims have been added.<sup>91</sup> Hence, there are private resources, corporative resources, municipal resources, etc., state resources, national resources and the world's resources. In estimating the resources of a whole people, it is, of course, necessary to make deduction of the debts due by the individual members of the nation to their fellow countrymen.

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## Section VIII.

## Valuation Of Resources.

It has often been made a question, whether the valuation of resources should be based on the value in use, or the value in exchange of their constituent parts.<sup>92</sup> The latter has, of course, no interest, except in so far as we are concerned with the possibility of obtaining the control of part of the resources, or means, of another, by the surrender of a part of one's own goods. In estimating the value of private resources, which require to be made continually an object of trade, this point is, of course, of the greatest importance. If certain of their component elements,

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to acquire wealth, and which he can no longer use except with great effort. (*Menger*, Grundsätze, I, 220 ff.)

<sup>90</sup> *Rau* (Lehrbuch, I, § 61 ff.) distinguishes between the concrete or quantitative value which a certain kind of goods may have for a certain person, under certain circumstances, and the abstract or species-value which a whole class of commodities may have for men in general.

<sup>91</sup> *Storch*, Ueber die Natur des Nationaleinkommens (1824, 1825), 5, defines (*Vermögen*) thus: a source of income, permanent in its nature, and capable of being transmitted, the possessor of which does not need to work, on its account. Hence he does not approve of the expression "the people's resources" (*Volkvermögen*).

<sup>92</sup> See especially *Lord Lauderdale*, Inquiry into the Nature and Origin of Public Wealth, 1804, ch. 2. *Storch*, loc. cit.

lands, for instance, belonging to a *fidei commissum*, are incapable of entering immediately into the market, at least the revenue they yield is measured by its value in exchange.

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It is quite otherwise, even with the resources of a whole nation. Such resources are, evidently, much more independent, and have much less need of being exchanged against their equals, than private resources. The foreign commerce, of the greatest and most advanced nations, has, hitherto, been but a small quota of their internal commerce.<sup>93</sup> A valuation, therefore, based on value in exchange, however interesting it might be to enable us to determine how property is shared by the different classes and persons that compose the nation, would afford but little information concerning the absolute amount of the national wealth. This, of course, applies in a much higher degree to the resources of the whole world.

If, now, we were to estimate the resources of an entire people, or even of the world, by summing up the value in exchange of their several component parts, many very important elements would be left out of the account entirely; as for instance, harbors, navigable streams, numberless relations which have, indeed, no value in exchange whatever, but which are of the highest importance, because promotive of the economy of the nation. The same may be said of made roads of every description, the politico-economical value of which may be much greater than the value in exchange of their stock, than their cost of production etc. The increase of the value in exchange of any

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<sup>93</sup> *Moreau de Jonnés*, *Le Commerce au 19. Siècle* (1825) I, 114 ff., says that the United States imported from abroad 9.6, France 6, and Great Britain 5.8 per cent. of their annual consumption; and exported respectively 10.4, 6.2, 9.8 per cent. of their annual production. The recent free trade tendencies, and the improvement in the international means of transportation, have certainly increased the relative importance of foreign commerce. In the kingdom of Saxony (1853), *Engel* estimates that 10/47 of the whole production of the country was destined for foreign countries, and that 10/47 of the consumption was imported.



of the branches of the resources of a physical or legal person contributes towards really enriching the nation or the world, only in case that the increased value in exchange is based on an increased utility in quality or quantity. Should an earthquake suddenly dry up a number of our springs, and thus give value in exchange to the drinking water from the remaining ones, we should, indeed, witness the introduction of a new object into the list of exchangeable goods; the owners of springs would be able to command a larger portion of the national resources, but at the expense of the rest of the population; and the whole country would have become poorer in goods by the catastrophe. Even the value in exchange of the national resources would not be increased; for all other goods, which, hitherto, as compared with water, had an unlimited capacity for exchange, would lose just as much of that capacity as water had gained, as compared with them.<sup>94</sup> On the other hand, if a new mineral spring should be discovered, the great value in use of the water of which gave it value in exchange, the resources of the nation would be really increased, not only in point of utility, but in exchange value; for no other goods, formerly known, would, in consequence of the discovery, lose in their exchange power.<sup>95</sup> [068]

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<sup>94</sup> When the land of a country becomes dearer, simply on account of the increase of population, or goods, the quantity of which is susceptible of increase, because the cost of production has been increased, this cannot be considered an increase in the wealth of the people, (*v. Mangoldt.*)

<sup>95</sup> Neither is value in exchange a quality inherent in goods, but only a relation between them and other goods. Hence it is absurd to speak of a rise or fall of all values in exchange. If the goods A lose in capacity to be exchanged against goods B, goods B of course increase in exchange power as compared with A, and *vice versa*. It is necessary to guard against being misled here by the intervention of money, that is, by the custom universal among men of employing a definite kind of goods as a medium of exchange for all others. Yet there are many writers who have been thus misled. Thus *Galiani*, *Delia Moneta* (1750), II, p. 2, who regards the lasting increase of the prices of all commodities as an infallible sign of national prosperity. To the same effect is the motto of the Physiocrats: *Abondance et cherté c'est opulence*. In its

## Section IX.

## Wealth.

The possession of large and also of potentially lasting resources; objectively, such resources themselves, we call wealth. But it must be large in a two-fold sense; large as compared with the rational wants of its possessor, and large, also, as compared with the resources of other people, especially with the resources of those in the same condition of life. To be called rich, it is not enough “to have a sufficiency,” (the individual side); it is necessary to have more than others.<sup>96</sup> If all men were possessed of a great deal, but all of an exactly equal amount, each would be compelled, it may be conjectured, to be his own chimney-sweep, his own scavenger and “boot-black.” And how could anyone, then, be properly called wealthy? This is the social side of the idea of wealth.<sup>97</sup> Hence, a person, with the same resources,

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coarsest form, in *Saint Chamans*, Nouv. Essai sur la Richesse des Nations (1824), 456, who would have that which is now the free gift of nature, to come to us or be produced only as the reward of toil. *Verri*, on the other hand, *Meditazioni sull. econ. pol.* (1771), ch. V, thinks that the number of buyers in a country should be as small as possible, and that of sellers as great as possible, in order that thus prices might be low; (as if every buyer was not, *eo ipso*, also a seller.)

<sup>96</sup> *Kaufmann*, *Untersuchungen*, I, p. 165 seq. Also, *Verri*, *Meditazioni*, XVII, 2.

<sup>97</sup> The differences characteristic of poverty, indigence, managing to live, fortune and wealth, cleverly treated by *von Justi*, *Staatswirthschaft*, I, p. 449, seq. *Rau*, *Lehrbuch I*, § 76, seq., establishes the following gradation: privation and wretchedness, poverty, indigence, “getting on,” comfort, wealth, superfluity. *L. Say* calls those who can satisfy the wants of luxury rich; well-to-do, those who can command the comforts of life; and wretched, those who cannot obtain a sufficiency of the objects of prime necessity. In France, the limits of these situations are marked by an income of respectively 60,000, 6,000 and 900 francs per family, so that a family with an income of only 300 francs per year is in a condition of wretchedness. (*Traité de la Richesse*, 1827, I ff., 71 ff.)

might be very wealthy in a provincial town, while, in the capital, he could enjoy only moderate comfort.<sup>98</sup>

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## Section X.

## Wealth.—Signs Of National Wealth.

We should have a very imperfect idea of the wealth of a people (§ 8) if we should estimate it at the value in exchange of the [071]

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peace and security. See his Works, I, p. 381 seq. He even reckons intellectual powers, alliances etc., among the national wealth. Compare *W. Roscher*, *Zur Geschichte der englischen Volkswirtschaftslehre* 1851, in the acts of the royal Saxon Academy of Sciences, vol. III. *Vauban* (Dime royale 1707), Daire's edition, says: "The real wealth of a people consists in an abundance of those things, the use of which is so necessary to sustain the life of man, that they cannot at all be dispensed with." By the wealth of a people *Galiani*, *Della Moneta* II, c. 2, understands the aggregate of all lands, houses, movable property, money, etc. which belong to them, but, that the chief element of wealth, and the condition precedent of all others, is men themselves. Hence, the process of the impoverishment of a people in their decline, takes the following course: money first emigrates, next, population diminishes, afterwards, the houses fall in ruin, finally, the land itself becomes a waste. According to *Broggia*, wealth is *un avanzo ossia valore di tutto cio che avanza al proprio consumo e bisogno*, *Delle Monete*, 1743, IV, 307, 314; *Cust. Palmieri* (ob. 1794), also says: *il superfluo costituisce la ricchezza*. (Publica Felicità.) According to *Turgot*, *Sur la Formation et Distribution des Richesses* 1771, § 90, the wealth of a nation consists in the net proceeds of landed property capitalized at the ordinary price of land, and then of the aggregate of all the movable property of the country. *Büsch*, *Geluumlauf* III, § 27, considers a certain duration of the produce or revenue as an essential element in the idea of

wealth. *Lauderdale*, Inquiry, ch. II, distinguishes national wealth and private wealth; the former embracing all that man covets as agreeable or desirable; while it is one of the marks of the latter, that there should be no general superfluity of it on hand. Several modern English economists call wealth only that, the production of which cost human labor. Thus, *Malthus*, Definitions (1827) p. 234. *Torrens*, Production of Wealth, 1821, ch. I. When *Rossi*, Cours d'Economie politique, 1835, L. 2, says: *tout chose propre à satisfaire aux besoins de l'homme est richesse*, he demonstrates how the frequent inaccuracy of the French language stands in the way of a close analysis. The greater number of more recent definitions are true of resources rather than of wealth. *Bastiat* distinguishes between *richesse effective* and *relative*, the former being based on *utilité*, the latter on *valeur*. (Harmonies, ch. 6.)

<sup>98</sup> *Palmieri*, Ricchezza nazionale, Introd. The greater number of the definitions of wealth are rather onesided than false. *Socrates*, for instance, looks only at the relation existing between means and their owner's wants. (*Xenoph.* Memor., IV, 2, 37, seq. (Econom. II, 2 ff.)). *Plato*, on the other hand, as the socialists are wont to do, looks to the excess over that possessed by others. (Legg. V, 742, seq.). *Xenophon's* observations, Hiero, 4, on the nature of wealth, are many-sided and beautiful. *Aristotle* distinguishes between natural and artificial wealth: πλῆθος ὀργάνων οἰκονομακῶν καὶ πολιτικῶν—πλῆθος νομίματος. (Polit, I, 3, 9, 16.) Compare *Cicero*, Parad. VI. The dominant idea of the

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so-called Mercantile System is thus expressed in a Saxon pamphlet of 1530 (Müntzbelangende Antwort, etc.): “Money is the real watchword; where there is much money, there is wealth, it is clear.” Compare *Luther*, Werke, Irmisch edition, XXII, p. 200 seq. See some excellent remarks in opposition hereto, in the Saxon pamphlet, Gemeyne Stimmen von der Müntz, 1530. *Schröder*, Fürstliche Schatz-und Rentkammer, 1686, ch XXIX. “A country grows rich in proportion as it draws gold or money, either from the earth or from other countries; poor, in proportion as money leaves it. The wealth of a country must be estimated by the quantity of gold and silver in it.” See a very passionate argument against this view in *Boisguillebert*, Dissertation sur la Nature des Richesses, written sometime between 1697 and 1714. *Berkeley*, Querist (1735), Nos. 562, 542. Among Englishmen, the correct view was prevalent much earlier, especially among the founders of the American colonial empire. See *Hachluyt*, Voyages (1600) III, 22 ff. 45 ff. 152 ff. 165 ff. 182 ff. 266 ff; but especially the work “Virginia's Verger” in “Purchas Pilgrims” (1625), IV, p. 809 ff. However, several Spaniards were led by hard experience to adopt a view opposed to the Midas-view (compare *Aristotle*, Polit. I, ch. 3, 16), by which the first American explorers were carried away: *Garcilasso de la Vega* (1609), Comment. reales II, ch. 6; *Saavedra Faxardo*, Idea Principis christiani (1640) Symb. 69: *potissima divitiæ ac opes terræ fructus sunt, nec ditiores in regnis fodinæ, quam agricultura; plus emolument, acclivia montis Vesuvii*

sum<sup>99</sup>-total of the component parts of the national resources. By the following signs, however, an approximative notion of the value in use of the resources of a nation may be obtained:

A. When, even the lower classes, who compose everywhere the greatest portion of the people, are comfortable, in a condition worthy of human beings. Thus, C. Dupin is surprised at the great quantities of meat, butter, cheese and tea entered on the accounts of the poor-houses in England, and the great care taken to have

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whereas in England, the per capita wealth was about \$1,000. (*Hildebrand's Jahrb.*, 1870, I, 431.) The national wealth of the kingdom of Saxony is equal to 600 million thalers immovable, and 600 million movable, property. (*Engel, Statist. Zeitschr.* August, 1856). That of Würtemberg=2,710 million florins, of which 700 millions represent movable goods, and 100 million, claims on foreign countries. (*Statistisches Handbuch*, 1863.) Of course all these estimates are very inexact.

*latera adverunt, quam Potosus mons.* Contemporary with those Englishmen, was the Italian, *Giov. Botero*, who called attention to the fact, that France and Italy were the countries of Europe richest in gold, although they possessed no mines of the precious metal themselves: *Della Ragion di Stato* (1591) p. 88 ff. Also *Sully*, who called agriculture and cattle-breeding the breasts of the state, the real mines and pearls of Peru. (*Economies royales* I, ch. 81. See however, II, p. 381). *Montchrétien*, *Traité d'Économie politique* (1615) 81, 172 seq. According to *Sir D. North's Discourses upon Trade*, 1691, wealth is synonymous with freedom from want, and the ability to procure many comforts, while *Temple* (ob. 1700, *Works* I, 140 seq.) looks entirely at the subjective side of wealth. *Pollexfen*, "England and East India inconsistent in their Manufactures" (1697), considers gold and silver as the only real wealth. To this definition *Davenant* (ob. 1714), opposes another. Wealth, according

these of the best quality.<sup>100</sup> A good symptom of such a state of things is a high average duration of human life, especially when there is a relatively large number of births. (§ 246.)

B. When a considerable outlay, devoted to the satisfaction of the more refined wants, is voluntarily made, and by those only possessed of a proper economic sense. Thus, in England, the various mission, bible, and tract societies had, in 1841, an aggregate income of £630,000. The expeditions in search of Franklin cost over a million pounds sterling. The state outlay also belongs to this category, provided, that taxes are collected and loans obtained, without any noticeable oppression. The sum of 20,000,000 pounds sterling, voted, in 1833, by the British Parliament for the abolition of slavery, is one of the happiest signs of the national wealth of England.<sup>101</sup>

C. A large number of valuable buildings, and permanent improvements; for instance, roads of every description, works for purposes of irrigation and drainage. Thus, in London, from September, 1843, to September, 1845, there were constructed squares and streets with an aggregate length of 11.1 geographical miles. The number of newly built houses in London, between 1843 and 1847, was nearly 27,000. And so, in England and Wales there are 492 geographical miles of navigable canals, while their navigable rivers are estimated to have a length of only 449 miles. The number of miles of railroad, in the British

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to him, is whatever places prince or people in a condition of superabundance,  
<sup>99</sup> The national wealth of Athens, at the time of the hundredth Olympiad, is estimated by *Böckh* (Staatshaushalt der Athen, I, p. 636, 2d ed.) to have been from thirty to forty thousand talents, besides the non-taxable property of the state. That of Great Britain is estimated at about 8,000 million pounds sterling. (Athenæum 5 March, 1853.) *Wolowski* estimated that of France at, at least, 116 milliards of francs, with an annual increase of 1-½ milliards, (L'or et l'Argent, 1870. Enquête, 59.) *David A. Wells* estimated that of the United States, in 1860, slaves not included, at 14,183 million dollars, or \$451.20 per capita,  
<sup>100</sup> *Ch. Dupin*, Forces productives, p. 82. See *infra*, § 230.

<sup>101</sup> Compare *Meidinger*, Das britische Reich in Europa, pp. 79, 238, 261.

Empire, in 1865, was 2,897 geographical miles, and they cost 459 million of pounds; in 1870, it was 3,270 geographical miles, at an aggregate cost of 650 millions sterling.

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D. The frequent occurrence of heavy commercial payments, which finds expression especially in the magnitude and costliness of the most usual medium of exchange. Thus, all payments are made in England in paper (for sums of at least five pounds sterling) or in gold coin. Silver is used only as small change, like copper in most other countries. (*Infra*, § 118, seq.)<sup>102</sup>

E. Frequent loans to foreign nations. Hence, Storch divides all countries into borrowing or poor countries, loaning or rich countries, and independent countries which hold a middle place between the two former.<sup>103</sup>

## Section XI.

### Of Economy (Husbandry).

All normal economy<sup>104</sup> (husbandry) aims at securing a maximum of personal advantage with a minimum of cost or outlay.<sup>105</sup>

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<sup>102</sup> *Davenant* considers an increase in the number of houses, ships and stocks of goods, as the surest sign of an increase in the national wealth; and on the other hand, a high rate of interest, a low price of land, small wages, a decrease of population, and an increase of uncultivated land, as the signs of national impoverishment. (Works, I, pp. 354, seq. II, p. 283.) *Sir M. Decker*, Essay on the Causes of Decline of Foreign Trade (1744), 3, gives as the signs of impoverishment, the following: a wretched condition of the poor and of manufactures, a low price of wool, long credit to retail dealers, frequent cases of bankruptcy, exportation of the metals, unfavorable exchange, few new coins, many cases of unpaid rent of leased land, and high poor rates.

<sup>103</sup> *Storch*, Handbuch, I, 45. Compare *infra*, § 187.

<sup>104</sup> On the difference between human and animal economy, see *Schön*, Neue Untersuchungen der N. (Economie), (1835), 4.

<sup>105</sup> Compare *Schäffle*, System, III, Aufl. I, 2, 28.



And there are always two intellectual incentives at the foundation of this economy. There is, first, self-interest, the positive manifestation of which is the effort to acquire as much of the world's goods as possible, and the negative expression of which, the effort to lose as little of them as possible—acquisitiveness—saving. Self-interest, losing its moral, and assuming a guilty, character, degenerates into egotism; acquisitiveness, into covetousness; and the disposition to save, into avarice—the *solipsismus* of Kant. The incentive to ameliorate one's condition is common to all men, no matter how varied the form or different the intensity of its manifestation. It guides us all from the cradle to the grave. It may be restricted within certain limits, but never entirely extinguished. It is, in the domain of economy, what the instinct of self-preservation is to our physical existence, a powerful principle of creation, preservation and of renewed life (I. Thessal., 4, 11, seq.).<sup>106</sup> Then there is the incentive of the demand of God's voice within us, the voice of conscience, whether we call it, in philosophic outline “the adumbration of the ideas of equity, right, benevolence, of perfection and inner freedom,” or, framing our lives in accordance with them, the striving after the Kingdom of God.<sup>107</sup> It matters

<sup>106</sup> *Knies*, in his *Polit. Ökonomie vom geschichtl. Standpunkte*, 1853, p. 160 ff., shows, very happily, how the love of one's self,—which must, indeed, be distinguished from self-seeking—is not in conflict with the love of one's neighbor; but that, in healthy natures, it is found allied with a feeling of equity, and of the common good. See, also, *F. Fuoco*, *Saggi economici*, Pisa, 1825, Nr. 7. *Schutz*, *Das sittliche Element in der Volkswirtschaft*: *Tübinger Zeitschrift für Staatswissensch.* 1844, p. 132, ff.

<sup>107</sup> “That they should seek the Lord if haply they might feel after him.” (Acts, 17, 27. Compare Matthew, 6:33, also I. Timothy, 5:8.) *Adam Müller* in his *Nothwendigkeit einer theolog. Grundlage*, 49 seq., is a strong advocate of all this, but a rather narrow one. The farmer, he says, should first work for the love of God, then for the fruit, that is, for the gross product, and lastly for the net product. His work is a trust. *Müller* considers the business relations of men, as they exist at present, as “the comfortless mutual slavery of all.” (*Nothwendigkeit einer theolog. Grundlage*, 49 ff.) The economist,

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not, how much the image of God may have been disfigured in most men, there is no one in whom the longing for it has so far disappeared as to leave no trace behind. This puts bounds to our self-interest, and transmutes it into an earthly means to enable us to approximate to an eternal ideal.

As, in the structure of the world, the apparently opposing tendencies of the centrifugal and centripetal forces produce the harmony of the spheres, so, in the social life of man, self-interest and conscience produce in him the feeling for the common good.<sup>108</sup> This sentiment of the common interest is the foundation on which rise in successive gradation, the life of the family, of the community, of the nation and of humanity, the last of which should be coincident with the life of the Church. It, alone, can realize the kingdom of heaven on earth. Through this sentiment alone can religion be made active and moral. Only through it, can self-interest be made really sure and always to the purpose. Even the most calculating mind must acknowledge, that numberless institutions, relations etc., are useful and even necessary to many individuals, which can be established or maintained only from a sense of the general welfare, for the reason that no one individual

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*Ch. Perin*, who writes from the Catholic politico-economical standpoint, substitutes for conscience, *renoncement*, as the force antagonistic to *intérêt*, an expression inappropriate, because merely negative, although in perfect harmony with the ascetic religiousness of the middle ages. (*De la Richesse dans les Sociétés chrétiennes*, 1861, II vol., passim) Compare *Roscher* in *Gelzer's* Protestant. Monatsblätter, Jan. 1863. *Puchta*, Institutionen, I, f. 8, opposes to individualism—or the impulse to distinguish ourselves from others, and which, when uncontrolled, leads to egotism, pride and hate—love and right, which are controlling powers over the former.

<sup>108</sup> Even the ancients conceived Eros as a world-building principle. According to *Schön's* expression, loc. cit., which it is not difficult to misconstrue, the feeling of the common interest manifests itself, both as law and force. And, in reality, it is necessary that, in order not to permit the drowsy conscience to fall too far behind self-interest, which is always awake, it should create lasting institutions and regulations above and beyond the caprice of the individual or of the moment; for instance, in the family, marriage, education etc.

could make the sacrifice required to establish or maintain them. And so, since commerce has wrought the interests of all men into one great piece of net-work, the best means of obtaining wherewith to satisfy our own wants is to help others satisfy theirs. Self-interest causes every one to choose the course in life in which he shall meet with the least competition and the most abundant patronage; in other words, that which answers to the most pressing and least satisfied want of the community. As a rule, the physician who cures the greatest number of patients with the greatest skill, and the manufacturer who produces the best goods cheapest, will grow to be the richest. It is, moreover, easy to see that, according as the circle of common interests grows smaller, it approximates to self-interest; and to “the Kingdom of God”<sup>109</sup> as it grows larger. And yet, all these circles respectively condition one another. Cosmopolitanism or church-zeal, without love of country; patriotism, without fidelity to the community in which one lives, or love of one's family, are more than suspicious. The reverse is also true. This is a chief connecting link between the great apparent opposites.<sup>110111</sup> [076]

<sup>109</sup> The more private interest ceases to be momentary, and becomes life-long and even hereditary, the better does it harmonize with the feeling of the common interest.

<sup>110</sup> *Perin* says (1, 93), that the conflict of interest is reconciled in the seeking for the attainment of the supreme good, that is God, “who gives himself to all in equal measure, and yet always remains the same, and out of whose fulness all may draw, and yet no one's share grows less.” But the same is true of all ideal goods, and of every form of the feeling for the common interest, the highest of which is, indeed, religiousness.

<sup>111</sup> According to *Kant*, *Anthropologie*, p. 239, the desire of comfort and well-being, and the inclination to virtue, when the former is properly restrained by the latter, produce the highest degree of moral, united to the highest degree of physical, good. It is well known, that during the middle ages, in all countries except Italy and, even up to the seventeenth century, the moral sciences were under a one-sided theological influence, whose ascetic condemnation of self-interest may have been well enough during a period of violence. By virtue of a very natural reaction, and as a protest of individualism against the constraint of absolute monarchy, the materialists of the eighteenth century endeavored

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## Section XII.

## Economy.—Grades Of Economy.

Thanks to this feeling for the common weal, the eternal and destructive war—the *bellum omnium contra omnes*—which an unscrupulous self-interest would not fail to generate among men engaged in the isolated prosecution of their own economic

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reducing everything to “sympathy,” as he has been in his *Wealth of Nations* in reducing everything to “self-interest;” but not without the consciousness, that to explain the reality, it is necessary to take both into consideration (*Buckle*). It would, indeed, be just as preposterous to base economy on self-interest alone, as to base marriage merely on the sexual appetite. Recently, *Hermann*, *Staatswirtschaftliche Untersuchungen*, 1st ed., part 1st, discovers in self-interest, and in the feeling for the common good, the two springs of all economy. He would even base the so-called theoretic Political Economy, on the study of self-interest, its practice in that of the common good. *M. Chevalier*, *Cours d'Economie politique*, 1844, II, 412 ff., understands something very like this by the contrast between liberty and centralization. The *antagonisme* and *association* of *Bazard*, *Exposition de la Doctrine de Saint Simon* (1829), p. 144 ff. Closer investigation will show, however, that self-interest, which must not be confounded with egotism, and the common interest, are neither coördinate nor exhaustive opposites. Compare the beautiful contrast drawn by *Goethe* (Pocket edition of 1833, vol. 46, 97), between “Pietät” and “Egoisterei.” to discover, even in the most exalted phenomena of human society, only the expression of an enlightened self-interest. See *Mandeville's Fable of the Bees*, or *private Vices public Virtues* (1723), but especially, *Helvétius*, *De l'Esprit* (1758). *Voltaire* says, that, in all the celebrated maxims of *De Rochefoucauld* (1665) there is but one truth contained, *que l'amour propre est le mobile de*

interests, ceases in the higher, well-ordered organization<sup>112</sup> of society. On it are based the various forms of economy in common: family-economy, corporation or association-economy, municipal economy, and national economy.<sup>113</sup> And these forms of economy in common are so essentially the condition and complement of individual economy, that the latter, without them, could either not be maintained at all, or, at least, only in the very lowest stage of civilization. [078]

Although the higher science of Political Economy has, nearly always, been conceived<sup>114</sup> as treating of the aggregate national activity of a people, there have been many, recently, who consider Political Economy as no real whole, but only as a mere abstraction. This is true, especially of many unconditional free-trade theorists, partly from a repugnance toward the governmental guardianship of private businesses or economy. It is true, also, of certain philosophers who consider the idea,

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*toutes nos actions.* (But see, per contra, *Pufendorf*, *Jus Naturæ et Gentium*, 1672, II, 3, 15.) This tendency was opposed, especially by the English, who could not be blind to the influence exerted in public life by the feeling for the common good. *David Hume*, *Treatise on Human Nature* (1739), III, 54, is of opinion that the interests of others are, on the whole, in the case of nearly every man stronger than even his own self interest. *Hutcheson*, *System of Moral Philosophy* (1755), speaks of the innate principle of benevolence. Man is not a perfect whole; a part belongs to his own person, part to his family, part to the nation, part even to all humanity. *Burke*, *Inquiry into the Origin of our Ideas of the Sublime and Beautiful* (1756), distinguishes two fundamental principles of action, that of self-preservation and that of society. On the former is based the sense of the sublime; on the latter, of the beautiful. According to *Ferguson*, *History of Civil Society*, (1767), I, 3, 4, the "sense of union" is frequently strongest where the advantage drawn from the connection is smallest; for instance, it is weakest in highly cultured commercial countries. *Adam Smith*, *Theory of Moral Sentiments* (1768), has been as one-sided in

<sup>112</sup> *Paul*, I. Corinth. 12, gives the most beautiful model description of a social organism. Compare, however, the fable of Menenius Agrippa in *Livy*, II, 32.

<sup>113</sup> Excellent beginnings of a general theory of economies in common in *Schäffle*, *N. Ökonomie*, II, Aufl., 62 ff., 331 ff.

<sup>114</sup> The French and English, with their strong political bias, use the expressions

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“the people,” as merely nominal.<sup>115</sup> There are, however, two things necessary to warrant us to call a thing made up of a number of parts, one real whole: the parts and the whole must have a reciprocal action upon one another, and the whole, as such, must have a demonstrable action of its own. (*Drobisch.*)

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In this sense, “the people” is, unquestionably, a reality, and not alone the individuals who constitute the “people.” Besides, it is truly said that all husbandry or economy supposes a will (“systematized activity” etc., *supra*, § 2). Such a will is ascribed to individuals, to legal persons, to the state, but not, however, to “the people,” as a whole. But this will need not be an entirely conscious one, as is plain from the case of the less gifted and less cultured individuals engaged in household economy. The systemization in the public economy of a people finds its clearest expression in economic laws, and in the institutions of the state. But it finds expression, also, without the intervention of the state, in the laws established by use, and by the opinions of jurists or

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(*Elemente der Staatskunst*, 1809, I, 7, 113). He calls public economy, as a whole, the product of all products. What, he inquires, is the use of all wealth, if it does not guarantee itself? And this, it can do, only through the organization of the whole people, that is, through the nation (I, 202). *Adam Smith's* theory of labor would be correct if it considered the entire national life of a people itself as one huge piece of labor. (II, 265). And so, Müller directs his polemics against Adam Smith's premise of a merely mercantile world-market. (II, 290). Similarly, the protective tariff theoreticians, *Ganiefh*, *Théorie de l'Economie politique* (1822), II, 198 ff. and *Fr. List*, *Nationales System der politischen Oek.* (1842), I, 240 ff. *Colton*, *Political Economy of the United States*, 1853. *Sismondi*, *Nouveaux Principes* (1819), I, 197, ridicules the opinion which resolves the public interest into merely private interests: It is A's interest to rob B; B, the weaker, is equally interested to let himself be robbed, that he may fare no worse. But the state—?!

respectively *economie politique* and Political Economy. In Germany, where the terms the people (*Volk*) and the state (*Staat*) are much less nearly coextensive, the words *Volkswirtschaft* and *Nationalökonomie* are preferred. But even *Hufeland*, who first gave currency to the term *Volkswirtschaft* (*Grundlegung*, I, 14), called attention to the peculiarity “that the term economy suggests that there is one who economizes and guides, an economist in chief, and that such a one is, even according to the most correct opinion, wanting in the public

courts, in community of speech, of customs and tastes etc.: things which have an important economic meaning, which depend on the common nature of the land, of race and history, and which influence the state, at least as much as they are influenced by

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economy of a people.”

<sup>115</sup> According to *Th. Cooper*, Lectures on the Elements of Political Economy, (1726), 1, 15 ff. 117, the wealth of society is nothing but the aggregate wealth of all the individuals that compose it. Each individual looks out best for his own interests, and, hence, that nation must be the richest, in which each individual is most completely left to himself. (If this were so, savage nations would be the richest!) *Cooper* goes so far as to disapprove of the protection afforded to commerce on the high seas by a national navy; no naval war is worth what it costs, and merchants should protect themselves. He says, too, that the word “nation” is an invention of the grammarians, made to save the trouble of circumlocution, a nonentity! *Adam Smith* is, as might be expected, far removed from such absurdities. (Compare *Wealth of Nations*, IV, ch. 2, and the end of the fourth book.) But, even he is of opinion that men, in the study of their own advantage are led “naturally, or rather necessarily” (IV, ch. 2), to the employment which is most useful to society. But here *Adam Smith* overlooks the fact, that every individual nation strives after earthly immortality, and is, in consequence, frequently compelled to make immediate sacrifices for the sake of a distant future, a thing which can never be to the private interest of the mortal individuals who compose it. And thus, *D. North*, Discourses upon Trade (1691), 13 seq., says, that in commercial matters, different nations stand in precisely the same relation to the whole world, that individual cities do to the

it.<sup>116117</sup>

The most that can be said, at present, so far as an economy of mankind, or a world-economy, is concerned, is, that it may be shown that important preparations have been made for it. We are approaching more nearly to it by the ways of the more and more cosmopolitan character of science, the increasing international coöperation of labor, the improvement in the means of transportation, growing emigration, the greater love of peace, and the greater toleration of nations etc.

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### Section XIII.

#### Political Economy.—The Economic Organism.

And yet, it is well known to scientific geography that every stream has its own individual character.

kingdom, and individual families to the city. Similarly, *Boisguillebert*, *Factum de la France*, ch. 10, 327, Daire's edition. *Benjamin Franklin* (ob. 1790), *Political Papers*, § 4. And *J. B. Say*, *Traité d'Economie politique* (1802) I, 15: every nation is, in relation to neighboring nations, in the situation of a province in relation to neighboring provinces. Unfortunately, such doctrine is only too palpably refuted by every war! *J. Bentham's* saying: *Les intérêts individuels sont les seuls intérêts réels* (*Traité de Législation*, I, 229). *Infra* § 98.

Among those who, in antiquity, most energetically maintained that the idea of national economy is not a merely nominal one, is *Plato* (*De Republ.*, IV, 420, I, 462); more recently, *Fichte* (*Der geschlossene Handelstaat*, 1800), although, in general, the socialists attach as little importance to nationality as their most decided opponents. Adam Müller is a writer who deserves recognition for his advocacy of national economy, and of the state as a whole, paramount to individuals, and even generations. He gives war the credit of causing the scientific knowledge of the state to cast deeper roots, and of enlightening individuals in the most forcible way, that they are parts of one great whole.

<sup>116</sup> National wars are really no mere operations of the will of the state! Since 1800, Ireland, and, since 1858, even British India, constitute one state with England, and yet how different are the economic tendencies of these different



The idea conveyed by the word *organism*, is doubtless, one of the most obscure of all ideas; and I am so far from desiring to explain<sup>118</sup> by that idea, the meaning of public or national economy, that I would only use the word *organism* as the shortest and most familiar expression of a number of problems, which it is the purpose of the following investigation to solve.

There are two points, especially, of importance here. In the motion of any machine, it is possible to distinguish with the utmost accuracy, between the cause and the effect of the motion: the blowing of the wind, for instance, is simply and purely, the cause of the friction of the mill-stones in a wind-mill, and is not in the least influenced or conditioned by the latter. But, in the public economy of every people, patient thought soon shows the observer, that the most important simultaneous events or phenomena mutually condition one another. Thus, a flourishing state of agriculture is impossible without flourishing industries; but, conversely, the prosperity of the latter supposes the prosperity of the former, as a condition precedent. It is as in the human body. The motions of respiration are produced by the action of the spinal cord; and the spinal cord, in turn, continues to work only through the blood, that is, by the help of respiration. In all cases like this, we are forced, when accounting

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countries of which the individual husbandman or business man must take cognizance!

<sup>117</sup> One might also deny the reality of a stream, considered as a whole, since its bed, no one calls a stream, and its watery contents change every moment.

<sup>118</sup> This would be to be guilty of explaining *ignotum per ignotius*. And yet, there are a great many modern writers who imagine that they have said something all-sufficient, when they have told us that the state is an organism. As early a writer as *Hufeland* (N. Grundlegung, I, 113), enters his protest against such abuses. The person who would operate with this notion, should, at least, have read the acute observations, so well calculated to dissipate preconceived opinions, made by *Lotze*, in his *Allgemeine Physiologie des körperlichen Lebens*, 1-165. The organic conception of national life, the life of a whole people, where the individual organs are free and rational beings, is evidently a much more difficult one to form than that of the animal or human body.

for phenomena, to move about in a circle, unless we admit the existence of an organic life, of which every individual fact is only the manifestation.<sup>119 120</sup>

It is, also, undeniable, that human insight into the operation and utility of a machine must always precede the existence of the machine itself. This human insight is parent to the plan, and the plan, in turn, is parent to the machine. The very reverse of this is true in the case of organisms, those “divine machines” as Leibnitz called them. Men had digested food and reproduced their kind, thousands of years before physiologists had attained to a true theory of digestion or reproduction. I do not, indeed, by any means, pretend, that the public economy of nations is governed by natural necessity, in the same degree, as for instance, the human body. We shall find, however, that the minute arbitrary variations usual here and there in the course of its development, generally compensate for one another, in accordance with the law of large numbers. Here, too, we find harmonies, frequently of wonderful beauty, which existed long before any one dreamt of them;

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<sup>119</sup> I first called attention, in my work on the life-work and age of *Thucydides*, to the fact that that great historian always accounts for causes in the following manner: A. is produced by B., and B. by A. (*Roscher*, *Leben Work und Zeitalter des Thukydidés*, 199 ff.; compare especially *Thucyd.*, I, 2, 7, seq.) Such a circle is not a vicious one. All first class historians have thus explained historical phenomena. The one-sided deduction of A. from B., and B. from C., etc., which the so-called pragmatic writers like *Polybius*, for instance, is the result of overlooking all reciprocal action. *Scialoja*, *Principii* (1840), p. 60, makes a somewhat similar observation for Political Economy.

<sup>120</sup> Whether we call the unknown and inexplicable ground back of all analysis, and which our analysis cannot reach, vital force, generic form, spirit of the nation, or God's thought, is for the present a matter of scientific indifference. All the more necessary are the self-knowledge and honesty, in general, which admit the existence of this background, and which do not, by denying it, deny the connection of the whole, which is, for the most part, much more important than the analyzed parts. But I must at the same time, enter my energetic protest against the imputations of heresy made by those who do not comprehend the sacred duty of science, by never ceasing investigation, to push farther back the bounds of this inexplicable background.

innumerable *natural laws*,<sup>121</sup> whose operation does not depend [083] on their recognition by individuals, and, over which, only he can

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<sup>121</sup> When *Hildebrand*, for instance, objects to the application of the expression “natural law” to the economic actions of man, for the reason that it conflicts with human freedom and man's capacity for progress (*Jahrbücher der N. Öek. und Statistik.*, 1863, Heft., I), I cannot agree with him. I use the expression “natural law” wherever I observe uniformity, explicable in its broader connections, and not dependent on human design. That there are such uniformities there can be no question. I need only mention the philological law of the so-called “permutation of consonants,” which individuals follow when speaking—certainly not through compulsion,—and, by means of which, the progress of the speaking aggregate is made manifest. Or, I might call attention to the well known fact, that, in populous countries marriages and crimes, which are for the most part free, are divided among the different age-classes in a proportion much more uniform, from year to year, than are deaths, which are not free. I adhere all the more firmly to the expression “natural law,” because no one takes offense at or objects to the expression, “nature of the human soul.” But to this very nature of the human soul belong the freedom and responsibility of the individual, as well as the capacity of the species for progress. Compare *A. Wagner*, on Law in the Apparently capricious Actions of Man (*Die Gesetzmässigkeit in den scheinbar willkürlichen menschlichen Handlungen*, 1864, p. 63 seq.), in which, however, he only goes so far as to show that law and freedom coexist side by side as indubitable facts, while

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obtain power who has learned to obey them. (*Bacon*)<sup>122</sup><sup>123</sup><sup>124</sup> But it should never be lost sight of, that the natural laws governing the public economy of a people, like those of the human mind, are distinguished in one very essential point from those of the material world. They have to do with free rational beings, who, because they are thus free and rational, are responsible to God and their conscience, and constitute in their aggregate a species capable of progress.

#### Section XIV.

### Origin Of A Nation's Economy.

The public economy of a people has its origin simultaneously with the people. It is neither the invention of man nor the

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in Political Economy from what it does in chemistry: a combination which might be broken up, but which that science leaves it to other sciences to do. The "element" of Political Economy is Man. Compare *Pickford*, *Einleitung in die politische Ök.*, 1860, 17.

the seeming contradiction between the two remains. *Drobisch's* *Moralische Statistik und die menschliche Willensfreiheit*, 1867, is an important contribution to the literature of this question.

<sup>122</sup> *Whately*, in his fourth lecture (*Lectures*, 1831), shows in a very clear way, how London is supplied and provisioned by men with no object in view but their own personal interest, each of whom is possessed of but a very limited knowledge of the aggregate wants of its inhabitants, and yet they work into one another's hands, in the interests of the whole, purely instinctively, and infinitely better, perhaps, than the operations of the most skillful governmental commission, organized for the same purpose.

<sup>123</sup> *Alphonsus of Castile*, the king astrologer of the thirteenth century, is reported to have said, that the universe would have been much better constituted, if the Creator had asked his advice beforehand. Astronomers like *Newton* and *Gauss* have, certainly, judged otherwise.

<sup>124</sup> *MacCulloch* remarks, that there is an essential difference between the physical and the moral and political sciences in this, that the principles of the former apply in all cases, those of the latter, only in the greater number of

revelation of God. It is the natural product of the faculties and propensities which make man man.<sup>125</sup> Just as it may be shown, that the family which lives isolated from all others, contains, in itself, the germs of all political organization,<sup>126</sup> so may it be demonstrated, that every independent household management contains the germs of all politico-economical activity. The public economy of a nation grows with the nation. With the nation, it blooms and ripens. Its season of blossoming and of maturity is the period of its greatest strength, and, at the same time, of the most perfect development of all its more important organs.<sup>127</sup> In respect to it, the economic endeavors of any epoch may be said to be represented by two great parties, the one progressive, the other, conservative. The former would hasten the period of the nation's richest and most varied development, the latter postpone its departure as long as possible; and hence it comes, that a people's economic decline is sometimes taken for progress, by

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cases—a thought very ably developed by *Knies*, loc. cit., *passim*. If, with *Newmarch*, (London Statistical Journal, 1861, p. 460 seq.), we could grant, that there is no “law,” except where it is possible to predict each individual occurrence under it, there would be no such thing even as the “laws” of the probability of life. The word “element,” also, means something very different<sup>125</sup> It is in this sense that *Aristotle* (*Polit.*, I, p. 1, 9 Schn.) says: φανερόν, ὅτι τῶν φύσει ἢ πόλις ἐστὶ, καὶ ὅτι ἄνθρωπος φύσει πολιτικὸν ζῶον. According to *L. Stein*, *Lehrbuch der Volkswirtschaft*, 1858, 33, the political economy of a people begins at the point where the overplus of individuals begins.

<sup>126</sup> Compare *K. L. von Haller*, *Restauration der Staatswissenschaft*, I, p. 446 ff.

<sup>127</sup> As *Sallust* characterizes the political apogee of the Romans: *Optimis moribus et maxima concordia egit populus Romanus inter secundum atque postremum bellum Carthaginense*. See *Augustin* (*Civ. Dei* II, 18). *Puchta* (*Institutionen*, I, f. 83), with a great deal of good sense, distinguishes in every people their individual character from that which they share in common with all mankind. The latter exists among savage nations, only as a germ buried under the overpowering weight of that which is special to them. The period of the perfect equilibrium of both elements is coincident with that of a people's real culture. In the further course of development, the latter, more general element becomes gradually over-powerful, destroys the individual, and thus dissolves nationality.

the former class, and their progress for decline, by the latter. As a rule, the union and equilibrium of these parties are wont to be the greatest at the period of maturity, because, then, intelligence and the spirit of sacrifice for the common good are most general.<sup>128</sup>

Finally, the public economy of a nation declines with the people. (*Infra*, § 263 ff.)

### Section XV.

#### Diseases Of The Social Organism.

If the public economy of a people be an organism, we must expect to find that the perturbations, which affect it, present some analogies to the diseases of the body physical. We may, therefore, hope to learn much that may be of use in practice, from the tried methods of medicine.<sup>129</sup> In the diseases of the body economic, it is necessary to distinguish accurately, between the nature of the disease and its external symptoms, although it may be necessary to combat the latter directly, and not merely with a view to alleviation. Following the example of the physician, we should particularly direct our attention to the curative method which nature itself would pursue, were art not to intervene. "The curative power of nature is no peculiar power; it is the result of a series of happy adjustments, by means of which the morbid

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<sup>128</sup> Thus formulated, the principles of the two great parties, evidently, no more contradict one another than their ordinary watchwords, "freedom" and "order," are in contrast with one another. Hence all the great statesmen of the best periods of history have adopted the middle course recommended by Aristotle.

<sup>129</sup> See *Lotze*, *Allgemeine Pathologie*, 1842. *Ruete*, *Lehrbuch der allgemeinen Therapie*, 1852. These analogies, obviously, should not be pushed too far. One of the most essential differences between the two consists in this, that in the diseases of the body politic, physicians and nurses are themselves part of the diseased organism.

perturbation itself sets in motion the springs which may either destroy the evil or paralyze its action. It is, in fact, nothing but the original power which formed the body and preserves its life in contact with the external causes of perturbation and the internal disorder provoked by these causes.” (*Ruete.*)

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## Chapter II.

# Position Of Political Economy In The Circle Of Related Sciences.

### Section XVI.

#### Political Or National Economy.

By the science of national,<sup>130</sup> or Political Economy, we understand the science which has to do with the laws of the

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<sup>130</sup> See *Ahren's* very beautiful exposition, *Organische Staatslehre*, 1850, I, 77. National economy (*Nationalökonomie*=public economy); national economics (*Nationalökonomik*=the science of public economy). The latter term was first proposed, in Germany, in 1849, by *Uhde*; the former was naturalized therein 1805: v. *Soden*, *Nationalökonomie*, 1805; *Jacob*, *Grundsätze der N. Œk.*, 1806. In Italy, *G. Ortes* used it as early as 1774, in his *Dell Economia nazionale*, and in England it was employed, even in 1867, by *Ferguson*, *History of Civil Society*, III, p. 4. Holland. *Volkshuyshoudkunde*. As a rule, outside of Germany, the term political economy, *économie politique*, one which is somewhat calculated to mislead the student, is used. (Thus *Montchrétien sieur de Vatteville*, *Traité de l'Economie politique*, 165; later *J. J. Rousseau*, *Discours sur l'Economie politique*, later yet the *Traité de l'E. p.*, *Maillardère*, *Page* and *J. B. Say*, 1801-1803). Political Economy (*Sir J. Stewart*, *Inquiry into the principles of P. E.*, 1767); also Public Economy (*Petty*, *several Essays*, 1682, 35); *Economia politica* or *pubblica* (the latter by *Verri* and *Beccaria*). The title *Economia civile* (*Genovesi*, *Lezioni, d'Ec. civ.* 1769), has found few adherents. It has, however, been used recently by *Cernuschi*: *Illusions des Sociétés coöperatrices* (1866). The term, *Economie sociale* has been used all the more in France (*Dunoyer*, *Nouveau Traité d'Ec. soc.*, 1830), since recommended by *J. B. Say*, and employed by *Buat* (*Des vrais Principes de l'Origine et de la Filiation du Mot Economie politique*, in the *Journal des*



development of the economy of a nation, or with its economic national life. (Philosophy of the history of Political Economy, according to von Mangoldt.) Like all the political sciences, or sciences of *national life*, it is concerned, on the one hand, with the consideration of the individual man, and on the other, it extends its investigations to the whole of human kind.<sup>131</sup> [088]

National life, like all life, is a whole, the various phenomena of which are most intimately connected with one another. Hence it is, that to understand one side of it scientifically, it is necessary to know all its sides. But, especially, is it necessary to fix one's attention on the following seven: language, religion, art, science, law, the state and economy.<sup>132</sup> Without language, all higher mental activity is unthinkable; without religion, all else would lose its firmest foundation and highest aim. Through art, alone, do all these sides attain to beauty; through science, alone, to clearness. Law arises, the moment conflicts of will become inevitable and an adjustment is desired. The state has to do with them, in so far as they have any external force or validity. Indeed, there is no human relation, not even the highest and the sweetest, but has its economic interests. It is, therefore, natural, that each of the sciences which relate to these various regions of human life should, in part, presuppose all others, and, in part, serve as a basis for them.<sup>133</sup> [089]

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Economistes, 1852.)

<sup>131</sup> *Stein*, Lehrbuck der V. W., prefaces his "Science of Public Economy" (pp. 329-358), by a "Science of Economy" (pp. 96-328), which, however, treats individual economies only as the elements of the national economy. A science of household or isolated individual economy could, of course, treat only of the economic relations of anchorites. Those who object that Political Economy is not a real whole will be satisfied with the definition of it given by *F. I. Neumann*: "The Science of the bearing of household or separate economies to one another, and to the state as a whole." (Tüb. Zeitschr., 1872, 267.)

<sup>132</sup> In so far as these various institutions are concerned, with objects beyond the human, or supernatural, only the manner in which they are accepted, or in which they are made use of, is an expression of national life.

<sup>133</sup> Thus, *J. Tucker* thinks that religion, the state and commerce, are only

But in the midst of this universal relationship, it is easy to see that law, the state and economy constitute a family, as it were apart and more closely connected. (The social sciences, in the narrower sense of the expression.)

They are confined almost exclusively to what Schleiermacher has called “effective action” (*wirksame Handeln*), while art and science belong almost entirely to the “action of representation” (*darstellenden Handeln*); and religion and language combine both kinds. Law, the state, and economy too, have their roots so deep in the physical and intellectual imperfection of man, that we can scarcely imagine their continuance beyond his life on earth (Gospel of Matthew, 22, 30). But within these limits, their several provinces and the subjects with which they are concerned are almost coincident. They only consider these from different points of view: the science of politics from that of sovereignty; the science of Political Economy from that of the satisfaction of the requirement of external goods by the people; the science of law from that of the prevention or the peaceable adjustment of conflicts of will. As every economic act, consciously or unconsciously, supposes forms of law, so, by far the greater number of the laws relating to rights, and the greater number of judgments in the matter of rights, contain an economic element. In numberless cases, the science of law gives us only the external *how*; the deeper *why* is revealed to us by

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the parts of one same general plan: no institution, therefore, can be called appropriate, within the limits of the province of any one of these, if it be clearly in opposition to the other two, because the harmony of God's work can not be broken up. (Four Tracts and two Sermons on political and commercial Subjects, 1774, Sermon. I.)

the science of Political Economy.<sup>134</sup><sup>135</sup> And, as to the state, who, for instance, can appreciate the political significance of a nobility, without understanding the economic character of rent, and of the possession of large landed estates? Who can politically appreciate the inferior classes of society, unless initiated into a knowledge of the laws that govern wages and population? It were much easier to cultivate psychology without physiology! “The state is society protected by force” (*Herbart*). There are [090]

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Nationalökonomisch-civilistischen Studien, 1862.

<sup>134</sup> *Riedel* (National Ökonomie, 1838, I, p. 178 seq.), gives a good illustration of the difference between the manner in which law and Political Economy look at the same question. The law (to avoid strife, or to settle controversies) looks upon the debtor as the owner of the capital, and lets him run all the risk; Political Economy, on the other hand, looking deeper into the nature of the contract, reaches an entirely opposite result. The mere jurist has a dangerous tendency to undervalue the reign of the laws of nature; the mere political economist, just as readily, undervalues the element of free will. (*Arnold*, Cultur und Recht I, 97.) In this respect, the two sciences complement each other very well. *Roesler* (*Hildebrand's Jahrb.*, 1868, II, and 1869, I.) shows, and he does not exaggerate the fact, that political economists have made altogether too little use of the results of the science of law.

<sup>135</sup> Jurists will always experience the want of divesting their isolated ideas of their purely accidental character, by grouping them together in such a manner as to make them constitute a complete and independent whole. One must be possessed of profound knowledge to perceive their necessary connection from an historico-juridical point of view. Political Economy, with its characteristic accuracy and practical utility, can best take its place, at the present time. It is in the greater number of legal questions, the systematically elaborated science of “the nature of the thing.” See the able beginnings of a policy of legislation

two bases to all material power:<sup>136</sup> wealth and warlike ability (χρήματα—ναυτικά, according to Thucydides); and how much the latter has need of the former is well expressed by the familiar saying of Montecuccoli: “Money is not only the first, but the second and third condition of war.”<sup>137</sup>

Frederick the Great calls finance the pulse of the state, and Richelieu, the point of support which Archimedes was in search of, to move the world. In all modern nations, the history of the debates on the raising of revenue and of the passing of budgets is, at the same time, the history of parliamentary life; and most great revolutions, the Reformation of the sixteenth century not excepted, if not caused have been promoted, by financial embarrassment.

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## Section XVII.

### Sciences Relating To National Life.—The Science Of Public Economy.—The Science Of Finance.

If, by the public economy of a nation, we understand economic legislation and the governmental guidance or direction of the economy of private persons,<sup>138</sup> the science of public economy becomes, so far as its form is concerned, a branch of political science, while as to its matter, its subject is almost coincident

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and higher history of law, based on Political Economy, by *H. Dankwardt*: N. Œk. und Jurisprudenz, 3 Hefte, 1857, and my preface to *Dankwardt's*

<sup>136</sup> The intellectual power of a people depends upon the vigorous and harmonious development of all seven spheres of life.

<sup>137</sup> *Montecuccoli*, Besondere und geheime Kriegsnachrichten (Leipzig, 1736).

A very similar judgment by Cæsar in *Dio Cass.*, XLII, 49.

<sup>138</sup> *Bilan*, Handbuch der Staatswirthschaftslehre, 1835.

with that of Political Economy. Hence it is, that so many writers use the terms public economy, or the economy of the state (*Staatswirthschaft*), and National Economy (*Volkswirthschaft*), as synonymous.<sup>139</sup> The hypothesis, in accordance with which, this science should discard all consideration of the state, or should refuse to presuppose its formation,<sup>140</sup> would lead us into an ideal region, difficult to define, probably entirely impossible, and inaccessible to experience.

Just as clear, is the close connection between politics and Political Economy, in the case of the science of finance, or of the science of governmental house-keeping, otherwise the administration of public affairs. The latter, evidently, so far as its end is concerned, belongs to politics, but so far as the means to that end are concerned, to National Economy. As the physiologist cannot understand the action of the human body, without understanding that of the head; so we would not be able to grasp the organic whole of national economy, if we were to leave the state, the greatest economy of all, the one [092] which uninterruptedly and irresistibly acts on all others, out of

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<sup>139</sup> Thus *v. Justi*, *Staatswirthschaft* 1755. *Kraus*, *Staatswirthschaft*, published by *Auerswald*, 1808; *Schmalz*, *Handbuch der Staatswirthschaft*, 1808. More recently, *Hermann*, *Staatswirthschaftliche Untersuchungen*, 1832. In France, the expression *économie de l'état*, is very seldom used. *Gavard*, *Principes del'E. d'Etat*, 1796.

<sup>140</sup> *Pölitz*, *Staatswissenschaften im Lichte unserer Zeit*, II, 3. Compare *Lotz*, *Handbuch der Staatswirthschaft* (2d ed., 1837), I, 10 ff.

consideration.<sup>141</sup>

By the term *police*, we mean the state power whose office it is, without mediation, to prevent all disturbances of external order among the people.<sup>142</sup> It may extend its action into all the domains of national life mentioned above, whenever external order is there threatened, or calls for protection; but its action is important especially in the domains of law and economy. The science of the *police power*, therefore, of all those doctrines resulting from investigation into national life, takes up only one phase of each of them; and the phases of doctrine thus taken up, it combines into a whole, for practical ends. Its relation to those sciences is like that of surgery to the medical sciences, or like the science of legal procedure to the science of law.

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### Section XVIII.

protection to order of a higher and more intellectual nature.

<sup>141</sup> Our view of Political Economy holds a middle place between opposed extremes. The view expressed by *Whately*, Lectures on Political Economy (1831), No. 1, and covered by the proposed term "catalactics," is by far too narrow. Similarly, *Macleod*, Elements of Political Economy, 1858, I, 11. A like objection may be raised to the earlier title of *Pritzwitz's* book: Die Kunst reich zu werden,—the art of growing rich. On the other hand, *Dunoyer*, Liberté du Travail (1845), L. IX, ch. I, goes too far altogether: "not only in what manner a nation grows rich, but according to what laws it best succeeds, in the execution of all its functions." And so *Storch*, Handbuch, translated into German by *Rau*, I, 9. Many modern writers define Political Economy simply as the theory of society; for instance, *Scialoja*, Principj. dell'Economia sociale, 1840. *Cibrario*, E. polit. del medio Evo, III, 1842.

<sup>142</sup> For the many and various definitions of the police power, see *von Berg*, Handbuch des Polezeirechts, I, 1-12; *Butte*, Versuch der Begründung eines System der Polezei (1807), 6 ff.; *Rosshirt*, Ueber den Begriff der Staatspolizei (1817), 34 ff. One of the principal difficulties is, that the practical domain of the police power is, in consequence of the successive grades of civilization through which a people passes, subject to greater modifications than any other state power. We call attention especially to the expressions "without mediation, to prevent," and "external order," in our definition. The church, the school,

## Sciences Relating To National Life.—Statistics.

Statistics we call the picture or representation of social life at given periods of time, and especially at the present time, drawn on a scale in accordance with the laws of development discovered by means of the theoretical sciences above named; as it were, a section through the stream. (*Schlözer* calls them: history standing still.)<sup>143</sup> Statistics, as thus defined, are as far removed from saying too much as from saying too little. To give a complete tableau of their object, statistics should, of course, take in the life of a people, in all its aspects. But they should look upon such facts only as their own property, the meaning of which they are able to understand; that is, such only as can be ranged under known laws of development. Unintelligible facts are collected only in the hope of penetrating into their meaning in the future, by comparing them with one another. In the meantime, they are to the statistician only what unfinished experiments are to the investigator of nature.

The view is daily gaining ground, that statistics should be occupied—without, however, confining themselves to them—with present facts, with “facts affecting society and the state, which are susceptible of being expressed in figures.”<sup>144</sup> The more deceptive the immediate observation of an individual, isolated fact is, in cases where a great number of simultaneous

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the administration of justice etc., act mediately towards the prevention of such disturbances; and there are many other institutions which offer immediate

<sup>143</sup> See the great number of earlier definitions collected in *R. von Mohl*, *Gesch. und Literatur der Staatswissenschaften* III, pp. 637 ff. There are two principal groups of them, the one of which considers it as the science of things of political note, the other as the science of actual or past conditions.

<sup>144</sup> See *Dufau*, *Traité de Statistique*, 1840; *Moreau de Jonnés*, *Elements de Statistique*, 1847; *Knies*, *Die Statistik als selbstständige Wissenschaft*, 1850. *B. Hildebrand*, in his *Jahrbüchern*, 1866, I etc., but especially *Quetelet's* works. For the contrary view, see *Fallati*, *Einleitung in die Wissenschaft der Statistik der St.*, 1843; *Jonak*, *Theorie der Statistik*, 1856, and *Heeren*, in the *Gött. Gelehrten Anzeigen*, 1806, No. 84, 1807, 1302.

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or scattered individual isolated facts of national life should be observed, the more important it is to discover proper numerical relations, by noting all the like acts or experiences of men, the time and place in question, and the relation of the aggregate of these phenomena, to the sum-total of the population, or to the sum-total of corresponding phenomena in other places. When this is done, and the facts are completely enumerated and correctly recorded, there is no danger of subjective error. And this species of "political and social measuring," as Hildebrand calls it, may be applied, not only to quantities, but to all qualities accessible to the observation of the senses; since the individual or isolated qualities of the things enumerated, may be again made objects of enumeration. Without doubt, this mode of numerical procedure is the most perfect for all those divisions of statistics in which it can be followed; and hence, it should be our endeavor to make the numerical side of statistics as comprehensive as possible. But, one side of a science is not a science itself. As there is no natural science proper called microscopy, embracing all the observations made by means of the microscope, so care should be taken not to deduce the principle of a science from the chief instrument it employs. There will always be many and important facts in national life which can not be subjected to numerical calculation, although they may be established with the usual amount of historical certainty. Were statistics to be limited, in the manner mentioned above, they would remain a collection of fragments, and instead of being a science, properly so-called, become a method.<sup>145</sup>

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<sup>145</sup> So thinks v. *Rümelin* (Tübinger Zeitschr., 1863, 653 ff.); and he recommends in place of statistics an independent branch of learning bordering on history and geography, to be called demography. His statistics is a science auxiliary to all the experimental sciences of man, just as criticism and hermeneutics are a methodological science auxiliary to many sciences, otherwise different. It would be difficult to justify the use of the name statistics for such a science, as such a science corresponds to neither of the two meanings of the word *status* (state—condition).



Besides, it is evident, that, of statistics in general, economic statistics constitute a chief part, and precisely the part most accessible to numerical treatment. As these economic statistics [095] need to be always directed by the light of Political Economy, they also furnish it with rich materials for the continuation of its structure, and for the strengthening of such foundations as it already has. They, are, moreover, the indispensable condition of the application of economic theorems to practice.

### Section XIX.

#### Private Economy—Cameraristic Science.

The meaning of the term cameralistic science (*Camerarwissenschaft*) can be explained only by the history of the cameralistic system.<sup>146</sup> From the end of the middle ages, we find, in most German countries, an institution called the Council (*Kammer*) whose province it was to administer the public domain, and to watch over regal rights. At first, a mere governmental commission, it was not long before it developed into an independent board. This change had taken place in Burgundy as early as the year 1409. It was in that country that

<sup>146</sup> The ancients understood by the term *καμάρια camera*, covered places such especially as were vaulted, also vaults of the most varied kind. Compare *Herod.*, I, 199; *Diod.*, II, 9; *Strabo*, XI, 495; *Arrian*, *Exp. Alex.*, VII, 5, 55; *Dio Cass.* XXXVI, 32; *Sallust*, B. C., 55; *Cicero*, ad Q. fratrem III, 1; *Plin.*, H. N. XXX, 27; *Seneca*, *Epist.*, 86; *Tacit.* *Hist.* III, 47; *Sueton*, Nero, 34. During the middle ages, the meaning treasure-chamber (*Schatzkammer*) became predominant: *camera est locus, in quem thesaurus recoilligitur, vel conclave, in quo pecunia reservatur* (*Ocham*, *Cap. Quid sit Scaccarium*). It gradually became synonymous with finance,—from the time of Charlemagne, or at least since Louis II. (Charter of 874). See *Ducange*, *Glossarium*, v. Camera, and *Muratori Antiquitt. Ital.*, I, 932 ff.

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the emperor Maximilian became acquainted with the institution; and by the erection of the aulic councils at Innsbruck and Vienna (1498 and 1501), he gave the principal impulse to the imitation of it in Germany. As, at that time, the division of labor was very little developed, and personal and collegial authority all the more developed in consequence, it is easy to conceive that a great part of all the new and rapidly increasing business of police administration was confided to these councils. They were charged especially with what is known to-day as economic police (*Wirtschaftspolizei*) and an important part of the administration of justice, in its lower departments, was turned over to their subordinates. The most eminent men who wrote, in the seventeenth century, on cameralistic matters, laid great stress on the point, that it was the duty of the aulic councils to entertain not only fiscal questions, but that it was within their province also, to determine questions of economic police.<sup>147</sup> The interest of absolute princes must have greatly favored these cameralistic institutions, for they were in their hands docile tools, which escaped the annoying intervention of the states of their realms.

By degrees, the knowledge necessary to these council officials, and which found no place in the lectures on law, were formed into a special body of doctrine. After such men as Morhof and Thomasius had prepared the way,<sup>148</sup> Frederick William I.,

<sup>147</sup> "A husbandman must plow and manure his land if he would reap a harvest from it. He must fatten his cattle if he would slaughter them; and furnish his cows with good fodder if he would have them give good milk. In like manner, a prince should begin by assuring his subjects healthy and abundant food, if he would take anything from them." *von Schröder*, Fürstl. Schatz- und Rentkammer (1686), preface, § 11. *Von Horneck* before him, Oesterreich über alles wann es nur will, p. 220, ed. of 1707, had expressed the idea that the watchful solicitude for the public economy of the country was no *parergon*, no *appendix*, to the council (*Kammer*), but its real basis, and that it embraced many subjects which had nothing in common with the *cameralia* ("*Cameralien*").

<sup>148</sup> *Morhof*, Polyhistor (1688), III. *Thomasius*, 1728, *Cautelæ circa præcognita Jurisprudentiæ* (1710), ch. 17. (*Cautelæ circa studium æconomicum*.) Also, in his lectures on *Seckendorff's* "Teutschen Fürstenstaat." Compare *Roscher*,

himself a clever cameralist, and author of the masterly financial system of Prussia, took the important step of founding, at Halle and Frankfurt on the Oder, special chairs of economy and cameralistic science; which, considering the time, were very ably filled by Gasser and Dithmar. (1727.) There was thus formed in the German universities a distinct school of cameralists, which, through Jung, Rössig and Schmalz, reached to the nineteenth century. The term cameralistic science, the creature of chance, was used, it must be said, with very various limits to its meaning.<sup>149</sup> [097]

However, Political Economy in Germany developed out of the science of law and the cameralistic sciences, while in England and Italy it had its origin chiefly in the study of questions of finance and foreign commerce.

## Section XX.

### Private Economy. (Continued.)

If we abstract from cameralistic science as it was understood in the last century, what it has in common with all economy,<sup>150</sup> and therefore with public economy, next that which belongs

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Gesch. der N. Œk. in Deutschland, 328 ff.

<sup>149</sup> While *Dithmar* (1731) distinguishes economy-police and cameralistic sciences and restricts the latter to finance and taxation; *Darjes* (1756) comprises under the name of cameralistic science, economy (municipal and rural), and police, as well as cameralistic subjects in the strict sense of the term, that is, the public, domain and regal rights. While *Nau* (1791), in his "Ersten Linien der C.," treats only of the branches of private economy, *Schmalz*, (1797) treats also of national or public economy, and *Rössig* (1792) divides cameralistic science into the doctrine of the public demesne and regal rights (cameralistic science in the narrower sense), and the doctrine of taxation and police.

<sup>150</sup> Thus, for instance, all that concerns domestic economy, book-keeping and private financial administration.

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to the aggregate of governmental economy, there remains only a number of rules, such as those which govern the principal branches of private business, and which indicate how they are to be carried on with the greatest advantage to those who engage in them. Such are forest and rural economy, mining science, technology, including architecture, and all that concerns founderies, and commercial science. Now that the expression cameralistic science is altogether obsolete, the aggregate of these might be designated by the name private economy. Obviously, we should have here, neither a simple nor pure science, but only a compilation of natural-philosophical and economic lemmas. Thus, in agriculture, for instance, a knowledge of the different kinds of soil, of the tillage of land, of the different plants and animals etc., belongs to the domain of natural science; while all that relates to the cost of production, the employment of capital, the wages of labor, the exchange of products, net product and the price of land, are purely politico-economical. The political economists also require a knowledge of the natural side of the cameralistic sciences. Such a knowledge is indispensable to every detailed and living theory, and especially to the application of economic science to practice. The great difference lies in this, that the cameralist interests himself in the production of material goods for their own sake, while the political economist regards them only in their relations to national life.<sup>151</sup>

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<sup>151</sup> *John Stuart Mill*, *Principles of Political Economy* (1848), I, p. 25, draws a distinction between the physical conditions which influence the economic situation of a people, and the moral and psychological conditions; which last have their origin in social institutions or in the fundamental principles of human nature. Only the latter belong to the domain of Political Economy. According to *J. B. Say*, *Traité*, *Introd.*, this science embraces at once agriculture, manufactures and commerce, but only in their relation to the increase or diminution of wealth, and does not concern itself with the means employed to reach the desired end. As a rule, says *Arndt* (*Naturgemässe Volkswirtschaft*, 1851, p. 16), it takes into consideration not so much things themselves as their exchange value. *Lotz* (*Handbuch*, I, p. 6 seq.), in like manner, defines Political

It would seem, moreover, that political economists, especially in Germany, have attached too much importance to putting formal bounds to their special science. Why not rather follow the example of the students of nature who care little whether this or that discovery belongs to physics or chemistry, to astronomy or mathematics, provided, only, very many and important discoveries are made?<sup>152</sup> [099]

### Section XXI.

#### What Political Economy Treats Of.

Political Economy treats chiefly of the material interests of nations. It inquires how the various wants of the people of a country, especially those of food, clothing, fuel, shelter, of the sexual instinct etc., may be satisfied; how the satisfaction of these wants influences the aggregate national life, and how in turn, they are influenced by the national life. (Gospel of Matth., 4, 4.) This alone suffices to enable us to estimate the importance of the science. The relation of virtue to wealth is likened by Bacon to that of an army to its baggage. In Xenophon's opinion, wealth is really useful only to him who knows how to make a

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Economy—the science of the one activity which constitutes the basis of all industries etc. *F. G. Schulze* (Ueber volkswirtschaftliche Begründung der Gewerbswissenschaften, 1826), characterizes Political Economy as the science of the fundamental conditions of the well-being of a people, in so far as they lie in human nature.

When *Adam Smith* (book IV, c. II) says that the government in respect to matters of economy is inferior to the first best person engaged in industrial pursuits, he is right only from a technic point of view. And when *Stewart*, on the other hand, vindicates for the state the office of a pater-familias (book II, ch. 13), he evidently means only in national economical matters.

<sup>152</sup> See also *Rau* (Ueber die Cameralwissenschaft, Entwicklung ihres Wesens und ihrer Theile, 1825); *Baumstark* (Cameralistische Encyclopädie, 1835).

good use of it. From an economic point of view, the happiest man is he who has accumulated most, honorably, and used it best.<sup>153</sup> That, even in a material sense, the intellect of a people is their most important element, is evident from the example of the Chinese, who were so long acquainted with printing, powder, and the mariner's compass, without, by their means, attaining to intelligent public opinion, forming a good army, or coming to an understanding of the art of navigation, to any great extent.

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The undervaluing of economic matters, for which ages of inferior cultivation, our own middle ages for instance, are now praised and now blamed, was really a rare exception even during these ages.<sup>154</sup> Other kinds of acquisition and enjoyment then occupied the foreground; but there never was a time, when gain and enjoyment in general were not favorite objects of pursuit, and held in high esteem. The physical wants of uncultured men cry out much louder than intellectual ones. (§ 2, 14.)<sup>155</sup> On the other hand, in over-cultivated ages, when decay begins, an over-estimation of material things is wont to become general.<sup>156</sup> The

<sup>153</sup> *Xenoph.* *Æconom.* I, 8 ff. *Cyrop.* VIII; 2, 23. He saw with equal clearness the moral light and shade of wealth. (*Econ.* XI. 9. *Conviv.* 4. *Memor.* I, 6. *Cyrop.* VIII, 3, 35 ff. *Hiero* 4.)

<sup>154</sup> *Thomas Aquinas* values earthly goods according to the end they are made to serve; when used for a good purpose, they have a mediately true value. Hence it was an error of the stoics to despise them under all circumstances. (*Summa Theol.* II, 2. *Qu.*, 50, 3. 58, 2. 59, 3. 125, 4.)

<sup>155</sup> *Whateley* considers the savage much beneath the materialist, instead of superior to him. The latter possesses, although he frequently abuses it, the faculty of self-control and forethought, which is entirely wanting in the former. (*Lectures*, No. 6.) *Dunoyer*, *De la Liberté du Travail*, liv. IV, ch. I, 8, an apology for the moral wholesomeness of civilization, since promotive of military prowess, favorable to the development of the sciences, and even poetical. *Baudrillart*, *Manual d'Æconomie politique*, 1857, 24. See *Fallati*, *Ueber die sogenannte materiellen Tendenz der Gegenwart*, 1842.

<sup>156</sup> See the inscription on the tomb of Sardanapalus: ταῦτ' ἔχω, ὅσ' ἔφαγον καὶ ἐφύβρισα καὶ μετ' ἔδωτος τέδην ἔπαθον. (*Strabo*, XIV, 672.) *Isaiah*, 122, 13, 56, 12, and the book of wisdom (2) characterizes the view of the fallen Jewish people. In Greece, the Cynic and Epicurean schools were only different phases

mere servants of mammon, whether as political economists or as private individuals, may see their depravity faithfully reflected in communism as in a mirror. We should not overlook the fact that it is with whole nations as with the individual man who amasses his own fortune. He reaches the culminating point of his wealth generally after he has passed the prime of life. The most flourishing period of a nation's existence is wont just to precede its decay, and to introduce it.<sup>157</sup> Hence, here nothing could be more untrue, as Macchiavelli has remarked, than the [101]

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of the same degeneration. "Thirst, for money, and nothing else, will be the ruin of Sparta!" (*Cicero*, *De Offic.*, II, 22, 77.) See the magnificent description by Demosthenes, in which he shows the over-estimation of material things to be the principal cause of the decline of Athens, and in which he lays great stress on the fact, that Athens, on its decay, had a larger population, more wealth, ships, and evidences of external power, than in its golden age. (*Phil.*, III, 120 seq.) Also *Phil.*, IV, 144, cautions us against the Manchester criterion of national prosperity. See *Plato*, *De Rep.*, VIII. In Rome, the principle *omnia venalia esse* was a chief element in the total decline and fall of the republic. (*Sallust*, *Cat.*, 10 ff., *Jug.*, 8 ff.) In an age when people think they can do everything with money, the ruin of all things is the last end of mercantile, financial and political speculation. (*Condillac*, *Le Commerce et le Gouvernement*, 1776, II, 18.)

<sup>157</sup> Under Pericles, the Athenian treasury of the state contained at most 9,700 talents. (*Thucyd.* II, 13.) On the other hand, Alexander the Great had a treasure of 180,000 talents accumulated in the citadel of Ecbatana. (*Strabo*, XV, 731); Ptolomy II. left after him 740,000 talents. (*Appian*. præf. 10, *Droysen*, *Geschichte des Hellenismus* II, 44 ff.) In Nero's time there was many a freedman's daughter who owned a looking glass worth a greater sum than the senate had appropriated as a dowry to the daughter of the great Scipio. (*Seneca*, *Quæst. Natur.* I, 17. Compare *Cons.*, ad *Helviam*, 12.) *McCulloch* says that an

general opinion that money is the sinew of war.<sup>158</sup>

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national wealth—has a disastrous influence on morals. Lectures, No. 2. intelligent despotism can enrich a nation as well as freedom. (In his Discourse on the Rise, etc. of Polit. Econ., 1825, 77 seq.)

<sup>158</sup> *Bacon* (Sermones, 56) says that youthful states distinguish themselves specially by their warlike instincts; mature states in literature; old and decaying ones in industry and commerce. *Davenant* very happily remarks, that the development of commerce among a people has an ambiguous value. It, indeed, increases wealth, but, at the same time, it may introduce luxury, covetousness and fraud, destroy virtue, do away with simplicity of manners and customs, and then it inevitably ends in internal or external slavery. (Works II, 275.) The simplicity of the patriarchal state, however, cannot last always, if for no other reason, because of the emulation of foreign nations. (I, 348, ff.) The impoverishment of even the wealthiest nation is certainly inevitable when its morality declines. It is especially true, that the public economy of a people can be prosperous only where political liberty obtains, and this, independent of the fact that wealth without freedom has no value. (II, 336 ff., 380, ff., 285.) According to *Ferguson*, private wealth, honestly acquired, used rightly and with moderation, managed with a sense of independence, may be to those who possess it, an element of self-confidence and of liberty, provided they loosen their purse strings not through vanity or for their personal gratification, but for commendable party purposes. But in periods of decay, even a greater amount



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of wealth is very far from producing these results. (History of Civil Society, VI, 5.) *Whately*, on the contrary, maintains that only personal wealth—never

## Chapter III.

# The Methods Of Political Economy.

### Section XXII.

#### Former Methods.

The methods<sup>159</sup> which would apply to any science of national life, principles borrowed from any other science, are now generally looked upon as obsolete. This is true, especially, of the theological method which prevailed, almost exclusively during the middle ages,<sup>160</sup> and of the juridical method of the seventeenth century.

It would be much more in harmony with the intellectual tendencies of the time, to adopt a mathematical mode of treatment in Political Economy, involving, as such a mode of treatment does, not the matter of the science, but only a formal principle.

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<sup>159</sup> “The method of a science is of much greater importance than any individual discovery, however wonderful.” (*Cuvier*.)

<sup>160</sup> Thus, for instance, *G. Biel* (ob. 1495), the “last of the schoolmen,” gives us his doctrine of Political Economy, in a work on Dogmatic Theology, in the chapter on Penance, his starting point being the inquiry, how the economic damage caused by the sinner may be repaired. *Roscher*, *Geschichte der Nationalökonomik in Deutschland*, 1074, I, 23. The *Melittotheologia*, *Arachnotheologia* of later times! A recent attempt in this direction has been made by *Ad. Müller*, *Nothwendigkeit einer theologischen Grundage der gesammten Staatswissenschaften und der Staatswirthschaft insbesondere* (1819), i.e., “necessity of a theological basis for all political science, and especially for Political Economy.” He divides political science into two parts: the science of law, and the science of wisdom, embracing under the latter denomination, politics, Political Economy, etc. Law emanates from God, as supreme judge; the science of wisdom from God, as our Supreme Father.

That which is general in Political Economy has, it must be acknowledged, much that is analogous to the mathematical sciences. Like the latter, it swarms with abstractions.<sup>161</sup> Just as there are, strictly speaking, no mathematical lines or points in nature, and no mathematical lever, there is nowhere such a thing as production or rent, entirely pure and simple. The mathematical laws of motion operate in a hypothetical vacuum, and, where applied, are subjected to important modifications, in consequence of atmospheric resistance. Something similar is true of most of the laws of our science; as, for instance, those in accordance with which the price of commodities is fixed by the buyer and seller. It also, always supposes the parties to the contract to be guided only by a sense of their own best interest, and not to be influenced by secondary considerations. It is not, therefore, to be wondered at, that many authors have endeavored to clothe the laws of Political Economy in algebraic formulæ.<sup>162</sup> And,

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<sup>161</sup> Abstraction is indulged in on a large scale, when a number of elements which are always found combined in life, are here separated and examined apart. It is precisely thus that anatomy proceeds, dissecting each member of the human frame, separating the bones, ligaments and muscles from one another, thus becoming the necessary preparatory school to physiology.

<sup>162</sup> Thus, for instance, *Canard*, Principes d'Economie politique (1801). Also *Kröncke*, in several of his works, and *Count Buquoy*, in his *Theorie der Nationalwirthschaft* (1816), p. 333 ff.; *Lang*, Grundlinien einer politischen Arithmetik, Charkow, 1811, and more especially v. *Thünen*, Der isolirte Staat, vol. I (1842), vol. II, 1850. See my criticism of his method in *Birnbaum's* *Georgika*, 1869, 77 ff. *Voa Thünen's* first volume is an essay towards a geometrical exposition of the science. See also *Rau*, Lehrbuch I, § 154, appendix; *von Mangoldt*, Grundriss der Volkswirtschaftslehre (1862); *Cazaux*, Elements d'Economie privée et Principes mathématiques de la Théorie des Richesses (1838); *F. Fuoco*, Saggi economici (1827) II, 61 ff. *Walras*, Eléments d'Econ. politique pure (1874). *Jevons* has recently endeavored to give Political Economy a mathematical basis by reducing the objects of which it treats to the calculable feelings of pleasure (+) and pain (-). The duration of a feeling is treated as an abscissa, its intensity as the ordinate of a curve, and its quantity as the area. Future feelings are reduced to present ones, by allowing for their distance, and the uncertainty of their occurrence. All this, however, is

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indeed, wherever magnitudes and the relations of magnitudes to one another are treated of, it must be possible to subject them to calculation. Herbart has shown that this is so in the case of psychology;<sup>163</sup> and all the sciences which treat of national life, especially our own, are psychological.<sup>164</sup> But the advantages of the mathematical mode of expression diminish as the facts to which it is applied become more complicated. This is true even in the ordinary psychology of the individual. How much more, therefore, in the portraying of national life! Here the algebraic formulæ would soon become so complicated, as to make all further progress in the operation next to impossible.<sup>165</sup> Their employment, especially in a science whose sphere it is, at present, to increase the number of the facts observed, to make them the object of exhaustive investigation, and vary the combinations into which they may be made to enter, is a matter of great difficulty, if not entirely impossible.<sup>166</sup> For, most assuredly, as our science has to do with men, it must take them and treat them as they actually are, moved at once by very different and

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rather curious than scientifically useful.

<sup>163</sup> *Herbart*, Ueber die Möglichkeit und Nothwendigkeit, Mathematik auf Psychologie anzuwenden; Kleinere Schriften, II, 417.

<sup>164</sup> How detrimental it is to ignore the psychological nature of Political Economy is evident from the errors of *Karl Marx*, who personifies things in a manner almost mythological. Thus, according to him, modesty should be ascribed to a coat which exchanges for a piece of linen, and purpose to the linen, etc. (*Das Kapital*, 1867, I, 19, 22, seq.) The greatest fault of this intelligent but not very acute man, his inability to reduce complicated phenomena to their constituent elements, is greatly increased by his way of thus looking at things.

<sup>165</sup> Compare *J. B. Say*, *Traité* I, introd. Thus, it would be certainly possible to describe every individual's physiognomy by means of a very complicated mathematical formula, and yet there is no one who would not prefer the usual mode of taking pictures. The simple motions of the heavenly bodies, on the contrary, are always treated mathematically. (*Lotze*, *Allgemeine Physiologie*, 322 ff.)

<sup>166</sup> When *Fawcett* says that all "principles of Political Economy are describing tendencies instead of actual results" (*Manual of Political Economy*, 1863, p. 90), our method, the historical, would give also the theory of the latter.

non-economic motives, belonging to an entirely definite people, state, age etc. The abstraction according to which all men are by nature the same, different only in consequence of a difference of education, position in life etc., all equally well equipped, skillful and free in the matter of economic production and consumption, is one which, as Ricardo and von Thünen have shown, must pass as an indispensable stage in the preparatory labors of political economists. It would be especially well, when an economic fact is produced by the cooperation of many different factors, for the investigator to mentally isolate the factor of which, for the time being, he wishes to examine the peculiar nature. All other factors should, for a time, be considered as not operating, and as unchangeable, and then the question asked, What would be the effect of a change in the factor to be examined, whether the change be occasioned by enlarging or diminishing it? But it never should be lost sight of, that such a one is only an abstraction after all, for which, not only in the transition to practice, but even in finished theory, we must turn to the infinite variety of real life.<sup>167</sup> [105]

There are two important inquiries in all sciences whose subject matter is national or social life: 1. What *is*? (What has been? How did it become so? etc.) 2. What *should be*? The greater number of political economists have confounded these questions one with the other, but not all to the same extent.<sup>168</sup> [106]

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<sup>167</sup> This was lost sight of by most writers during the second half of the eighteenth century, because they looked upon that equality as the really oldest condition, and its restoration the ideal to be striven for. How much of this still clings to the present free-trade school; see in *Roscher*, *Gesch. der N. Ök. in Deutschland*, 10, 17 ff.

<sup>168</sup> Thus, for instance, *Ricardo* examines, almost exclusively, the actual condition of things, while the socialists confine themselves, still more exclusively, to the investigation of how things should be. It has been very usual in Germany since *Rau* wrote, to draw a distinction between theoretical and practical Political Economy. There are many who think that a good manual of practical Political Economy, dropping the introduction, demonstrations etc., would be also a good code of law, of universal application. *Mercier de la Rivière* has said that he wished to propose an organization which should be

When a careful distinction is made between them, the contrast between the (realistic) physiological or historical, and the idealistic methods is brought out.<sup>169</sup>

### Section XXIII.

#### The Idealistic Method.

Any one who has read a goodly number of idealistic works treating of public economy (the state, law etc.) cannot have failed to be struck by the enormous differences, and even contradictions, as to what theorizers have considered desirable and necessary. There is scarcely an important point which the highest authorities may not be cited for or against. We must not close our eyes

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determination of the price of an article, the person who can look into the mind of one of the contracting parties only, will give a one-sided explanation of the facts. B. Moreover, every explanation, that is, satisfactory connection of the fact seeking explanation with other facts which are already clear, can be only provisional. The wider our horizon grows, the deeper should our solution of all questions become. A hundred years hence, should science increase in the mean time, the solutions which are satisfactory to us will be looked down upon by our posterity, as the speculations of our fathers antecedent to Adam Smith's time are looked down upon by us.

necessarily productive of all the happiness which can be enjoyed on earth. (*Ordre essentiel et naturel* (1767), Disc. prélim.) Compare, also, *Sismondi*, N. Principes, I, ch. 2.

<sup>169</sup> The word method is used in an essentially different sense, when the inquiry is, whether the inductive or deductive method is followed in Political Economy. *J. S. Mill* calls Political Economy, and, indeed, all "sociology," a concrete deductive science, whose *a priori* conclusions, based on the laws of human nature, must be tested by experience, either by comparing them with the concrete phenomena themselves, or with their empirical laws. It, in this, resembles astronomy and physics. (*System of Logic* VI, ch. 9. Essays on some unsettled questions of Political E., No. 5.) According to this, an economic fact can be said to have received a scientific explanation only when its deductive

to this fact. "The giddiness that comes from contemplating the depths of knowledge is the beginning of philosophy, as the god Thaumias was, according to the fable, the father of Iris." (*Plato*.) In a precisely similar manner, the student of public economy (politics, the philosophy of law etc.) must familiarize himself with the variations that have taken place in what men, at different periods of history, have required of the state and public economy, until he is lost in wonder at the contemplation.

### Section XXIII.

#### The Idealistic Method. (Continued.)

It is impossible to fail to notice at once that those ideal descriptions which have enjoyed great fame and exerted great influence, depart very little from the real conditions of the public economy (of the state, law etc.) surrounding their authors.<sup>170</sup>

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and inductive explanations have met and agreed. "Only those principles which, after they have been obtained by the one, are confirmed by the other method, can be said to have a scientific basis." (*von Mangoldt*, *Grundriss*, 8.) While I agree to this view, it seems necessary to me to mention points wherein caution is necessary: A. Even the deductive explanation of economic facts is based on observation, namely, on the self-observation of the person accounting for them, who, consciously or unconsciously, must always inquire: If I had experienced or accomplished the same fact, what should I have thought, willed and felt? The man who cannot translate himself into the souls of others, will give a wrong explanation of most economic facts. In the question, for instance, of the<sup>170</sup> *Tanquam e vinculis sermocinantur*, says *Bacon* (*De Dignit. et Augm. Scient.*, III, 3), of those who have written in a not non-practical way on the laws. *Hugo*, also (*Naturrecht*, 1819, p. 9), calls attention to the resemblance of the so-called laws of nature, to the positive law in force at the time. As to political idealism, see *Roscher*: *De historicæ doctrinæ apud sophistas majores vestigiis* (Gött. 1838, 26 ff.). The only exceptions to this rule are the eclectics, who form their own system from the blossoms of all foreign ones, a system, indeed, without root, and which therefore must soon wither.

This is not mere chance. The power of great theorizers, as, indeed, of all great men, lies, as a rule, in this, that they satisfy the want of their own time to an unusual extent; and it is the peculiar task of theorizers to give expression to this want with scientific clearness, and to justify it with scientific depth. But the real wants of a people will, in the long run, be satisfied in life,<sup>171</sup> so far as this is possible to the moral imperfection of man. We should at least be on our guard when we hear it said that whole nations have been forced into an “unnatural” course by priests, tyrants and cavilers. For, to leave human freedom and divine Providence out of consideration entirely, how is such a thing possible? The supposed tyrants are generally part and parcel of the people themselves; all their resources are derived from the people. They must have been new Archimedeses standing outside of their own world. (Compare, however, *infra*, § 263.)

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It is true, that if the result of the growth of generations be to gradually produce a different people, these different men may require different institutions. Then a struggle arises between the old and those of the younger generation; the former wish to retain what has been tested by time, the latter to seek for the satisfaction of their new wants by new means. As the sea always oscillates between the flowing and ebbing of the tides, so the life of nations, between periods of repose and of crisis: periods of repose, when existing forms answer to the real substance of things, and of crisis, when the changed substance or contents seeks to build up a new form for itself. Such crises are called *reforms* when they are effected in a peaceful way, and in accordance with positive law. When accomplished in violation of law, they are called

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<sup>171</sup> In this place, naturally, such an assertion can be made only as a programme to be carried out, the proof whereof is to be sought in the rest of the work. By “the people,” we do not mean the governed, to the exclusion of the governing classes, but both classes together. We attach to the expression the most extensive meaning possible. We do not limit it to the present generation, but intend it to cover all the generations from the beginning of a people's history to its end.



revolutions.<sup>172</sup>

That every revolution, it matters not how great the need of the change produced by it, is as such an enormous evil, a serious, and sometimes, fatal disease of the body politic, is self-evident. The injury to morals which the spectacle of victorious wrong almost always produces can be healed, as a rule, only in the following generation. Where law has been once trampled on, the "right of the stronger" will prevail; and the stronger is, to some extent, the most unscrupulous and reckless in the choice of the means to be employed. Hence, the well-known fact, that in revolutionary times the worst so frequently remain the victors. The counter-revolution which is wont to follow on the heels of revolution, and with a corresponding violence, is a compensation only to the most shortsighted. It allows the disease, the familiarizing of the people with the infringement of law, to continue, until the hitherto sound parts are attacked. Hence, a people should, if they would have it go well with them, in the changes in the form of things which they make, take as their model Time, whose reforms are the surest and most irresistible, but, at the same time, as Bacon says, so gradual that they cannot be seen or observed at any one moment. It is true, that, as all that is great is difficult, so also is the carrying out of uninterrupted reform. Its carrying out, indeed, supposes two things: a constitution so wisely planned as to keep the doors open both to the disappearing institutions of the past and to the coming institutions of the future; and, among all classes of the people, a moral control of themselves, so absolute that, no matter what the inconvenience, or how great

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<sup>172</sup> The custom, which has become general, of calling all democratic movements, and them only, revolutions (thus *Stahl*: Was ist Revolution? 1852, and many other writers of an entirely opposite tendency, especially in France), is not warranted. It is true that democratic (and imperial) revolutions are more frequent than others in our times, just as aristocratic revolutions were in the middle ages, and monarchical at the beginning of modern history. The essence of revolution, however, is in the operation of change contrary to positive law, acknowledged as such by the consciousness of the people.

the sacrifice, legal ways shall alone be used. In this manner, two of the greatest and apparently most contradictory wants of every legal or moral person, the want of uninterrupted continuity and that of free development, may be satisfied.

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### Section XXV.

#### The Idealistic Method. (Continued.)

It is doubtless true that all economic laws, and all economic institutions are made for the people, not the people for such laws and institutions. Their mutability is, therefore, by no means such an evil as mankind should endeavor to remove, but is wholesome and laudable, so far as it runs parallel with the transformation of the people, and the changes which their wants have undergone.<sup>173</sup> Hence, there is no reason why the most various ideal systems should contradict one another. Any one of them may be right, but, of course, only for one people and one age. In this case, the only error would be, if they should claim to be universally applicable. There can no more be an economic ideal adapted to the various wants of every people, than a garment which should fit every individual. The leading-strings of children and the staff of age would be great annoyances to the man. "Reason becomes nonsense and beneficence a torment." Hence, whoever would elaborate the ideal of the best public economy—and the greater number of political economists have really wished to do this—should, if he would be perfectly true, and at the same time practical, place in juxta position as many different ideals as there

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<sup>173</sup> Compare, especially, the first pages of *Sir J. Stewart*, Principles of Polit. Economy.

are different types of people.<sup>174</sup> He would, moreover, have to revise his work every few years; for, in proportion as a people change, and new wants originate, the economic ideal suitable to them must change also. But it is impossible to accomplish this on so large a scale. Besides, to appreciate the present thus instantaneously, and to perfectly feel the pulse of time thus uninterruptedly, requires a species of talent different from what even the most distinguished scientists are wont to possess; talents of an entirely practical nature, such as become a great minister of the interior or of finance. And it is an acknowledged fact, that even the cleverest of such practitioners, as the younger Pitt said of himself, generally feel their way instinctively, and do not see it with the clearness necessary to indicate it to others. [111]

#### Section XXVI.

### The Historical Method—The Anatomy And Physiology Of Public Economy.

We refuse entirely to lend ourselves in theory to the construction of such ideal systems. Our aim is simply to describe man's economic nature and economic wants, to investigate the laws and the character of the institutions which are adapted to the satisfaction of these wants, and the greater or less amount of success by which they have been attended.<sup>175</sup> Our task is,

<sup>174</sup> See *Colton*, Public Economy of the United States, p. 28, who, indeed, unwarrantedly, refers to the whole of Political Economy, what properly belongs to its precepts.

<sup>175</sup> *Je n'impose rien, je ne propose même rien: j'expose.* (Ch. Dunoyer). *Cherbuliez*, Précis de la Science économique, 1862, p. 7 ff., has exaggerated this idea in a strangely non-practical manner. That the historical method does not differ essentially from the statistical as recently recommended, see *Roscher*, *Gesch. der Nat. Ök.*, 1035 seq.

therefore, so to speak, the anatomy and physiology of social or national economy!

[112] These are matters to be found within the domain of reality, susceptible of demonstration or refutation by the ordinary operations of science; entirely true or entirely false, and, therefore, in the former case, not liable to become obsolete. We proceed after the manner of the investigator of nature. We, too, have our dissecting knife and microscope, and we have an advantage over the student of nature in this, that the self-observation of the body is exceedingly limited, while that of mind is almost unlimited. There are other respects, however, in which he has the advantage over us. When he wishes to study a given species, he may make a hundred or a thousand experiments, and use a hundred or a thousand individuals for his purpose. Hence, he can easily control each separate observation, and distinguish the exception from the rule. But, how many nations are there which we can make use of for purposes of comparison? Their very fewness makes it all the more imperative to compare them all. Doubtless, comparison cannot supply the place of observation; but observation may be thus rendered more thorough, many-sided, and richer in the number of its points of view. Interested alike in the differences and resemblances, we must first form our rules from the latter, consider the former as the exceptions, and then endeavor to explain them. (*Infra*, § 266).

## Section XXVII.

Advantages Of The Historical Or Physiological Method.

The thorough application of this method will do away with a great number of controversies on important questions.<sup>176</sup> Men are as far removed from being devils as from being angels. We meet with few who are only guided by ideal motives, but with few, also, who hearken only to the voice of egotism, and care for nothing but themselves. It may, therefore, be assumed, that any view current on certain tangible interests which concern man very nearly, and which has been shared by great parties and even by whole peoples for generations, is not based only on ignorance or a perverse love of wrong. The error consists more frequently in applying measures wholesome and even absolutely necessary under certain circumstances, to circumstances entirely different. And here, a thorough insight into the conditions of the measure suffices to compose the differences between the two parties. Once the natural laws of Political Economy are sufficiently known and recognized, all that is needed, in any given instance, is more exact and reliable statistics of the fact involved, to reconcile all party controversies on questions of the politics of public economy, so far, at least, as these controversies arise from a difference of opinion. It may be that science may never attain to this, in consequence of the new problems which are ever arising and demanding a solution. It may be, too, that in the greater number of party controversies, the opposed purposes of the parties play a more important part even than the opposed views. Be this as it may, it is necessary, especially in an age as deeply agitated as our own, when every good citizen is in duty bound to ally himself to party, that every honest party-man should seek to secure, amid the ocean of ephemeral opinions, a firm island of scientific truth, as universally recognized as truth as are the principles of mathematical physics by physicians of the most various schools. [113]

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<sup>176</sup> *Storch*, Handbuch, II, 222.

## Section XXVIII.

## Advantages Of The Historical Method. (Continued.)

Another characteristic feature of the historical method is that it does away with the feeling of self-sufficiency, and the braggadocio which cause most men to ridicule what they do not understand, and the higher to look down with contempt on lower civilizations. Whoever is acquainted with the laws of the development of the plant, cannot fail to see in the seed the germ of its growth, and in its flower, the herald of decay. If there were inhabitants of the moon, and one of them should visit our earth, and find children and grown people side by side, while ignorant of the laws of human development, would he not look upon the most beautiful child as a mere monster, with an enormous head, with arms and legs of stunted growth, useless genitals, and destitute of reason? The folly of such a judgment would be obvious to every one; and yet we meet with thousands like it on the state and the public economy of nations when in lower stages of civilization, and this, even among the most distinguished writers.<sup>177</sup>

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We may, indeed, make a critical comparison of different forms, each of which answers perfectly to its object or contents; but such a comparison can possess historical objectivity, only when it is based on a correct view of the peculiar course of development followed by the people in question.

The forms of the period of maturity may be considered the most perfect; earlier forms as the immature, and the later as

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<sup>177</sup> *Ad. Müller*, an essentially mediæval mind, is guilty of this same braggadocio in an opposite direction, when he calls the “present with its political disorders simply an intermediate state,—the transmission of the natural or unconscious wisdom of the fathers, through the inquisitiveness of their children to the rational acknowledgment of that wisdom by their grandsons.” (*Theorie des Geldes*, 1816, pref.)

those of the age of decline.<sup>178</sup> But it is a matter of the greatest difficulty, accurately to determine the culminating point of a people's civilization. The old man believes, as a rule, that the times are growing worse, because he is no longer in a way to utilize them; the young man, as a rule, that they are growing better, because he hopes to turn them to account. It is, however, always a purely empirical question; and in the solution of it, the observer's eye may acquire a singular acuteness by the comparative study of as many nations as possible, especially of those which have already passed away.<sup>179</sup>

Could anyone contemplate the history of mankind as a whole, of which the histories of individual nations are but the parts, the successive steps in the evolution of humanity would of course afford him a similar objective rule for all these points in which whole peoples permanently differ from one another.<sup>180</sup> [115]

## Section XXIX.

### The Practical Character Of The Historical Method In Political Economy.

<sup>178</sup> Thus, for instance, it can not be said that a model university is better than a model public school; and yet the former is higher, because the age to which it is adapted is doubtless intellectually higher.

<sup>179</sup> *Knies* (Polit. Œk., 256 seq.) remarks, that it would be a great mistake, and it is the mistake of the majority, to consider what has been achieved or striven for in the present, as the absolute *non plus ultra*, and thus to look upon all future generations as called upon to play the parts of apes and ruminators; a remark worthy to be taken to heart.

<sup>180</sup> I have, myself, no doubt, that up to the present time, mankind, as a whole, has, from the beginning of historical knowledge, always advanced. In individual cases, their movement has been interrupted by so many pauses, and even by so many occasional retrogressions, that great care must be taken not to infer superior excellence from mere subsequence.

Before I close, I must refer to a possible objection which may be made to historical or physiological Political Economy: that it may indeed be taught, but that it cannot be a practical science. If it be assumed that those principles only are practical, which may be applied immediately by every reader, in practice, this work must disclaim all pretensions to that title. I doubt very much if, in this sense, there is a single science susceptible of a practical exposition.<sup>181</sup> Genuine practitioners, who know life with its thousands of relations by experience, will be the first to grant that such a collection of prescriptions, when the question is the knowledge and guidance of men, would be misleading and dangerous in proportion as such prescriptions were positive and apodictic, that is non-practical and doctrinarian.

Our endeavor has been, not to write a practical book, but to train our readers to be practical. To this end, we have sought to describe the laws of nature which man cannot control, but, at most, only utilize. We call the attention of the reader to the different points of view, from which every economic fact must be observed, to do justice to every claim. We would like to accustom the reader, when he is examining the most insignificant politico-economical fact, never to lose sight of the whole, not only of public economy but of national life. We are very strongly of the opinion, that only he can form a correct judgment and defend his views against all objections, on such questions as to where, how and when certain liens and charges, monopolies, privileges, services etc., should be abolished, who fully understands why they were once imposed or introduced. Especially, do we not desire to impress a certain number of rules of action on those who have confided themselves to our guidance, after having first demonstrated their excellence. Our highest ambition is to

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<sup>181</sup> *Buckle* writes of people whose knowledge is about limited to that which they see going on under their eyes, and who are called practical, only because of their ignorance; and he adds that, although they assume to despise theory, they are in fact slaves of theory, of others' theories.



put our readers in a way to discover such rules of direction for themselves, after they have conscientiously weighed all the facts, untrammelled by any earthly authority whatever.<sup>182</sup><sup>183</sup>

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<sup>182</sup> Compare this whole chapter with *Roscher*, *Leben Werk und Zeitalter des Thukydides*, 1842, pp. 25, 239-275; *Roscher*, *Grundriss zu Vorlesungen über die Staatswirtschaft nach geschichtlicher Methode*, 1843, preface; *Roscher* *Geschichte der Nat. Œk. in Deutschland* (1874), 882 f., 1017 seq., and *D. Vierteljahrsschrift*, ff. See also *J. Kautz's* learned and accurate *Theorie und Geschichte der N. Œkonomik*, vol. I, 1858, II, 1860. I find no real contradiction between the views here expressed and those of *Kautz*, when he (I, pp. 313 ff.) introduces history and ethico-practical reason with their ideals as sources of Political Economy, to the end that the science may be something more than simply a picture, namely, a model of economic life. Apart from the fact that it is only the ethico-practical reason that can understand history at all, the ideals of a period constitute one of the most important elements of its history. The aspirations of an age find in them their best expression. The historical political, economist as such, is certainly not disinclined to form plans of reform, nor can it be said that he is not adapted to the performance of such a task. Only, he will scarcely recommend his reforms as absolutely better than what they are intended to supplant. He will confine himself to showing that there is a want which may, probably, be best satisfied by what he proposes. See *Sartorius*, *Einladungsblätter zu Vorlesungen über die Politik*, 1793.

<sup>183</sup> "There is a book which youth may use to grow old, and the old to remain young—History." (*K. S. Zaccharia*).

## Book I.

# The Production Of Goods.

## Chapter I.

### Factors Of Production.

#### Section XXX.

#### Meaning Of Production.

To create new matter is more than it is given to man to do. Hence, by the term production, in its widest sense, we mean simply the bringing forth of new goods—the discovery of new utilities, the change or transformation of already existing goods into new utilities,<sup>184</sup> the creation of means for the satisfaction of human wants, out of the aggregate of matter originally present in the world. (*Producere!*) We confine ourselves, however, in this to economic goods, as defined in § 2. In a secondary and more

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<sup>184</sup> Especially when natural science begins to be “a practical science.” (*L. Stein*).

limited sense, production is an increase of resources, in so far as the goods produced satisfy a greater human want, than those employed in the production itself.<sup>185 186 187</sup>

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It would, however, be an error to suppose, that the creation of certain utilities for the producer himself, or for others, constitutes the only end of economic production. The more perfect economic production becomes, the greater grows the pleasure the producer feels in his products, which pleasure is at once the effect and the cause of his success. Hence, production is to a great extent its own end. That this is so in the case of artists is well known. "If you want only progeny from her, a mortal can beget them as well. Let him who rejoices in the goddess, not seek in her the woman," says Schiller. There is not a really clever workman but has something artistic in his mode of production. And even the meanest productive activity, provided it is neither over-driven nor misdirected, must of itself exert a good influence on the physical and moral development or preservation of the producer. An idle brain is the devil's workshop.<sup>188</sup>

### Section XXXI.

<sup>185</sup> The difference between the broader and narrower sense of production, corresponds essentially with that of gross and net income (§ 145). Compare also §§ 206, 211 ff.

<sup>186</sup> *Von Mangoldt* distinguishes the coming into existence of free values of the production undertaken for an economic purpose. (Grundriss, 9.)

<sup>187</sup> *Gioja*, Nuovo Prospetto delle Scienze economiche (1815), I, 49 ff. Besides positive production, there is a latent production, which prevents the decay of goods. It is not possible to make an exact estimate of the latter as of the former; and much more depends in the latter case than in the former on continuity and proper extension. Hence, latent production is especially a state concern. (*Knies*, Telegraph als Verkehrsmittel, 1857, 232.)

<sup>188</sup> See *Schäffle*, in the Tübinger Univ. Programm, September 27, 1862, on the disastrous effect on the community of idleness. The leading of a happy life the Greeks called very appropriately, εὐπράττειν (*Garve*).

## The Factors Of Production.—External Nature.<sup>189</sup>

The division of natural forces which formerly obtained, into organic, chemical and mechanical, is of no great importance in Political Economy. The tendency is more and more to resolve organic forces partly into chemical and partly into mechanical. Between mechanical and chemical forces, again, the boundary is not fixed, heat being always capable of producing motion, and motion always of producing heat. Hence, it is all the more important for us to find a division of the economic gifts (matter, forces<sup>190</sup> and relations) of external nature, into such as are capable of acquiring exchange value, and such as are not. (See § 5.)

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A. Those gifts of nature which, because they cannot be appropriated by any one, or which at least are inexhaustible as compared with the wants of man, and therefore never have a direct value in exchange, belong either to the class of *free* goods, in the fullest sense of the word, as, for instance, sunlight and the atmosphere (*supra*, § 5);<sup>191</sup> or they constitute, by reason of their peculiar and intransmissible connection with the whole country, an essential element of the national resources.

<sup>189</sup> We use the expression “external nature” through the whole of this work in contradistinction not only to the soul, but also to man’s body, designating his entire physico-intellectual activity by the term “labor-force” (*Arbeits kraft*).

<sup>190</sup> By the expression “natural forces,” we designate the economically useful changes of matter, changes of place as well as of composition, which are made without man’s cooperation; for instance, the gigantic machinery which supplies the greater part of mankind with water to drink, for domestic and other purposes—the evaporation of the sea, the formation of clouds, rain, springs, rivers etc. See *Bastiat*, *Harmonies*, 277. Thus the sun’s rays are indirectly the cause, not only of vegetation, but also of all wind and steam forces.

<sup>191</sup> Spite of this “freedom,” it may well happen that these gifts of nature can be utilized, in many cases, only on condition of some expenditure. The photographer can compel the sunlight to work for him only by means of a camera obscura, and the smithy the atmosphere, only by means of a bellows. But neither will ever successfully make an item, in their accounts with their customers, of the services of the sun or air.

Section XXXII.

External Nature.—The Sea.—Climate.

To the last category belongs, for instance, the sea, the only natural boundary of a country, which from a military point of view, constitutes a protection to it, without, at the same time, disturbing peaceful traffic. (*Riedel.*) Here, also belong ocean currents, especially when uniformly supported by regular winds,<sup>192</sup> the ebb and flow of the tides, which constitute a piece of commercial machinery of the very greatest importance, particularly when they affect the waters of rivers to a great distance.<sup>193</sup> In this age, when the love of travel is so great and so universal, what prices are paid in many places by strangers for the beauty of a landscape, to its owner. [122]

Special mention should be here made of climate, and of its heat or moisture. The lines called isothermal, that is, lines of equal annual heat, are, therefore, of greatest importance to public

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<sup>192</sup> The most important ocean currents may be explained by two causes: the flowing of the water from the polar seas to the equator (polar current), and the revolution of the earth about its axis (equinoctial current); besides which, there are the reflex currents produced by the horizontal form of the coast-lands. Thanks to these natural ocean highways, England is nearer to almost all the important mercantile coasts of the world by 300 geographical miles than the Eastern States of the American Union. The only exception is the Atlantic coast of America north of the Equator. North Americans to pass the line, or to double one of the two great capes, are obliged first to traverse the ocean as far as the Azores. On the other hand, the western coast of South America is very widely separated from Mexico, for instance, by its ocean currents. The colonization of America by Europe, instead of by China, is a consequence of the direction of ocean currents, as is also the fact that America has now the fairest prospect of influencing the civilization of China and Japan. What an influence the warm gulf stream has on the mild climate of north-western Europe!

<sup>193</sup> While the Mississippi has no ebb or flow whatever, the influence of the ocean is felt in the Hudson, which is 60 geographical miles long, a distance of 29 miles from its mouth.

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economy, because the “zones of production” depend mainly on them.<sup>194</sup> However, we are concerned here, not only with the average temperature of the whole year, but especially with the distribution of heat among the several parts of the day and the different seasons of the year, and the maximum summer heat and winter cold (the isothermal and iso-cheimnal lines). Coast lands are wont to have a milder winter and a cooler summer than continental ones with an equal average yearly heat. This produces a great difference in vegetation, because there are a great many plants which can endure the winter's cold very well, but require a hot summer; and *vice versa*.<sup>195</sup> Were it not for this fact, in connection with the winter-sleep of plants, a large portion of the north would be entirely uninhabitable. Besides, the temperature of a place does not depend exclusively on its latitude, or on its height above the sea-level.<sup>196</sup> The

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hand, Astrakan and Hungary are vine growing countries, although the former is as cold in winter as North Cape, and although the cold is more intense in Hungary than in the Faroe Islands, where neither the oak nor the beech grow any longer. No good wine is produced on the western coast of France, north of 47° 20' north latitude; in Champagne, north of 49°, or in the Rheingau, north of 51°. In Norway, the average heat is greater on the coast than in the heart of the country where, however, grain ripens, while it does not on the coast; for the mildness of the winter, no matter how great, can make no compensation for the want of heat. On the other hand, the cattle on the coast can remain much longer out of doors, and the sea seldom freezes in such a way as to interfere with the fisheries. *Blom*, Norwegen I, 39. *Boussingnault* (*Economie rurale considérée dans ses Rapports avec la Chimie*, II) has made some interesting attempts to calculate by a mathematical process the amount of heat necessary to vegetable, during the period of vegetation. Thus, for instance, wheat requires about 12° (Réaumur) of heat during 140 days; that is, nearly  $140 \times 12^\circ = 1680^\circ$  Réaumur. In Venezuela, the sugar cane requires a longer time to grow in a higher and therefore cooler position than in a lower and warmer, and the length of time required is in proportion to the height.

<sup>194</sup> Thus, *A. Young*, *Travels in France* I, 293 ff., has defined, with approximate accuracy, the limits within which the vine, maize and the olive grow. And so *von Cancrin*, *Dorpater Jahrbuch* IV, 1, distinguishes the ice zone, the reindeer-

humidity of the climate is, as a rule, great in proportion to the quantity of water in its neighborhood, and to the height of its temperature; although, for instance, in Europe, the number of rainy days increases, the further we advance towards the

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moss (a lichen on which the reindeer live in winter) zone, the forest zone, the zone within the limits of which cattle are raised; that in which the culture of rye begins, that in which it becomes permanent; the wheat, fruit-tree, vine, maize, olive, sugar cane and silk-worm zones. The United States are divided into cattle-raising, wheat-raising, cotton-raising, rice-raising and sugar-raising zones. Even in Europe, beyond the 60th parallel of north latitude, wheat can scarcely be cultivated; the polar limits of rye raising extend, at most, six or seven degrees farther. Towards the north, barley extends sometimes as far as the 70th degree. Here agriculture almost ceases, and the inhabitants are compelled to confine themselves to animal substances for food. On the other hand, these three cereals are not adapted to a tropical climate, while the bread-fruit tree, for instance, does not thrive at more than 22 degrees from the Equator, nor the banana at more than 35. Compare *Grisebach*, *Die Vegetation der Erde nach ihrer klimatischen Anordnung*. II, 1871.

<sup>195</sup> Thus rye and wheat thrive in many parts of Siberia (Iakutzk) at an annual temperature of - 7.50, while in Iceland no cereals ripen at an annual temperature of + 4°. But in the former place the summer heat is + 16.2°; the winter cold, - 39.2°; in Iceland, + 12° and - 1.6°. In England, the myrtle, laurel, camelia and fuchsia stand the winter well; while the vine no where ripens. On the other

<sup>196</sup> Hence it is that the isothermal lines are not parallel with the equator or with one another. The greater number of these have two northern and two southern

north.<sup>197</sup> Although the distance of a place from the equator and its height above the level of the sea have, in many respects, a similar effect (vertical, horizontal isothermal lines and zones of production), mountainous regions are uniformly distinguished by a greater degree of humidity, which makes them better adapted for pasturage and forest-culture. But the flora of a locality, being the resultant of all its conditions, affords us a much better criterion of the value of the climate for economic purposes, than the most accurate thermometric observations. Other things being equal, the productive force of nature operates, doubtless, with most energy, in warm climates. The more remote a country is from the equator, the more is its fertility confined to its lowest parts.<sup>198</sup> Greater heat will, as a rule, ripen the same product sooner, and thus permit the same land to be used several times in the same year.<sup>199</sup> Each individual harvest, as a rule, is more abundant,<sup>200</sup> and the products better in many respects. The fruit,

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summits; the former on the western coasts of Europe and America, and the latter in eastern North America, and in the interior of Asia.

<sup>197</sup> The quantity of rain which falls every year is, at St. Petersburg and Pesth, from 16 to 17 inches; at Berlin 19, Mannheim 21, Tübingen 26: in the interior of France 16-24; on the French coast 25, on the eastern coast of England 24, on the western coast 35, in Milan 36, Genoa 44, on the coast of most tropical lands 70-120. On the political-economical influences of most climates, see *Gobbi*, Ueber die Abhängigkeit der Populationskräfte von den einfachen Grundstoffen, 1842.

<sup>198</sup> The snow limit at Mageröe in Norway is 2,200, in Iceland 2,900, in the northern Ural 4,500, in the Alps 8,200, in the Caucasus 10,400, and Quito 14,850 feet high. Hence it is that mountainous countries which produce nothing in the north, make magnificent vineyards in warmer countries.

<sup>199</sup> In central Germany, even a second crop can be produced after the corn harvest. In Arabia, the same seed produces three harvests, because the grain which falls at the time of harvesting to the ground, germinates immediately and suffices for new seed. (*Niebuhr*, Beschreibung, 154.)

<sup>200</sup> Thus in the northern states of the American union, wheat yields a return of only from four to five times the amount sown; in France, 5-6 times (*Lavoisier*): in Chili, 12 times; in northern Mexico, 17 times; in Peru, 18 and 20 times; in southern Mexico, 25 and even 35 times; in Germany, maize seed yields at



for instance, and wine, contain more sugar,<sup>201</sup> and oleaginous plants contain more oil. Lastly, since nature in warm countries is so much more generous, it may be utilized by man with less regard for consequences. There is less need of extensive woods, of large winter supplies, especially for animals;<sup>202</sup> fewer buildings are demanded, and there is also less demand for human and brute labor, since the work of plowing, sowing etc., extends over a greater portion of the year.<sup>203</sup> It is true, on the other hand, that also the destructive force of nature is greater in warmer than [126]

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used to designate those in which the harvest has to be reaped before it is ripe. (*Forsell*, Statistik von Schweden, 24.) In the valuation made of the lands of the kingdom of Saxony, for assessment purposes, the cost of supporting a yoke of oxen in the lowest country is estimated at only three-fourths of what it is in the highest localities, because in the former, 200 work days can be calculated upon in the year, in the latter only 159. In central Russia, the greater part of the labor of agriculture, sowing and harvesting, has to be finished within the space of four months. In central Germany, they are spread over seven months. Other things being equal, seven horses and ploughmen are needed in Russia where only four are called for in central Germany, (*von Haxthausen*, Studien I, 174.) On the impediments put in the way of agriculture by the climate of eastern Prussia, see *Meitzen*, Boden und landwirthsch. Verhältnisse des preussischen Staats, 1868, I, Abschn., 6. best one hundred fold, while in the torrid zone there is a return of from three hundred to four hundred fold, generally.

<sup>201</sup> Andalusian corn produces in the mill only one-half as much bran-waste as Baltic wheat produces. *Bourgoing*, Tableau de l'Espagne, II, 155. Baltic wheat contains 6-7 per cent, of azote, and Algerian, 20-25 Per cent. (*Kabsch*, Pflanzenleben der Erde, 1865.)

<sup>202</sup> In Europe the blossoming season is retarded four days for each degree of northern latitude. (*Schübler*.) As we advance towards the north, the

in colder countries. (§ 209.)<sup>204</sup>

### Section XXXIII.

## External Nature.—Gifts Of Nature With Value In Exchange.

B. Those gifts of external nature which may become objects of private property, and at the same time possess sufficient relative scarcity to give them value in exchange, are either movable, and exhaustible in a given place, or firmly connected with the land. The first category embraces, for instance, such wild animals and plants as serve some useful purpose, minerals, above all, fossil

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difference becomes less noticeable, but more so as we go towards the south. In mountainous countries a similar difference is observable, produced by a like climatic influence. It is from about 10 to 12 days, for a height of from 500 to 600 feet. (*Wolff*, *Naturgesetzliche Grundlagen des Ackerbaues* I, p. 332 ff.) In the cantons, in which the Swiss confederation had its origin, the pasturage of the Alps lasts generally thirteen weeks, but in the higher Alps it lasts only from six to seven weeks. (*Businger*, *C. Unterwalden.*, p. 52.)

<sup>203</sup> In central Italy, winter wheat may be sown in October, November or December; summer wheat, in February or March. (*Sismondi*, *Tableau de l'Agriculture Toscane*, p. 35.) In Judæa, it was possible to harvest figs ten months in the year. (*Joseph*, *Bell. Jud.*, III, p. 10.) On the other hand, there is Jemtland, where the peasant in many places surrounds the northern portion of his cornfield with fagots, and lights them in August when the north wind blows, to protect his land from the frost; and where the expression "green years" is

<sup>204</sup> "In both hemispheres, the zone in which the temperature decreases most rapidly lies between the 40th and 50th degrees of north latitude. This circumstance must have a happy influence on the culture and industry of the nation inhabiting the neighborhood of that zone. Here is the point where the regions of the vine touch upon those of the olive. Nowhere in the world, do the products of the vegetable kingdom, and the most varied wonders of agriculture, follow with such rapidity on one another. The great variety of products

combustible matter<sup>205</sup>—the “black diamonds,” coal, of which, [127]  
 with its canals, Franklin said that it had made England what it is.  
 The economical effect of their moveable character is best seen,  
 when the use made of an ordinary stratum of coal is compared  
 with that of a protracted subterranean fire in a coal mine.<sup>206</sup>  
 The latter can be directly useful only to those in its immediate  
 vicinity. Every lower layer of the burning coal would be less  
 useful. An increase of its actual power by accumulation in time or  
 place is scarcely possible. In all these respects, the movable coal  
 is incomparably better adapted to the satisfaction of man's wants.  
 It may be said that the capacity of heat for drying, distilling,  
 melting and hardening purposes, of imparting rapid motion to  
 heavy objects by the production of confined steam, is, at least,  
 a thousand times as great when a thousand bushels of coal are  
 consumed as when one is consumed. In most cases even the  
 concentration of a large quantity of coal will increase, the result

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enlivens the commerce and increases the industrial activity of agricultural nations.” (*Humboldt*.) It is true, however, that tropical countries possess, also, in their mountainous parts, the *tierra fria*, *templada* and *caliente*, superimposed the one on the other.

<sup>205</sup> The aggregate coal supply of Great Britain (1869) was 2,180 millions cwt.; of Belgium (1862), 207 millions; of France (1868) 256 millions; of Prussia (1870), 600 millions, of Austria (1870), including brown lignite coal, 158 millions; of Russia (1868), only a little over 9 millions. The great English coal field, in the counties of Durham and Northumberland, embraces 732 English square miles; that of South Wales, 1,200, with a depth of 95 feet, so that the geographical square mile contains here 679 millions of tons, each of twenty cwt. To obtain the same quantity of combustible material as was furnished to Prussia, in 1865, by its coal, it would be necessary to use up 6,331 square miles of forest, (*von Dèchen*, in *Engel's Zeitschrift*, 1867, 258.) The supply of coal is, of course, exhaustible while, for instance, turf-fields replace themselves by slow degrees. Compare *Griesbach*, über die Bildung des Torfs, in the *Göttinger Studien*, 1845, vol. I. The importance of the coal-fields of the United States, which are twenty-two times as large as those of Great Britain, in the distant future, cannot be over-estimated.

<sup>206</sup> I need only call attention to the earth-fire (*Erdbrand*) for the purpose of forcing the growth of garden plants in the neighborhood of Zwickau, which is

not only absolutely, but relatively.<sup>207</sup><sup>208</sup>

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#### Section XXXIV.

#### External Nature. (Continued.)

The materials, forces and relations or conditions of external nature, immovably connected with parts of the land, even when in themselves exhaustless, either allow only of a definite amount of economic utilization, as, for instance, the mechanical force of a given waterfall, which can drive only a definite number

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over-feeding, the producer must suffer loss. But, even inorganic nature imposes its own limits here; as, for instance, when ships, machines etc., on account of the insufficient strength of the materials of which they are made, cannot be constructed beyond a certain size. But all these limits are much narrower than those imposed by the quality of immovability. said to have existed since 1505.

<sup>207</sup> Thus, in Watt's steam engines of the larger kind, an hourly consumption of ten pounds of coal is needed to produce a force equivalent to that of one horse, while in the smallest machines of only one horse power, twenty-two pounds are needed. See *Prechtl*, *Technolo. Encyclopädie*, III, 669.

<sup>208</sup> It is easy to see that it is the most important substances needed in industry which are mentioned in this section. Many political economists have considered the principal difference between agriculture and the industries and economies of towns to lie in the contrast here referred to. Thus, *A. Sena*, *Sulle Cause che possono far abbondare li Regni d'oro e d'argento*, dove non sono miniere, 1613, I, 3. See the description of the difference between land and machines in *Malthus*, *Principles*, III, 5; *Senior*, *Outlines*, 86. But it is nothing more than a difference of gradation. Even in the most active of businesses there is a limit which the accumulation of means of production cannot pass without a relative diminution of the income. This boundary is imposed by the limited nature of those organic beings which must contribute to production either actively or

of mills of a definite size;<sup>209</sup> or their increased utilization is accompanied by difficulties which increase with still greater rapidity. This last is the case, especially in the employment of land for agricultural purposes. It is, according to Senior, one of the four fundamental axioms of Political Economy, that additional labor, spent on a given quantity of land, produces, as a rule, a relatively smaller yield; assuming, of course, that the art of agriculture remains the same. It is not possible to determine [129] either generally, or in particular cases, the precise point at which agriculture should stop, to prevent relatively smaller returns from increased expenditure of labor and capital. Improvements in the art of agriculture may remove it a great distance. But, that there is such a point admits of no doubt. No one will believe that an acre of land can be made to produce a quantity of the means of subsistence sufficient to support all Europe, no matter what the amount of seed used, or of manure etc. employed.<sup>210</sup> This is

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passively. Thus, for instance, a manufacturing establishment or commercial business can be enlarged with advantage only so long as it is still possible for one superintendent to conduct it. And so, when cattle are furnished with very abundant and substantial food, a pound of meat costs the producer a much higher price than when they are more moderately supplied: sometimes in the ratio of 1.95:0.98. *Boussingault*, *Economie rurale*, II. Where there is absolute <sup>209</sup> *Senior*, *Outlines*, 26, 81 ff. See *Stewart*, *Principles*, II, ch. 11; *Ortes*, *E. N.*, I, 18, II, 18 ff. This most important principle in Political Economy is thus illustrated by *John Stuart Mill*, *Principles*, book I, ch. 12. "The limitation to production from the properties of the soil is not like the obstacle opposed by a wall, which stands immovable in one particular spot, and offers no hindrance to motion short of stopping it entirely. We may rather compare it to a highly elastic and extendible band, which is hardly ever so violently stretched, that it could not possibly be stretched any more, yet the pressure of which is felt long before the final limit is reached, and felt more severely the nearer that limit is approached." This is, if possible, more obvious in building than in agriculture, both as to the construction of new stories and the excavation of deeper cellars. <sup>210</sup> *Ad. Mayer*, *Das Düngerkapital und der Raubbau* (Heidelberg, 1869), sees the only conditions of production which man cannot increase at will exclusively in the sun's rays, the employment of which also depends on the quantity of land. Thus would he explain *Senior's* law.

most apparent in forest-economy, where the absolute increase of the so-called wood-capital becomes, after a certain time, smaller from year to year.<sup>211</sup>

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### Section XXXV.

## External Nature.—Elements Of Agricultural Productiveness.

In treating of the agricultural productiveness of a piece of land, it is necessary to distinguish three things,—its bearing-capacity, its capacity for cultivation, and its direct capacity to afford food to plants.<sup>212</sup> Plants grow by drawing a part of the elements which enter into their composition from the atmosphere, and a part from

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<sup>211</sup> See the tables of increase in *Cotta*, *Anweisung zum Waldbau*, p. 228. *Count Buquoy*, *Theorie der N. Wirtschaft*, p. 54, ridicules the absurd procedure of a great many farmers, as if by forcing the ploughshare deeper into the soil, they could compel it to produce a double return, and asks: if one should dig a square foot of land to the center of the earth and manure it, who would take it off his hands? As to the effect of manure, *Kuhlmann's* investigations have shown that 300 kilogrammes of guano produced in three years an increase per *hectare* in the yield, of 2,469 kilogrammes of hay; while 600 kilogrammes produced an increase of only 2,870 kilogrammes. *Schübler*, found that where salt had been used for manuring purposes, 40 kilogrammes produced a maximum of fertility from which point forward every increase in the amount of salt was attended by diminished returns, and finally led to complete barrenness. See *Wolff*, *Naturgesetzliche Grundlagen*, I, 408, 412, 502. Constantly increased irrigation would convert the land into a swamp instead of indefinitely adding to its fertility. Nor can abundant sowing be of any use when it reaches such a point that the plants stand so closely together as to interfere with their proper development.

<sup>212</sup> These differences correspond with the differences in the kinds of deterioration to which land is liable from rivers, floods, lava, etc., soil-exhaustion, and the growing wild of the land.

the earth through the agencies of sunlight and of water. While the air, the sun's heat, and in most parts of the world, water, are free and inexhaustible goods, the earth's supply of food for plants must be considered as analogous, so far as its exhaustibility and capacity to be appropriated are concerned, to the beds of coal and of ore etc. which occur in mining districts. This is certainly true, with a few important differences, however, as for instance, that, as a rule, it is impossible, except through the cultivation of plants, to obtain from the earth the stores of plant food which it contains;<sup>213</sup> and that it is possible to husbandry to replace the portion of these stores taken from the earth by the harvest, through the agency of manures.<sup>214</sup>

Incomparably more important in the economic valuation of a piece of land is its capacity for cultivation, because this depends much less on the good or bad quality of the husbandman's art. [131] I mean here the so-called physical constitution of the vegetable soil; its water-holding power, its consistency (light or heavy soil) on which the difficulty of working it depends; its ability to dry, in a shorter or longer time, and its accompanying diminution in volume; its ability to draw moisture from the atmosphere and to absorb the various kinds of gases; its heat-absorbing and heat-containing power (hot, warm and cold soils).<sup>215</sup> Much depends

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<sup>213</sup> From a technic point of view, it would, perhaps, be practicable, in most instances, to obtain the phosphoric acid immediately from the land and transfer it to other land; but the relation of the cost to the result makes it impossible from an economical point of view.

<sup>214</sup> It most certainly is always an uncommon advantage that certain kinds of soil, rich in kali and decayed vegetable matter, yield a long series of harvests without the addition of manure, provided, always, that a short interval is allowed to the process of decay to replace the exhausted plant-food. Thus in many volcanic regions. Compare on similar districts in the Deccan: *Ritter*, *Erdkunde*, V, 714.

<sup>215</sup> According to *Schübler*, the absorption of water by 100 parts of earth is, in the case of quartz-sand, 25 per cent. of its weight; for clay, 70 per cent.; for calcareous earth, 85 per cent.; humus, 190 per cent.; and for 100 parts of their value, respectively, 37.9, 66.2, and 69.2 per cent. The consistency of the four

here on the depth of the vegetable soil and on the constitution of the sub-soil, which, for instance, when it is very permeable, improves a very moist soil, but in the form of meadow iron-ore (*Wiesenerz*), works great injury. The vertical form of the land is also a very important element in estimating the natural fertility of the soil. In mountainous districts, the quantity of land which can be used (and with what labor!) is wont to be relatively smaller than in low lands. Hence it is, that the former become too small for their inhabitants; who, therefore, swarm over the plains lying before them either as settlers or conquerors.<sup>216</sup> In the eastern hemisphere, the northern slopes of mountain regions are most unfavorably situated, although the southern slopes are frequently subjected to more trying and more sudden variations of thawing and freezing weather.<sup>217</sup>

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But all these more special qualities of the soil must be distinguished from their general basis, the bearing or carrying capacity which land possesses as a mere superficies, and which the most naked rock (Malta!), and the bed of a flowing stream (the

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kinds of earth, in a dry state, is in the proportion of 0.100, 5, 8.7; their adhesion in a moist state, to iron agricultural implements, is in that of 0.17, 1.12, 0.65, 0.40. Of 100 parts of water mixed with these kinds of earth, the evaporation in four hours, at a temperature of 18° 75' (centigrade) is 88.4, 31.3, 28 and 20.5 per cent, respectively. The diminution of volume when the moist earth dries, under the same degree of temperature, is, 0, 18.3, 5 and 20. Their relative absorption of atmospheric moisture for 48 hours is as 0, 24, 17.5 and 55; their absorption of oxygen in 30 days is respectively 1.6, 15.3, 10.8 and 2.03 per cent.; and, lastly, their heat-holding power is in the ratio of 95.6, 66.7, 61.8, 49.

<sup>216</sup> In Austria, below the Enns, only 3.8 per cent. of the soil is barren; in the Tyrol, 29 per cent.; in Dalmatia, 48.1 per cent. (*Springer*). In the French Pyrenees, 43 per cent. is considered incapable of cultivation; in the Alps, in Landes and Morbihan, 42 per cent.; in the departments of Nord and Somme, 1.3 per cent. (*Schnitzler*). *Franscini* considers 36 per cent. of Switzerland unfit for tillage. The idea "barren" is a very vague one, and hence a comparison of different countries on this point should not be made without great caution.

<sup>217</sup> *Wolff*, loc. cit., 353 ff. As to the manner in which soil and climate mutually improve or injure one another, see *Schwerz*, Prackt. Ackerbau I, 12.



floating gardens of China!) possess to some extent, since there is a possibility of establishing a plant-feeding surface on them. This bearing capacity, which in most instances is given only by nature, and which can be added to only to a very limited extent and at great outlay, is wont, when the population is very dense, to acquire considerable exchange value in the vicinity.<sup>218219</sup>

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### Section XXXVI.

#### External Nature.—Further Divisions Of Nature's Gifts.

The gifts of nature, we further divide into those which can be directly enjoyed and those which are of use only indirectly, by facilitating production. (Natural means of enjoyment,—means of acquisition.)<sup>220</sup> An extreme superfluity of the former is as disastrous to civilization as a too great scarcity of them. How simple the economy of a tropical country! A banana field will support twenty-five times as many men as a wheat field (*K.*

<sup>218</sup> In this respect, also, the fundamental difference between agriculture and industry is very important, inasmuch as the products of the former, equal in value to those of the latter, require a very large supporting or bearing surface; those of industry, a very small one. If *Nobbe's* “water-cultivation” should ever come to assume any great practical importance, agriculture would approach to industry in this respect.

<sup>219</sup> *Wolkoff* has called special attention to mere *emplacement*: *Lectures d'Economie politique rationnelle* (1861), pp. 90 seq., 157 seq. *Bastiat's* rather broad and enthusiastic assertion, that no mere product of nature possesses value (in contradistinction to utility), an exaggeration of his very honorable contest with the socialists (1848!), is refuted by daily experience, as when, for instance, discoveries are made accidentally of metallic veins, coal-fields etc., which immediately acquire great exchange value.

<sup>220</sup> *Aristotle* distinguishes between ἀπολαυστικά and κάρπια. (*Rhet.*, I, 5.)

*Ritter*); and with infinitely less labor; for all that is needed is to cut the stems with their ripened fruit, to loosen the earth a little and very superficially, when new stems shoot up.<sup>221</sup> At the base of the mountains of Mexico, a father needs labor only two days in the week to support his family. Hence, nothing so much excites the wonder of the traveler there as the diminutiveness of the cultivated ground surrounding each Indian hut.<sup>222</sup> But in these earthly paradises, where, as Byron said, even bread is gathered like fruit, the powers of man slumber as certainly as they grow torpid in polar deserts.<sup>223</sup> The sentence: "In the sweat of thy brow shalt thou eat bread," has been a blessing to mankind. Athens was not only the literary and political, but also the economic capital of Greece; and yet Attica was one of the most sterile countries in the

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<sup>221</sup> *Humboldt*, Essai politique, sur la N. Espagne, IV, 9, in which he estimates the relation of the culture of the banana to that of wheat, in respect of mere quantity, to be as 4,000 to 30,—“probably the best gift of nature to awakening man, and the object of the most ancient cultivation.”

<sup>222</sup> It was said that in Easter Island, three days' labor sufficed for a man's maintenance through the whole year. A similar gift of nature to tropical lands is the date tree. It is turned to so many different uses that the Arabs of the coast of the Persian Gulf say that it is possible to construct a ship, rig it, supply and freight it, from date trees. Houses are built of palm wood, covered with palm leaves, furnished with palm mats, lighted with palm chips, and heated with palm coals. The whole architecture of these countries is fashioned by the date tree. Date wine is the favorite intoxicating beverage. There is a proverb current there that a good housewife can vary the preparation of the date for her guests every day in the month. Even the pulp is eaten. Each tree yields an average of 50-250 lbs. of dates; and a tree may last over 200 years. An acre may contain more than 200 trees. The labor of cultivation is very slight, although it demands more care than the banana. Compare *Ritter*, Erdkunde, XII, 763. An acre planted with the sago-palm yields as much nourishment as 163 acres of wheat land. (*Reise der Frigate Novara*, II, 113.)

<sup>223</sup> See *D. Hume*, Discourses No. I (On Commerce). While in hot countries “the sun does more work for man, it diminishes human strength itself.” (*M.*

world.<sup>224</sup> Unfortunate Messina, on the other hand, was the most fertile province of Greece. In modern times, no countries of equal extent have produced as many great captains, statesmen, savants and artists as Holland, whose securest portions are as unfertile as those which are fertile are threatened by the sea. On the other hand, how lately and imperfectly has the so-called black-earth of southern Russia fallen under the influence of civilization!<sup>225</sup>

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### Section XXXVII.

## External Nature.—The Geographical Character Of A Country.

The geographical character of a country is, as a rule,<sup>226</sup> most intimately connected, not only with its flora and fauna, but also

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*Wirth.*) That, however, such people, to their surplus of the natural means of enjoyment and the consequent laziness and absence of care, add the bright side of a joyous disposition, is well shown by *Goethe*, *Werke* (16 mo., 1840), XXIII, 246.

<sup>224</sup> Noticed even by *Thucyd.*, I, 2. See also *Euripides'* comparison of Sparta and Messina, in *Strabo*, VIII, 366.

<sup>225</sup> We find, in a great many countries, that their northern portions are endowed more sparingly by nature with means of enjoyment (*Genussmitteln*) than southern portions, but more abundantly with means of acquisition. (*Erwerbsmitteln*.) Hence, the former are latest to develop; but once developed, they assume a much higher place in civilization than the latter. This is true of Italy, Spain, Portugal, France, the Netherlands, and the United States, and of North America in general, as compared with South America. Something similar may be seen in the contrast between Austria and Prussia. The latter is colder and less fertile, but far superior to the former in extent of coast, in rivers, and fossilized combustible matter.

<sup>226</sup> The rule is not without its exceptions. Thus, for instance, Borneo and New Guinea are physically very like each other, but zoologically two different worlds; the former belonging to India and the latter to Australia.

with the character of its people. One of the crowning glories of the progress of modern science is, that it has recognized anew the power of this wonderful organism, and that it has made geography an explanatory medium between nature and history. The conditions most favorable to the development of civilization are found in a well developed country which slopes gradually through a series of intermediate terraces from a mountain summit to a plain; especially when they are connected with one another by a good system of streams; since here the opposite peculiarities of the populations of the highlands and coast-lands<sup>227</sup> tend to produce a nationality both one and varied. Where the transitions are too abrupt, as for instance, in New Holland, they easily impede inter-communication; and, still more, where the several parts of the country are of very great extent; as, for example, the desert of North Africa, the plateau of South Africa or that of Central Asia. Europe is favored above all other parts of the world by the happy combination of mountain and plain.<sup>228</sup> We might pursue the parallel existing between the soil and the character of a people into the minutest details, and discover, even in the difference between Spanish, French, German and Hungarian wines, a reflection of the different characters of the people.<sup>229</sup>

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But whence is this? Can it be that dead nature has thus irresistibly affected the living mind? We do not need to give a materialistic answer to the question.<sup>230</sup> Almost every people

<sup>227</sup> Even language, which is the most general and most accurate expression of the intellectual genius of a people, presents a strikingly analogous contrast in mountainous and coast countries. Thus, compare the Ionic, Latin, Low German, Danish and Portuguese, with the Doric, Oscan, High German, Swedish and Spanish.

<sup>228</sup> See *Strabo*, II, 126. seq.

<sup>229</sup> The most striking instance, illustrative of the manner in which the nature of a country influences the character of a people is afforded by the difference in the development of the Aryans in India and Persia, especially when their sojourn in the territory of the Indus before that near the Ganges is looked upon as an intermediate stage.

<sup>230</sup> French writers, especially, have exaggerated the influence of nature over

has migrated at some period of its existence. Urged on by their peculiar tastes and tendencies, they settled in the places most in harmony with their character. A higher hand was over them; one which, we should unreservedly trust, placed them in such external circumstances as were most favorable to the development of all their faculties.

But the influences of man on nature are no less notable than those of nature upon man. The greater number of domestic animals and plants which Europe possesses to-day, it has been obliged to introduce from other parts of the globe.<sup>231</sup> In the interior of Gaul, the vine rarely ripened, at the time of Christ.<sup>232</sup> On the other hand, Mesopotamia, formerly one of the gardens of the world, is now covered with dried-up canals, filled a little below the surface with heaps of brick and broken vases, the remains and other vestiges of a once dense population. Its former rich alluvial soil, now almost calcined, produces at present scarcely anything except a few saline plants, mimosas etc.<sup>233</sup> The higher the civilization of a people, the less does it depend on the

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man. Thus, *Bodin*. de Repub. (1584), V, I; *Montesquieu*, Esprit des Lois, XVII, 6. XVIII, 1, 18. *Cabanis*, Rapport du Physique et du Moral de l'Homme (1805), IX, Mémoire, Influence des Climats. *Comte*, also, Traité de Législation (1827), is of opinion that "the degree of civilization which a people may attain does not depend on the degree of development of which they are capable by nature, but on that which their geographical situation permits them to attain." See, also, *Herodot.*, III, 106; *Hippocr.*, De Ære etc., 71; *Euripid.*, Medea, 820 ff.; *Plutarch*, De Exilio, 13. The proper mean has been found by *E.M. Arndt*, in his Anleitung zu historischen Characterschilderungen (1810), and by *Ritter*, and his school. See, also, *K.S. Zachariæ*, Idee einer volkswirtschaftlichen Geographic als Grundlage der praktischen N. Ökonomie für jedes einzelne Volk: Vierzig Bücher v. Staate, II, 79. See, also, *Turgot*, Géographie politique, 1750, Œuvres (ed. Daire, II, 611 ff.); *Lueder*, Nationalindustrie und Staatswirtschaft, III, 1800 ff.

<sup>231</sup> *Malte Brun*, Précis. de la Géographie universelle, VI. pr.

<sup>232</sup> *Strabo*, IV, 178. On the climate of ancient Germany, see *Tacit*, Germ, 2.

<sup>233</sup> *Fraser*, Travels in Koordistan and Mesopotamia, II, 5. See, also, the description of ancient Susiana in *Strabo* XV, 731, with that of the new one by *M'Kinneir*, Geogr. Memoir of Persia, 92.

nature of the country.

### Section XXXVIII.

#### Of Labor.—Divisions Of Labor.

Man's capacity for most economic labor is so closely connected with the exquisite articulation of the human hand, that Buffon could say without exaggeration that reason and the hand made man man.<sup>234</sup> But it is true of economic labor, as of all other labor, that it is more efficient in proportion as mind predominates over matter.

The best division of economic labor is the following:<sup>235</sup>

A. Discoveries and inventions.<sup>236</sup>

B. Occupation of the spontaneous gifts of nature, as, for instance, of wild plants, wild animals, and of minerals.<sup>237</sup>

Where this is the only kind of economic labor, man is necessarily dependent on nature in a high degree.

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<sup>234</sup> Thus, *Galenus*, *De Usu Partium Corporis humani*, L. I. The animal nearest to man mentally, the elephant, is also possessed of a member more like the human hand than any other animal. Its trunk was called *manus* by the Romans. Hence the Indians call the elephant, the animal gifted with a hand. *Buffon's* view is exaggerated by *Helvetius* in the interests of materialism. *Aristotle*, (*De partt. anim.* IV, 10), opposes the saying of *Anaxagoras*: διὰ τὸ χεῖρας ἔχειν φρονιμώτατον εἶναι τῶν ζώων ἄνθρωπον. Compare *Bell*, *On the human Hand*, 1836.

<sup>235</sup> As to the imperfection of the ordinary division into agricultural, industrial and commercial labor, see *John Stuart Mill*, I, ch. 2, 9. The division of all labor into mental and physical, is not more satisfactory; for even the basest labor is not wholly physical. See *Buckle*, *History of Civilization*, vol. II.

<sup>236</sup> *Dioscorides* and *Galen* were acquainted with, at most, 600 plants; *Linnaeus*, with 8,000. About 1812, about 30,000 had been described; in 1837, about 60,000; in 1849, about 100,000. *Buckle*, *History of Civilization etc.*, II, p. 359.

<sup>237</sup> *Industrie extractives*, according to *Dunoyer*. When nature's spontaneous gifts are exhausted, this *occupation* readily becomes *production*.

C. The production of raw materials; that is, a direction given to nature in order to the production of raw materials, by stock-raising, agriculture, forest-culture etc., but not by mining.

D. The transformation (*Verarbeitung*) of raw material by means of manufactories, factories, the trades etc.

E. The distribution of stores of goods among those who are to use them directly, whether from people to people or from place to place (wholesale), or among the individuals of the same place (retail).<sup>238</sup> To this class also belong leasing, renting, loaning, etc.

F. Services, in the more limited sense of the term, which embraces personal as well as incorporeal goods; as, for instance, the labors of the doctor, teacher; virtuoso, of the statesman, judge, and of preachers, whose office it is, by way of eminence, to produce and preserve the immaterial wealth, known as the State and the Church.<sup>239</sup>

The order followed in the above classification is that in which

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<sup>238</sup> *Industrie voiturière*, according to *Dunoyer*; *industria traslocatrice* in opposition to *trasformatrice*, according to *Scialoja*. *Ortes* distinguishes only four classes: *agricoltori*, *artefici*, *dispensatori* and *administratori*, or *raccoglitori*, *manifattori*, and *difensori di bene* (E. N. I, 2; III, 14). *A. Walker*, *Science of Wealth* (1867), p. 34, knows only three classes: transmutation, transformation, transportation.

<sup>239</sup> This is not to be understood in the sense, that there ever was a period in which these sciences were unknown. We need only mention the position occupied by the priest and knight in the middle ages. But, looked upon as economic labor, intended only for purposes of free commerce, they have become very important only within a relatively recent period of time. Thus, for instance, there was in Lower Austria, in 1866, one lawyer or notary to every 6,569 inhabitants; in Bohemia, to every 14,860; in Galicia, to every 22,361; in the whole of Cis-Leithanian Austria, 12,259. In 1865, there was in Prussia, one to every 11,149; in Bavaria, to every 7,350; in Hanover, to every 4,946; in 1862, in Baden, one to every 4,992; in 1867, in Saxony, one to every 3,048. *Hildebrand's Tagebuch*, 1868, I, 234. There was in Prussia, in 1871, one doctor to every 3,230 inhabitants; in Berlin, to every 1,100; in Hildesheim, to 1,803; in Cologne, to 2,120, in Marienwerder, to 7,240; in Gumbinnen, to 10,047. *Engel*, *Preuss. Statis. Zeitschrift*, 1872, 376. The verb "to plow" is, according to comparative philologists, of more recent origin than "to weave." (*Lassen*,

the different classes of labor are wont to be historically developed.

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### Section XXXIX.

#### Labor.—Taste For Labor.—Piece-Wages.

Man's taste for labor is conditioned especially by the extent to which, and the security with which, he may hope to enjoy the fruit of his labor himself. Hence it is that, as a rule, the slave (§ 71, ff.) and socager work least willingly, the day laborer with less industry than the piece-worker,<sup>240</sup> who is at the same time more satisfied with himself, and gives most satisfaction to his master,<sup>241</sup> since he acquires more both for himself and for his master. The superiority of piece-paid labor is greater in proportion as the workman calculates his own advantage. It is, therefore, smallest in the case of ingenuous uneducated

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Indische Alterth. I, 814 ff.) And yet agriculture, in the sense above indicated, undoubtedly precedes industry.

<sup>240</sup> Observed by *Geiler v. Kaisersberg*. Compare *Schmoller* in the *Tübinger Zeitschr.*, 1860, 483. Hour wages occupy a middle place between day wages and piece wages.

<sup>241</sup> Thus the introduction of piece wages into lower Silesia has increased the daily earnings of workmen by one-third, one-half, and even more. *Engel's Statist. Zeitschr.* (1868), p. 327. The investigations of the German agricultural congress on the condition of agricultural laborers in the German empire (report of *v. d. Goltz*, 1875) show that in all Germany on an average, the daily earnings of a contract workman (*Accordlöhner*) is to the daily summer wages of a day laborer as 15:10 (1420). On the other hand, *Brassey*, in the construction of a railway, found that the same workmen engaged in grading, digging, etc., cost 18 pence per yard when paid by the day, and 7 pence when paid by the piece. (*Work and Wages*, 266.) Swiss experience is, that production became 20 per cent. cheaper under the piece wages system. (*Böhmert, Beitr.*, 109.)



workmen, and in that of the really conscientious.<sup>242</sup> The fear of seeing one's condition grow worse, through want of industry, exerts an influence precisely similar to the hope of improving it. In both respects, free competition (§ 97) must be considered one of the principal means of furthering the taste for labor.<sup>243</sup>

Among the causes which have contributed to make England the first country in the world, viewed from a politico-economical stand-point, English writers on Political Economy have pointed

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<sup>242</sup> According to *v. d. Goltz's* Enquête, the earnings of workmen by the piece, compared with the wages paid workmen by the day in summer, is especially high in middle Franconia (16.5:10); in the Leipzig circle of the German empire (16.6), in the Braunschweig plain (16.8), within the jurisdiction of Hildesheim (18.1), of the Bavarian Palatinate (18.6), in Rhenish Hesse (23.2), especially low in Stettin (13.2:10), in Stralsund (12.4), in Schleswig Holstein (12), in Osnabrück, (11.7.)

<sup>243</sup> According to *v. Flotow*, *Anleitung zur Fertigung der Ertragsanschläge*, I, 80, four days of serf labor are equivalent to only three of a free day laborer. According to *v. Jacob*, *Ueber die Arbeit Leibeigener und freier Bauern* (1815), 21, two day laborers are equal to three serfs, and one farm horse is equal to two employed by serfs. It is as impossible to obtain accurate general estimates here, as in the case of slave labor. As a rule, hope is not only a more humane but a sharper spur to action. But if force is employed at all, there is no doubt that the greater it is, the more effectual it is. Wherever the right of corporal punishment has been taken from the masters, the technic value of serfdom has uniformly decreased. In the English West Indies, formerly, philanthropic masters who treated their negroes with unwonted gentleness, obtained from them, as a rule, very poor economic results. While each of the slaves expressed the greatest indignation at the idleness of the others when they had "so good a master," they were all equally and excessively lazy. The weekly production of a plantation

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out as one of the principal, the prevalence there of piece-wages.<sup>244</sup> Payment by the piece should, of course, be practiced, only in cases in which the work may be broken up into a series of isolated tasks, and is completed by such a series. Hence, it is not applicable where a great many different things are required of the same workman; nor in relations in which continuity, as, for instance, of the inclination or disposition of the workman is the chief thing.<sup>245</sup> The further the division of labor is carried in our day, the greater the part money plays in our social economy, and the more lasting relations are dissolved, the more general becomes piece-work, which, with all its material advantages,

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sank rapidly under this system from thirty-three hogsheads to twenty-three, and finally to thirteen. *Math. Levis*, Journal of a West India Proprietor, 1834; *Edinburg Review*, XLV, 410. For the same reason, the negroes in the Spanish colonies, who were treated much more gently than those owned by other European nationalities produced much worse work. See, however, *Columella*, *De Re rust.*, I, 8.

<sup>244</sup> According to *Howlett*, The Insufficiency of the Causes to which the Increase of our Poor Rate have been ascribed (1788), piece wages had become usual "a few years ago." Very recently the trades unions have again restricted the system of piece wages (§ 176).

<sup>245</sup> This system is inapplicable in the case of domestic servants (*Gesinde*) who are a part of the household, and who afford to their masters, besides their services, the advantage of having a person at their disposal always about them, and whose wages are therefore in great part their board and lodging. Still less can it apply to the case of the family physician, whose services consist not simply in writing prescriptions, but who is also the professional family friend. The same may be said of the state official, clergyman etc., from whom it is demanded that he should sacrifice his entire life to the service of the public. Against adopting piece wages in the case of state officials, it may be further urged that no case at law, no act of public life is precisely similar to any other. It cannot be applied to that of soldiers, because they are called upon for action

has, speaking morally, its dark side. (*Atomism!*)<sup>246</sup> In a great many branches of manufactures it has been relinquished because the excellence of his work suffered from the workman's haste, and because he could not be properly controlled.<sup>247</sup> It is rather the quantity than the quality of work which increases with piece-work, and where the quality of the work is what is desired, this system has not the same field. And where it obtains, as, for instance, in the case of ordinary type-setters, resort is had to payment by the day for compositors engaged on mathematical treatises, fac-similes, inscriptions etc. On the side of the workman, it is generally only the idle and awkward who oppose piece-work on principle. It is a subject of regret that the best and most industrious workmen are carried away by

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only after a long term of peace, during all of which they must keep themselves in readiness for war. (*Schäffle*, N. Œk., II, 388.) It has also been the practice of courts, until recently, on account of their dignity, to pay their mechanics not by the piece, wherever that was practicable, but by a fixed salary. An able professor in a university is of use to it not only by his lectures, but by his reputation and example etc.; hence, here, a combination of piece wages and of a regular salary is preferred. As to services, the permanency of which constitutes their essential character, remuneration is also wont to be permanent or hereditary, as in the case of very many public officers, while civilization is as yet unadvanced. Later, in proportion as the progress of civilization makes itself felt, this hereditariness is wont to be confined to the sovereign. For an opposite view, see *Boxhorn*, Institut. polit. (1663), 41.

<sup>246</sup> Thus, the Chinese, who, by a ridiculous exaggeration bordering on caricature of many of our recent tendencies, may afford us a warning reflection of ourselves in our present state of civilization, rarely labor efficiently when not watched. Only by means of piece wages or the share-system can they be induced to do good work. *R. M. Micking*; Recollections of Manilla and the Phillippine Islands, 1851.

<sup>247</sup> Day laborers, for instance, must be watched over during the harvest, to prevent their idling away their time, and piece-workers to prevent their continuing to work in spite of wet weather, binding sheaves, for instance,

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it to an extent detrimental to their health.<sup>248</sup> However, many of the deficiencies of the piece-wage principle may be removed by agreements made with whole groups of workmen; provided, always, that the groups are not too large to prevent the mutual knowledge and surveillance of their members.<sup>249</sup> The quantity

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which causes the sheaves to rot. In England, it is considered almost an impossibility to induce laborers to cut wheat close enough to the soil. (*Sinclair*, Code of Agriculture, 102.) The haste of piece-workers, in the harvest of the rape, occasions great loss, by the fall of the seed. In Russia the removing of the hide from animals is paid for by the piece, and the laborers injure a very large number of skins in their haste. *Steinhaus*, Russlands industrielle und commerciale Verhältnisse, 425. Piece-wages are to be entirely discountenanced in the reeling of silk. See *Bernouilli*, Technologie, II, 215. A yearly salary is to be recommended in the tending of cattle, because here a certain connection (*Anschluss*) with individuals is desirable. In building trades, contractors in England prefer a regular salary; but they employ model workmen, the so-called "bell horses," to whom they pay a large salary, and who keep the others on the strain by their example, and who on that account are very much hated by their colleagues.

<sup>248</sup> *Adam Smith*, W. of Nations, I, ch. 8. *Howlett*, also, l. c., thinks that piece-wages increase the earnings of workmen, but at the expense of their capacity for constant labor. *Count Görtz*, in his Reise, 328, relates with what fatal effect piece-work in Demarara tells on white laborers and their horses. After the February Revolution, Parisian workmen demanded the abolition of piece-wages, and obtained it in several manufactories. *Revue des deux Mondes*, March 15, 1848.

<sup>249</sup> In several Swiss factories, understrappers receive a salary, while

of work is greatest, its quality best, and the material<sup>250</sup> employed used most sparingly, when the workman works on his own account, or has a share in the profits. This last is proper only in those branches of the business the success of which depends on the quality of the work. To compel the workman to share in the profits alone will not do, because he is generally too poor to run any risk or to do long without his earnings. The system of paying “commissions,” therefore, is to be recommended all the more strongly, since it is a combination of fixed wages with a share in the profits. This system is very prevalent in North America, where a great deal has to be confided to the workmen. It is practiced, also, in the whale fisheries, and on the Greek ships in the Levant engaged in coasting, where much more depends on the care of the sailors than on the ability of the captain.<sup>251</sup> It presupposes good workmen, equal almost to their master in [144]

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kinds of debts contracted by the rest of the firm. *J. S. Mill*, B. IV, ch. 7, 5. *monteurs* work by *groupe-contract*. (*Böhmert*, *Arbeiterverhältnisse und Fabrikeinrichtungen der Schw.*, II, 70.) Sub-contracting, where the contract is generally made with only one person, for the most part of more than average capacity, and this latter contracts with other workmen on his own account entirely, is considered by philanthropic employers of labor as one of the worst kinds of remuneration. The more democratic system of *gang-contract* is much better, although even here, it is very easy for the weaker members of a good *gang* to overwork themselves. (*Edinburg Review*, October, 1873, 365.)

<sup>250</sup> Especially important in chemical factories. The expense of greasing on the Rhenish railways fell, through premiums offered as rewards for saving, from 27,000 thalers to 5,000, in spite of an increase in the amount of traffic. (v. *Mangoldt*, *Volkswirtschaftslehre*, 349.) This was, besides, the most effectual way of controlling the theft of material.

<sup>251</sup> In the *cachelot* fishery, the captain receives one-sixteenth, the master, one twenty-fifth, the second master, one thirty-fifth, the boatswain, one-sixtieth, each sailor, one eighty-fifth of the profit. (*Humboldt*, N. Espagne, IV, 10.) This system is very common in North America. See *Carey* in *J. S. Mill's Principles*, V, ch. 9, 7. In heathen Iceland, mariners were always paid a certain quota of the profits. *Leo*, in *Raumer's historischem Taschenbuch*, 1835, 524. The same was often the case in China. *McCulloch*, *Comm. Diction. v. Canton*. In England,

education,<sup>252</sup> for instance, in the case of overseers of labor; since every better inducement to the taste for labor which is not only juster but more complicative, is not only a condition but also the effect of higher culture. But if the economy of a people is ripe for share-wages, and masters begin to introduce them in earnest in individual cases, the work produced will be improved to such a degree that it can not be long before all others will be necessitated to follow them.<sup>253</sup>

If, however, workmen are to enjoy the fruit of their industry, it is necessary, first of all, that public order should be secure. Even the most industrious become discouraged where despotism or anarchy prevails. On the other hand, even the greatest security is no sufficient incentive to a nation of fatalists.<sup>254</sup>

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### Section XL.

its employment was rendered very difficult by the laws of partnership, which made each individual, except in great chartered societies, responsible for all<sup>252</sup> The house painter *Leclair*, in Paris, obtained very high results in this respect. *Leclair*, Répartition des Bénéfices du Travail, 1842. He retained for his own services as contractor the sum of 6,000 francs, and paid each workman the salary he had hitherto received. What remained was, at the end of the year, equally divided among all. *Leclair* assures us that he was always satisfied with the system. The paying of a proportion of the general profits to laborers is advisable only in case their ability of surveying the whole is not much inferior to that of their employers. Where a special proportion is paid, in special branches of business, it is sufficient if their supervision extends over that particular branch. But a sharing in the profits of business always supposes a corresponding supervision of the business itself, and also the keeping of accounts.

<sup>253</sup> A very good remedy against indigence among the lower classes. (*Umpfenbach*, National Œconomie, 1867, 214.) But whether it will ever be possible to make the remuneration of the navy or that of a type-setter depend on the final success of his work, *quære*.

<sup>254</sup> *Tournefort*, speaking of the fatalism of the Turks, says that they always and everywhere leave the world as they found it. According to their own proverb, no grass grows again where the Osman has set foot.

## Labor.—Labor-Power Of Individuals.

The average labor-power of individuals varies very much in different nations.<sup>255</sup> The reason of this is, in part, doubtless a difference in natural endowments. Thus, for instance, no people surpass the English and Anglo-American in energy, none the German in intelligence in work or the French in taste. Where we can assume that the same meaning is attached to the expression, “military capacity,” by the different recruiting bureaus, important conclusions as to the physical labor-power of different localities may be drawn from the ratio existing between the number of those fit for military service and those who are legally liable to [146]

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keep,” rather than £3 to Turkish laborers. (*Lord Carlisle*, Diary in Turkish and Greek Waters, 1854, p. 77 seq.) In Paulo-pinang, the Malayan agricultural laborer receives \$2-½ per month, the Malabar, \$4, the Chinese, \$6; for which compensation they work respectively 26, 28 and 30 days. *Ritter*, Erdkunde, v, 54.

<sup>255</sup> The experiments made with the dynamometer in 1800 ff. show that the average *force manuelle* of an inhabitant of Van Dieman's Land is to that of an inhabitant of New Holland, of Timor, of a French marine, and of an English colonist in Australia, in the ratio of 50, 51, 58, 69, 71 kilogrammes. *Péron*, Voyage de Découverte aux Terres australes, 2d ed., II, 417. It was found more recently in the American army, that the average lifting-power of white soldiers was 314 to 343 -lbs.; of white marines, 307; students, 308; negroes, 323; mulattos, 348; and Indians, 419. *Gould*, Investigations in the Military and Anthropolog. Statistics of American Soldiers, 1869, 458, seq. According to English manufacturers, an English laborer accomplishes almost as much again as a French one(?), and the latter in turn more than an Irishman. An English contractor, who had worked in French manufactories, expressed his opinion concerning the French to this effect: “It cannot be called work they do; it is only looking at it and wishing it done.” *Senior*, Outlines, 149. Thus, for instance, a good English spinner with a machine of 800 spindles could produce 66 lbs. of yarn, No. 40, while a Frenchman could produce only 48

military duty.<sup>256</sup>

But these conclusions are greatly modified by the state of civilization and that of society. Where the laboring classes are despised and paid in a manner unworthy of human beings, the badness of their work will be in keeping with the estimation in which it is held. The reverse of this, also, is usually true under different circumstances. (§ 173.) Thus, it has been noticed in France, that native workmen, provided with as substantial food as English workmen, are scarcely inferior to the latter in the technic value of their labor.<sup>257</sup> A Mecklenburg day laborer eats almost twice as much as a Thuringian workman, but then he accomplishes almost twice as much. Hence, employers gain in the long run by paying their workmen well. As civilization advances, the same number of workmen become, not only more industrious and more capable, but the same quantity and quality

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lbs. (*M. Mohl*, *Reise durch Frankreich*, 535; compare *Dingler*, *Polyt. Journal*, I, 63 seq.) That the Americans also are inferior to the English in strength and dexterity is attested by the American *Hewitt*. See *Brentano*, *Arbeitergilden*, II, 231. A Berlin wood-sawyer accomplished as much in ten days as a West Prussian from Labiau in twenty-seven days. *J. G. Hoffmann*. English farmers on the Hellespont prefer to pay Greek laborers £10 per year “besides their  
<sup>256</sup> Little light can be thrown on this subject by a comparison of different countries. Thus, in France, there are 614 persons in every 1,000 examined fit for military service; in Bavaria, 705; in Denmark, 523; in Austria, 498; in Prussia, 284; in Saxony, 259; in England, where the conscription is from among the lowest classes, 665; and in Württemberg, 490. (*Wappäus*, *Allg. Bevölkerungsstatistik*, II, 71, 140.) *Massy*, *Remarks on the Examination of Recruits*, 1854. (*Memmingen*, *Würt. Jahrb.*, 1843, 103.) The comparison of different parts of the same state is much more instructive. Thus, in Saxony, cities afford only 197, and the flat country only 265 per 1,000 (*Sächs. statist. Ztschr.*, 1856, No. 4 ff.); and in France there are among those of illegitimate birth a very large number unfit for military service. (*Journ. des Econ.*, 1850, XXV, 69.) According to the Austrian Annual of military statistics, there were in 1870, on an average, throughout the entire monarchy, 211 per 1,000 of those liable to enter the ranks of the military, fit for service; in the Innsbruck command, 325; in Lemberg, 179.

<sup>257</sup> *M. Chevalier*, *Cours*, I, 115. *Adam Smith*, *B. I*, ch. 8, noticed the great



of labor becomes, as a rule, cheaper.<sup>258</sup>

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The moral culture of a people exerts the greatest influence here. In every private undertaking, a great part of the expense attending it, and in every state, a great part of the expense of its police system, and of its system of administering justice, is occasioned only by the dishonesty of men. If all this expense could be dispensed with, and full confidence placed in individuals, it would be possible to devote much more time and energy to positively useful labor.<sup>259</sup> In estimating the labor-power of different nations or different periods of time, the division of population according to age is also of importance. As a rule, the labor-power of males is greatest from the age of twenty-five to the age of forty-five. The more numerous, therefore, the class of the population between these ages is, the more favorably, other things being equal, is it situated as regards labor.<sup>260</sup><sup>261</sup> But, as a rule, the relative number of full-grown people is greatest in

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industry of well paid workmen. Among the uneducated, labor must almost necessarily be repulsive in proportion as it is illy remunerated.

<sup>258</sup> Thus A. Young remarked that wages in Ireland are wretchedly low, while labor is far from being cheap. In his "Evidence in Respect to the Occupation of Land in Ireland," II, 135, he says that a Scotch day laborer at 1s. per day is cheaper than an Irish day laborer at ½s. According to McCulloch, "Statist. Account of the British Empire," I, 666, industrial labor in Germany and France is dearer than in England, because in the former countries there are, *ceteris paribus*, twice as many laborers employed in most manufactures. See Senior, Lectures on Wages, 1830, 11, and the reports of the committees of parliament, *passim* on French manufactures (1825). The same has been experienced in the agricultural history of Schleswig-Holstein. See Hanssen, Archiv. der Politisch. Ök. IV, 421. *La main d'œuvre est chère en Russie dès qu'il s'agit d'une certaine capacité et d'un certain degré d'instruction professionnelle, tandis que celle de l'ouvrier ordinaire n'est nulle part aussi bas.* (Tégoborsky.)

<sup>259</sup> Thus even Columella, R. R. I, 9. J. S. Mill, Principles, I, ch. 7, 5.

<sup>260</sup> Thus, for instance, the Lex Visigoth., VIII, 4, 16, graduates the fine to be paid by the murderer according to the age of his victim. It increases up to the 20th year in the case of males, and diminishes after the 50th. In the case of females, the maximum is attained between the ages of 15 and 40. Similarly even Moses, Book III, 27.

<sup>261</sup> As to what concerns the two sexes, the *force rénale* of adult males is twice

highly civilized nations. (§ 248.)<sup>262</sup>

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### Section XLI.

#### Labor.—Effect Of The Esteem In Which It Is Held.

As civilization advances, labor becomes more honorable. All barbarous nations despise it as slavish. *Pigrum et iners videtur sudore adquirere quod possis sanguine parare*: has been the motto of all medieval times. In heathen Iceland, the owner of a piece of land might be deprived of it by an adversary who could overpower him in single combat. This mode of acquisition was considered more honorable than purchase. It was Thor's own form of investiture. The ideas of the Romans on rightful acquisition may be inferred from the word *mancipium* (manu

that of females in the human species. The difference between them in youth is not so great. The force *manuelle* of the two sexes at the age of 30 is as 9:5. (*Quételet*, Sur l'Homme II, p. 73 ff.) The numerical ratio of one sex to the other varies but little among those nations which have attained a certain degree of civilization. See *infra*, § 245.

<sup>262</sup> It is of great importance to calculate here the number of days in the year in which the laborer is compelled to be idle on account of sickness. *Fenger*, (*Quid faciant ætas annique tempus ad frequentiam et diuturnitatem morborum*, Hafniæ 1840), finds the following result:

Between 15 and 19 years, 7.2 days. Between 35 and 39 years, 7.8 days.  
Between 20 and 24 years, 10.3 days. Between 40 and 44 years, 8.3 days.  
Between 25 and 29 years, 9.5 days. Between 45 and 49 years, 11.6 days.  
Between 30 and 34 years, 7.6 days. Between 50 and 59 years, 14.1 days.

According to *Villermé*, in the *Annales d'Hygiène*, II,

At 60 years, 16 days. At 67 years, 42 days.

At 65 years, 31 days. At 70 years, 75 days.

The latter table is the result of a comparison made of the tables of seventy Scotch mutual aid societies. Compare *Digler*, *Polyt. Journal*, XXIV, 168.

capere).<sup>263</sup> Pure Christianity, on the other hand, preached the honorableness of labor from the first (Thess. 4, 11; II. Thess. 3, 8 seq.; Eph. 4, 28). And so in the time of the Reformation,<sup>264</sup> when Christendom was returning to its primitive purity.

In keeping with this is the fact, that the most cultivated nations, and the same may be said of individuals, value time most highly. "Time is money." (*Benjamin Franklin*.) An English proverb calls time the stuff of which life is made.<sup>265</sup> While in negro nations, individuals do not even know their own age; while in Russia, there are very few clocks to strike the hours, even in the towers of churches, in England, a watch is considered an indispensable article of apparel, even for very young people and for some of the lower orders of society.<sup>266</sup> Railroads operate in this respect as a kind of national clock. The introduction of machinery and the more minute division of labor, make punctuality a necessity. While South Americans and West Indians are frightfully careless

<sup>263</sup> *Tacit.*, Germ., 14. *Leo*, in *Raumer's Taschenbuch*, 1835, 418. *Maxime sua esse credebant, quæ: ex hostibus cepissent.* (*Gajus IV*, 16.) Roman auction *sub hasta!* Similar views obtained among the Thracians. See *Herodot.*, V, 6. In Sparta, even in the time of Agesilaus, economic labor was considered unworthy of a free man, (*Plutarch*, Ages, 26); while the Athenians, from the time of Solon, punished idleness, and from that of Pericles "knew no other festival but attending to their business." *Thucyd.*, I, 70. For some happy observations on this subject, see *Riehl*, *Die deutsche Arbeit*, 1861.

<sup>264</sup> Compare *Erasmus Colloq.* (ed. *Stallb.*), 21 ff., 213 ff., 392 ff.

<sup>265</sup> *Temple* learned from the Dutch of his own age that the time of industrious men is the greatest home commodity of a country. (*Works I*, 129.) "A trader's time is his bread." (*Sir M. Decker*, *Essay on the Decline etc.*, 1744, 24.) *Walpole*, in his *Testament politique II*, 385, speaks of the inferiority of the Roman Church in this respect. I would allude to the mediæval prohibition "to sell time" as one of the chief grounds of the prohibition of usury. (See *Roscher*, *Gesch. der N. Œk. in Deutschland*, 7.) *Economia di tempo equivale a prolungamento di esistenza.* (*Soialeja*.)

<sup>266</sup> *Douville*, *Voyage au Congo I*, 239. See v. *Haxthausen*, *Studien*, II, 439; *W. Jacob*, *Production and Consumption of the precious Metals*, II, 209. The division of the day into hours dates from the time of the sun dials of Alexandria. It was not known in Rome until after the year of the city 491. (*Mommsen*,

in their every movement, a carelessness which betrays itself even in their drawling speech,<sup>267</sup> the life of a New Englander has been compared to the rush of a locomotive. In the markets of Central Asia, nothing strikes the European with so much surprise as the little value put upon time by the merchants of India and Bucharìa, who are fully satisfied when, after endless waiting, they succeed in obtaining a somewhat higher price for their wares.<sup>268</sup>

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## Section XLII.

### Of Capital.—The Classes Of Goods Of Which A Nation's Capital Is Made Up.

Capital<sup>269</sup> we call every product laid by for purposes of further

Römische Geschichte, I. 301.)

<sup>267</sup> *Pinckard*, Notes on the West Indies, 1806, II, 107. In Spain it looks as if no one in the streets was in a hurry. What a contrast between the *sans souci* gait of persons at bathing places and the resorts of pilgrims and the precipitate haste in commercial centres!

<sup>268</sup> *Meyendorff*, Voyage à Boukhara, 246.

<sup>269</sup> The history of this idea affords a remarkable example of the confusion produced by the employment of scientific terminology in daily life. Until within a short time every possible meaning of the word *capital* was to be found in the dictionary of the French Academy, its scientific politico-economical meaning alone excepted. During the middle ages, the Latin *capitale* was used to signify both loaned money and cattle. (*Ducange*, s.v.) When culture was at its highest in Greece, *Demosthenes* entertained very good ideas of the nature of capital which he sometimes calls ἀφορμή, sometimes ἔρανος, the meaning of which he extends also to the incorporeal capital of a good reputation. (*Adv. Mid.*, 574; *pro Phorm.*, 947.) The same may be said of the Roman in conception of *peculium*. See *Hildebrand's Jahrb.*, 1866, I. 338. On the beginnings of the present idea of capital among the later schoolmen, see *Funck*, *Tübinger Ztschr.*, 1869, 149. The diary of *Lucas Rems*, 1491-1541 (ed. *Greiff*, 1861), calls commercial capital, in most instances, the chief good (*Hauptgut*) p. 37;

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also *Cavedal*. The words money and capital, interest and the price of money are now confounded in daily life, as they were formerly by most writers. In the 17th century, *Child* and *Locke* may be mentioned as instances. *Hobbes* had some faint notion of the productive power of capital. See *Roscher*, *Zur Geschichte der englischen Volkswirtschaftslehre*, 49, 60, 102. Thus, also, in the 18th century, *Law*, *Sur l'Usage des Monnaies*, 697; *Trade and money* (1705) 117; *Mélon*, *Essai politique sur le Commerce*, 1734, ch. 22; *Galiani*, *Della Moneta*, IV, 1, 3; *Blackstone*, *Commentaries*, 1764, II, 456; *Genovesi*, *Economia civile*, II, 2, 18, 13; *Stewart*, *Principles*, IV, 1, ch. IV; *Verri*, *Meditazioni*, XIV; *Büsch*, *Geldumlauf*, V, 14; *A. Young*, *Political Arithmetics* (1774), 1, ch. 7. *Hume*, on the other hand, *Discourses* (1752), No. 4 (on interest), shows, that the rate of interest is dependent, not as *Locke* supposed, on the abundance or scarcity of money, but on the state of profit and on the relation between the demand and supply of capital. Similarly, *J. Massie*, *An Essay on the governing Causes of the Rate of Interest* (1750). *Quesnay*, *Dialogue sur le Commerce*, 173 (ed. Daire), shows that he had a very clear conception of the operation, and of the principal component parts of capital. *Turgot*, *Sur la Formation et la Distribution des Richesses*, § 14, 54-79, came very near the truth, and yet missed it. He recognized the necessity of advances which, as a rule, are the result of saving, in every case of production. He also distinguishes in the product of the soil, besides the *produit net* and the

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*subsistance du laboureur*, the *profit* of the latter. He likewise points out a great number of differences between the “price of money” considered in its relation to trade, and in its relation to loans. He explains the interest on capital, as *Schröder*, in his *Schatz-und Rentkammer*, 231, and *Benjamin Franklin*, in his *Inquiry into the Nature of a Paper Currency* (1729) had done before, by the fact that the owner of capital can purchase a piece of land with his capital, and thus draw an income without working. Money, he said, was indeed not productive, but neither was any other thing that could be loaned or leased, with the exception of land and cattle. *Adam Smith* deserves the greatest credit for his analysis of the idea of capital, although he opposes “capital” to what the Germans call capital-in-use, the “stock for immediate consumption.” When *Canard*, *Principes d’Economie politique* (1801) and *J. B. Say*, *Cours pratique*, 1828, I, 285, included man’s power of labor in capital, they took a retrograde step. “Labour is Capital, primary and fundamental.” *Colton*, 275. Every grown-up individual, says *McCulloch*, *Principles*, 1825, II, ch. 2, may be looked upon as a machine which has cost several years of continued care and a considerable sum for its construction. It is only another side of this same perversity, when *McCulloch* seeks to force the results produced by animals and machines into the definition of labor. *Schlozer*, *Anfangsgründe* (1805), I, 21, goes so far as to call the soul, raw material, which receives productive power from the labor of the teacher! For a calculation of the money value of man

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in the different ages of life, see *Statis. Journ.* XVI, 43 ff. See, on the other hand, *Malthus*, *Definitions*, ch. 7; and *Rossi*, in the *Journal des Economistes*, VI, 113. Nor does the view of *Ganilh*, *Systèmes d'Economie politique* (1809), I, 243; of *Ad. Müller*, *Concordia*, 93 ff., 211; of *Hermann*, "Staatswirth" *Untersuchungen*, No. 3; of *Dunoyer*, *Liberté du Travail*, L. VI; of *Bastiat*, *Carey* and others, who include pieces of land in themselves under the head of capital, seem to be better founded. *Hermann* defines capital the durable basis of every utility possessed of value in exchange. *Schäffle* reckons land as nature offers it to us, among *free* goods. From the moment that labor and capital are spent upon it, it becomes immovable capital, but he concedes that it still preserves many essential points which distinguish it from other capital. (N. Œk. *Theorie der ausschliessenden Absatzverhältnisse*, 1867, 65 ff., 89 ff.) These differences appear to me to be still more important than that which land and capital have in common; especially as the historic development of their relations proceeds for the most part in opposite directions. Thus, for instance, as civilization advances, land is wont to become dearer and capital cheaper. How difficult would it be to introduce clearness into the ideas of *intensive* and *extensive* agriculture, if land were accounted capital! And it is not only always theoretically, but also very often, in practice, possible to separate the value of a given piece of land from the most durable capital-improvements (*Kapitalmeliorationen*) made on it. It is only necessary to call to mind the area

[151] production. (§ 220).<sup>270</sup>

[152] Hence, the capital of a nation consists especially of the following classes of goods:

A. *Soil-improvements*, for instance, drainage and irrigation works, dikes, hedges etc., which are, indeed, sometimes so far part of the land itself that it is difficult to distinguish them from it.<sup>271</sup> To this class belong all permanent plantations.

B. *Buildings*, which embrace workshops and storehouses as well as dwellings; also artificial roads of all kinds.

C. *Tools, machines and utensils* of every description;<sup>272</sup> the latter especially for personal service, and for the preservation and transportation of other goods. A machine is distinguished from a tool in that the moving power of the former is not communicated to it immediately by the human body, which only directs it; while the latter serves as a species of equipment, or as a better substitute for some member of man's body.<sup>273</sup> To be of advantage, these

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of buildings.

<sup>270</sup> *Marx* makes a very arbitrary assertion when he says that only the capital operating in trade, and even only that operating in trade where money is used as the instrument of exchange, can properly be called capital; and that, therefore, the modern biography of capital dates only from the 16th century, (*Das Kapital* I, 106 ff.)

<sup>271</sup> See, on the other hand, *Wolkoff*, *Lectures d'Economie politique rationelle*, 167.

<sup>272</sup> *Hermann* (II ed., 238 ff.) distinguishes especially *preparatory contrivances* auxiliary to labor, such as stationary structures etc., vessels, tools, machines and instruments for measuring etc.

<sup>273</sup> Thus, for instance, the plow and the gun are machines, the spade and the blow-pipe are tools. A hammer may be considered as a hard, insensible fist; the bellows as a pair of very strong and durable lungs. Tongs take the place of fingers, just as a spoon does of the empty hand, and the knife the place of the teeth. A great number of machines, on the other hand, may be compared to a complete workman. Thus, the action of the mill which grinds grain has very little resemblance to the blowing of the wind or the running of the water, whereas the rising and falling of the pestle in the small mortar for throwing grenades corresponds to the motion of the arm. (*Rau*, *Lehrbuch* I, § 125.) The infinite number of functions of which our members are capable is related to



three kinds of capital must save more labor or fatigue than it has cost to produce them. Tools are, however, older than machines. The aborigines of Australia used only a lance and a club in hunting; the somewhat more civilized American Indians, the bow and arrow; Europeans use firearms: in all of which a gradual progress is observable. Of the blind forces which communicate motion to machines, water was the first used, then the wind, and last of all, steam.<sup>274</sup>

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D. *Useful and laboring animals*, in so far as they are raised, fed and developed by human care.

E. *Materials for transformation (Verwandlungsstoffe)*: either the principal material which constitutes the essential substance of a new product, the yarn of the weaver for instance, the raw wool, silk or cotton of the spinner; or the secondary material which, indeed, enters into the work, but only for purposes of ornamentation, as gold-leaf, lac, colors etc.

F. *Auxiliary substances*, which are consumed in production, but do not constitute a visible part of the raw product,<sup>275</sup> as coal in a smithy, powder in the chase or in mining, muriatic acid, in the preparation of gelatin, chlorine in bleaching etc.

G. *Means of subsistence* for the producers, which are advanced to them until production is complete.

H. *Commercial stock*, which the merchant keeps always on hand to meet the wants of his customers.

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their inability to attain alone the greater number of their ends. Hence animals which require no tools can undertake to achieve very few things. "Man is a tool-making animal." (*B. Franklin.*)

<sup>274</sup> This is seen most clearly in the history of the grinding of corn. In the time of Moses, and even of Homer, there were only hand-mills, and originally only mortars. Later, mills set in motion by horse-power were employed. Shortly after Cicero's time, mills driven by water-power came into use. *Brunck*, *Analecta*, II, 119, Ep. 39. Mills built on pontoons do not date farther back than the time of Belisarius. Wind-mills have been known since the ninth century; Dutch wind-mills, only since the middle of the 16th century. See *Beckman*, *Beiträge zur Geschichte der Erfindungen II*, I ff.

<sup>275</sup> Compare *Plato*, *Polit.*, 280.

I. *Money* as the principal tool in every trade that is made.

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K. There is also what may be called *incorporeal capital* (quasi-capital according to *Schmitthenner*), which is as much the result of production as any other capital, and is used in production, but which, for the most part, is not exhausted by use. There are species of this kind of capital which may be transferred, as for instance, the good will of a well-established firm. Others are as inseparably connected with human capacity for labor as soil-improvements with a piece of land; e.g., the greater dexterity acquired by a workman through scientific study, or the greater confidence he has acquired by long trial.<sup>276</sup> The state itself is the most important incorporeal capital of every nation, since it is clearly indispensable, at least indirectly, to economic production.<sup>277</sup>

The greater portion of the national capital is in a state of constant transformation. It is being continually destroyed and reproduced. But from the stand-point of private economy, as well as from that of the whole people, we say that capital is preserved, increased or diminished according as its value is preserved, increased or diminished.<sup>278</sup> *Pretium succedit in locum rei et res in locum pretii.* "The greater part in value of the wealth now existing in England, has been produced by human hands within

<sup>276</sup> Thus, *Ganilh*, *Théorie de l'Economie politique* I, 133, calls the knowledge, talents and probity of merchants, as well as their reputation, valuable parts of their capital in trade. See, also, *Möser*, *Patriot. Ph.* II, 26. See some happy observations on the intellectual capital of nations, as consisting of "known and unknown preparatory labor through their history," in *Lotze*, *Mikrokosmos* II, 353 seq.

<sup>277</sup> Compare *Dietzel*, *System der Staatsanleihen* (1856), 71 ff. And, earlier yet, *Ad. Müller* had looked upon taxes not in the light of an insurance premium, but as "the interest of the invisible and yet absolutely necessary intellectual capital of the nation." (*Elemente*, III, 75.) Of course, the State is much more than a species of capital; just as a Gothic cathedral is something more than a piece of masonry, but does not on that account cease to be a piece of masonry.

<sup>278</sup> *J. B. Say*, *Traité d'Economie Politique* I, ch. 10. Only think of what is known in physiology as the change or transformation of matter (*Stoffwechsel!*).

the last twelve months. A very small proportion indeed of that large aggregate was in existence ten years ago; of the present productive capital of the country, scarcely any part except farm-houses and a few ships and machines; and even these would not, in most cases, have survived so long, if fresh labor had not been employed within that period in putting them into repair.... Capital is kept in existence from age to age like population, not by preservation, but by reproduction.” (*J. S. Mill.*) [155]

## Section XLIII.

## Capital.—Productive Capital.

Capital, according to the employment that can be given it, may be divided into such as affects the production of material goods, and such as affects personal goods or useful relations. The former, under the name of productive capital, is, in recent politico-economical literature, usually opposed to capital in use.<sup>279</sup> Evidently any one of the two kinds of capital mentioned

<sup>279</sup> Productive capital has been rendered into German by the word *Erwerbstamm*, by the author of “*Staatswirthschaft nach Naturgesetzen*,” 1819. *Malthus*, *Definitions*, ch. 10, and *Rau*, *Lehrbuch*, I, § 51, call productive capital alone, capital. According to *M. Chevalier*, goods lose their quality of capital as soon as they come into the hands of a consumer. *Schäffle*, *N. Œk.*, II, aufl., 59, calls capital in use *Genussvermögen* (resources intended for enjoyment) and productive capital, *Kapitalvermögen* (capital-resources). On the other hand, *J. B. Say*, *Traité*, I, 13; *McCulloch*, *Principles*, II, 2, 3, *Hermann*, *Staatswirthschaft. Untersuchungen*, p. 60 ff., and *v. Mangoldt*, *Volkswirtschaftslehre*, 122, divide capital into capital in use and productive capital, according as it provides the possessor with that which he may turn to account directly or indirectly by becoming the owner of goods through its means. *Aristotle* distinguishes between ὄργανα and κτήματα, the former relating to ποίησις; for instance, a shuttle; the latter to πράξις, as, for instance, bedding and articles of dress. (*Polit.*, I, 2, 5.)

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above, may be used for both purposes.<sup>280</sup> Indeed, the two classes are, in many respects, coincident. Thus, a livery-stable carriage or a circulating library is productive capital to its proprietor, and capital in use<sup>281</sup> (*Gebrauchskapital*) to the nation in general; although the circulating library from which an Arkwright obtains technic information, or the livery-stable vehicle which carries a Borsig to his counting-room, has certainly been used in the production of material goods. Almost all capital in use may be converted into productive capital, and hence, the former might be called quiescent capital, and the latter working capital.<sup>282</sup> One of the principal differences between productive capital and capital in use is, that the former, even when most judiciously employed, does not so immediately replace itself, as the latter, by its returns.<sup>283</sup> On the other hand, the real dividing line between capital in use, and objects consumed which are not capital, is, and it is in complete harmony with our definition of capital, that the latter are subject not only to a more speedy destruction and one which is always contemplated, while in the case of the former, its destruction is only the unintended reverse-side of its use.

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<sup>280</sup> Thus, for instance, class A embraces parks and forests; B, theaters, churches, manufactories, arsenals, granaries, public walks and roads. Walks can, besides, be used for the cultivation of fruit, and roads for pleasure trips.

<sup>281</sup> Translated "capital de consommation" by Wolowski, p. 96 of his Roscher's Principles.—*Translator's note.*

<sup>282</sup> Dead, or better, dormant capital is such productive capital as, for the time being, remains unused, and which, therefore, does not yield even personal enjoyment. The sum total of this kind of capital is very much diminished by the agency of savings banks. Loaned capital which has been employed unproductively evidently constitutes no longer a part of the wealth of a people. See *infra*, § 189.

<sup>283</sup> *Wolkoff* is so far right, when in his Lectures, p. 142, he calls the return of capital in use not *revenu*, but *déstruction graduelle*. *Schäffle* is right, too, and entirely so, when he says that only such an increase of the property, intended for enjoyment simply, is anti-economic, as does not make the personal capacities of labor (*Arbeitsvermögen*) as much more productive than they would otherwise be. N. Œk., II, aufl., 224.

Among a highly civilized people, a great amount of capital in use, as compared with the productive capital of the country, may be considered a sure sign of great wealth. When this is the case, the people, without losing the desire of further acquisition, think that they have enough to richly enjoy the present. I need only call to mind the munificence displayed by the middle classes in England, in their silver plate and other domestic utensils. But the people of Russia, and Mexico also, can make no mean display of silverware.<sup>284</sup> Here luxury is only a symptom of the disinclination or inability of the inhabitants of the country to use their capital in the production of wealth. How much richer would Spain be to-day, if it had employed the idle capital spent in the ornamentation of its churches in constructing roads and canals!<sup>285</sup> Most nations in a low state of civilization suffer from the absence of legal guarantees. Each one is compelled to turn his property into a shape in which it can be most easily

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<sup>284</sup> *Humboldt*, N. Espange, II, ch. 17; v. *Schlözer*, Anfangsgründe, II, 109. Ausland, 140, No. 313. On the extraordinary wealth of even Russian peasant women in pearls, see v. *Haxthausen*, Studien, 87, 309.

<sup>285</sup> *Townsend*, Journey in Spain, I, 115, 310. In the patriarchal age of the Jews, there was a relatively very large quantity of ornamental objects in gold and silver: *Michælis*, De Pretiis Rerum apud Hebræos, in the Comm. Soc. Götting., III, 151 ff., 160. Conservative Sparta, in the middle age of its history, was certainly not rich, and yet it had more gold and silver than any other Grecian state: *Plato*, Alcib., I, 123. According to *St. John*, The Hellenes, III, 142, the ancients had relatively much more of the precious metals in the form of objects for ornament than the moderns. The Romans, with their usual good sense, did not make use of silver as an article of luxury until they had attained great wealth. See *Cato*, R. R., ch. 23, and *Seneca*, De Vita beata, ch. 21. Then the Carthaginian ambassadors railed at their hosts because they found the same pieces of table silver in all the houses to which they were invited. The younger Scipio, even, did not possess more relatively than 32 pounds of silver ware. *Mommsen*, Römische Geschichte, II, 383. The relatively great importance of the stores for domestic use, nevertheless, runs through the whole of Roman history. The title *de penu legato*, in the Pandects (Digest, XXIII, 9), points to this, during the reign of the emperors, and in earlier times, the derivation of *penates* from *penu*. See *Rodbertus*, in *Hildebrand's* Jahrbuch, 1870, I,

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transferred from one place to another and hidden. This is the principal reason why the Orientals possess, relatively speaking, so many precious stones and so much of the precious metals. The same cause accounts for the simplicity of their dwellings.<sup>286</sup> On the other hand, productive capital is to be found in the greatest proportion among civilized nations which are making very rapid strides towards wealth, the people of the United States, for instance.

#### Section XLIV.

### Capital.—Fixed Capital, And Circulating Capital.

Capital, according as it is employed, is divided into fixed capital and circulating capital. Fixed capital may be used many times

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365. Immense importance of the ring in the old north countries: *Weinhold*, *Altnord. Leben*, 184 ff. The age of chivalry was very rich in silver plate, cups, basins, etc. *Büsching*, *Ritterzeit und Ritterwesen*, II, 137. *Anderson*, *Origin of Commerce*, a. 1386. *Lord Burleigh*, in the age of queen Elizabeth, left after him between fourteen and fifteen thousand pounds sterling in silver ware; that is almost as much as the rest of his whole estate; and, it would seem, that for a man of his rank, even this was not considered a great deal. *Collins' Life of B.*, 44. According to *Giustiniani*, cardinal Wolsey owned articles of silver to the value of 1,500,000 ducats, and the greater number of the lords of the time were equally well provided with them.

<sup>286</sup> The Bedouins are fond of decorating their wives and children with all the jewels that they possess, both on holidays and other days, so that they sometimes have four or six bracelets on each arm and fifteen ear-rings in each ear. *Burckhardt*, *Bemerkungen*, 188. *Wellsted* (Roederer's translation), I, 224. In Asia Minor, girls wear their whole dowry in the shape of personal ornaments. *Belgiojoso*, *Revue des deux Mondes*, Feb. 1, 1855. In East India even the most wretched towns have their silver workers. The emirs of Scinde, with an annual income of £300,000, had a treasure worth £20,000,000, nearly £7,000,000 of which were in jewels. *Ritter*, *Erkunde* VII, p. 185. On the upper Ganges more jewels and other ornaments are worn than on the lower, where the wealthy prefer to spend their capital on landed estates. *Ritter*, VI,

in production by its owner; circulating capital only once. The value of the latter kind of capital passes wholly into the value of the new product. In the case of the former kind of capital, only the value of its use passes into the new product. (*Hermann.*) Hence, the farmer's beasts of burthen belong to his fixed capital; their food, and his cattle intended for the slaughter, to his circulating capital. In a manufactory of machines, a boiler intended for sale is circulating capital; while a similar one, held in reserve for the machines used in production, is fixed capital. Ricardo attributes a somewhat different meaning to these two terms: he calls fixed capital that which is slowly consumed, and circulating, that which disappears rapidly.<sup>287</sup> Fixed capital is, indeed, produced and preserved by circulating capital; but it is, for the most part, transformed again into circulating capital.<sup>288</sup> Besides, it is only by means of the latter, that the former can be productively employed.<sup>289</sup> The relative importance of fixed

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<sup>287</sup> The first beginnings of this division are to be found in *Quesnay* (*Analyse du Tableau économique*, 1758), in which he develops the difference between *avances primitives* and *avances annuelles*. See also *Adam Smith*, *W. of N.*, II, ch. 1, who, however, reduces the difference between them mainly to the relations of possession, and hence includes grain and seed in fixed capital. *Hermann*, *Staatsw. Untersuch.*, 269 ff.; *Ricardo*, *Principles*, ch. 1, sec. 2; *Schmitt-henner*, *Staatswissenschaften*, I, 387, divides capital into I, *infungible*, that is, 1, fixed in the strict sense of the word; 2, transportation-capital; II, *fungible*, 1, transformable capital; a, material (raw material, auxiliary material etc.), b, formed products; 2, circulating capital; a, wares; b, money. *A. Walker*, *S. of W.*, 57, calls circulating capital that which may be easily transferred from one branch of production to another; fixed, that which can be used with advantage only for the purpose for which it was originally intended.

<sup>288</sup> Old wood-work is burned; old iron utensils sold; also houses when pulled down. *Emminghaus*, *Allg. Gewerbelehre*, 1868, 175.

<sup>289</sup> If the Mongols, for instance, should despoil China of all its moveable property with the exception of its buried money, its immovable property would become productive only from the time that that money would be used to secure other moveable articles. In any case, the production would be proportioned only to the borrowed seed, cattle, etc. (*Sismondi*, *Richesses commerciale*,

and circulating capital to a country depends upon whether the country is an advanced or only an advancing one. A people with very much and very fixed capital are indeed very rich; but run the risk of offering many vulnerable points to an aggressive enemy, and of thus turning the easily jeopardized mammon into an idol. To make a passing sacrifice of the country that the people and the state may be saved, as did the Scythians against Darius, the Athenians against Xerxes, and the Russians against Napoleon, becomes difficult, in proportion as the nation has become richer in fixed capital.<sup>290</sup> But, as the destination of the latter is changed with much greater difficulty than that of circulating capital, highly cultivated nations would find it very hard to satisfy new wants, if they could not always appropriate the results of additional savings to the production of new fixed capital.

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## Section XLV.

## Capital.—How It Originates.

Capital is mainly the result of saving which withdraws new products from the immediate enjoyment-consumption of their

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1803, I, p. 61.)

<sup>290</sup> That the Athenians left everything in the lurch to oppose Xerxes, much more readily than under Pericles, even, the flat country of Attica. *Büchschütz* (Besitz und Erwerb im griech. Alterthum, 589) explains by the fact that in the interval between the two periods, fixed capital increased largely. In rude ages under the appellation of a community or nation was understood a number of men; and the state, while its members remained, was accounted entire. With polished and mercantile states, the case is sometimes reverted. The nation is a territory cultivated and improved by its owners; destroy the possession even while the master remains, the state is undone. *Ferguson*, Hist. of civil Society, V, 4; v. *Mangoldt*, Volkswirtschaftslehre, 159. Fixed capital is not so sure of being completely used up as circulating. On this point see *Schäffle*, N. Ck., 53.



possessor, and preserves them, or at least their value, to serve as the basis of a lasting use.<sup>291</sup> As capital represents the solidarity of the economic past, present and future, it, as a rule, reaches back into the past and forward into the future, through a period of time longer in proportion as its amount and efficiency are greater.<sup>292</sup> Those producers, too, whose products perish rapidly may, also, effect savings by exchanging their products and capitalizing their counter-value. Thus, the actor, whose playing leaves after it nothing but a memory, may use the wheat received by him from a farmer who came to listen to him, in the employment of an iron-worker, and invest the product permanently in a railroad. The transformation may be effected by means of money, bonds etc., but it is none the less real on that account. Order, foresight and self-restraint are the intellectual conditions precedent of saving and capital. The childish and hail-fellow-well-met disposition which cares only for the present is inimical to it. True, the desire of saving can be developed only where there are legal guarantees to ownership,<sup>293</sup> guarantees which are both the conditions precedent and the effect of all economic civilization.<sup>294</sup> The Indians, Esquimaux etc., had to be taught for

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<sup>291</sup> If the aggregate productive activity of man be designated by the word labor (just as everything produced on a piece of land is inaccurately called its product), then all capital may be considered as the unconsumed result of labor. The recent socialistic theory that considers capital as the wages which have been earned but not paid, is a gross misconception of this truth. This is the origin only of the capital of oppressors and deceivers, and of theirs only in part. See *infra*, § 189.

<sup>292</sup> “While we are clothed in our winter garments, the spring stuffs are already in the shops of retail dealers; the light material of next summer’s wear is already manufacturing, and the wool for our next winter’s clothing spun.” Think of the study in advance which the physician must have gone through, whom we summon to us at a moment’s notice! *Menger*, Grundsätze, I, § 33. seq.

<sup>293</sup> Thus in dangerous callings, as for instance, among soldiers and sailors, there is very little saving. The same may be said of times of plague. See *J. Rae*, New Principles on the Subject of Political Economy, 1834.

<sup>294</sup> That we keep our property under lock and key, while it was customary in

the first time by the missionaries and merchants—and it was with the greatest difficulty it was done—to save their booty, and spare the natural sources of their acquisition. Originally, they were, in the heat and excitement of their wild hunting and fishing, wont to destroy on the spot what they could not enjoy in the moment.<sup>295</sup> In the lowest stages of civilization, the first saving of capital of any importance is effected frequently through robbery or in the way of slavery.<sup>296</sup> In both cases, it is the stronger who compel the weaker to consume less than they produce. See *infra*, § 68. Where civilization is at its highest, the inclination to save, as a rule, is very marked.<sup>297</sup> It begins to decline where a people are themselves declining in civilization, and especially where legal guarantees have lost their force.

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But capital may be increased even without personal sacrifice; as for instance, by mere occupation, as of certain goods, not hitherto recognized as such. Thus, also, by the establishment of valuable relations, the advantages of which either become

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Plato's time to seal it up, is in itself a great advance. See *Becker*, Charicles, I, 202 seq. Earlier yet, artificial knots were used. *Homer*, *Odyss.* VII, 443.

<sup>295</sup> Compare *Hearne*, *Reise, nach Prinzwallesfort*, 43, 58, 119. *Barrow von Sprengel*, 282. *Humboldt*, *Relation historique*, II, 245. *Ausland*, 1844, No. 359; 1845, No. 84. *Stein-Wappüus*, *Handbuch der Geographie*, I, 310. For proof that the clergy by preaching self denial contributed largely to the creation of capital in the earlier part of medieval history, see *Guóard*, *Polyptiques d'Irminon* Préf., 13.

<sup>296</sup> On the inevitableness of slavery, where capital is needed, and no one cares to save, see *de Metz Noblet*, *Phénomènes économiques*, I, 306.

<sup>297</sup> The origination of capital by "social connexions" (*gesellschaftliche Zusammenhänge*) *Lassalle* (*Bastiat-Schultze*, 92, 98) exaggerates into the absurdity that no capital was ever saved. This is in part related to his confounding land with capital (103 seq.). On the other hand, *P. L.* (v. *Lilienfeld*), *Gedanken über die Staatswissenschaft der Zukunft* (1873), distinguishes between the external and internal creation of capital in human society; the latter based on the condition of every organic being, by virtue of which the present is generated by the past, and generates the future. The intercellular substance of plants, the honey-comb of bees, and the blood in the animal body, correspond to the capital of a nation.

the common good of all; or which, because at the exclusive command of one individual, obtain value in exchange. The progress of civilization itself may increase the value of existing capital. Thus, for instance, a house, considered as capital, may double in value if a frequented street be opened in its neighborhood. To this category belong all improvements in the arts which enable existing capital to achieve more than it could before. The invention of the compass increased the value of the capital employed in the merchant marine to an extent that cannot be calculated.<sup>298</sup> The increase of capital effected by saving soon finds a limit unless such limit is widened by the progress of

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<sup>298</sup> *Hermann*, St. Untersuchungen, 289 ff.; *List*, System der politischen Ökonomie, I, 325 ff. Thus, for instance, capitalization among a race of hunters may be continued longest by the creation of herds; that of a race of shepherds by the building of houses, and by land-improvements; that of an agricultural people by the establishment of trades, artificial roads, etc. As to how, in general the accumulation of goods to any great extent, supposes exchange, and as to how, first of all, with exchange through the existence of a superabundance wealth may originate, see *Hermann*, loc. cit., II, Aufl., 25 ff.

civilization.<sup>299</sup><sup>300</sup>

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<sup>299</sup> The annual increase of the capital of France during the later years of Louis Philippe's reign, was estimated at from 200 to 300 million of francs; during the best years of Napoleon III's reign, at 600 million. *Journal des Econ.*, Nov., 1861, 170. The capital of the British empire, judging from the statistics of the income tax, increased from 1843 to 1853, in Great Britain alone, at least £42,000,000 yearly; from 1854 to 1860, in the whole empire, at least £114,000,000; and in 1863 alone by £130,000,000. *London Statis. Journal*, 1864, 118 ff. A war carried on on English soil would doubtless be more destructive of capital than one waged in Russia; but Russia would recover from one like that of 1854-55 with much greater difficulty because of the small tendency of its people to amass capital. In countries in which the middle classes preponderate, the influence of the amassing of capital on foreign politics is one that favors peace. In despotic or democratic countries, it may as readily favor war.

<sup>300</sup> The "absolute formation" of capital above described is, of course, the only one in the general economy of mankind. In the economy of individuals, we frequently meet with another which is only "relative," as when the increase of one's resources is attended by as great or even greater decrease of another's. This is the case, for instance, where privileges or monopolies are granted. The same phenomenon is found also in the intercourse of economies of different nations. *Supra*, § 64.

## Chapter II.

### Co-Operation Of The Factors.

#### Section XLVI.

#### The Productive Coöperation Of The Three Factors.

All economic production generally demands the coöperation of the three factors: external nature, labor and capital. But with the political economist, labor is the principal thing; and not merely because all capital presupposes labor, nor because every combination of the three factors is an act of labor; but, in general, because “the human mind's idea of means and ends makes all goods goods for the first time.” (*Hufeland.*) [164]

Leaving the free forces of nature, surrounded by which we live and work, out of consideration, and also the fact that all raw material is due to nature, land is the indispensable foundation of all economy. But how little can unassisted nature do to satisfy human wants! How much less to produce goods possessed of value in exchange! A virgin forest, for instance, sold in its natural state, has, indeed, value in exchange, but only because it is taken into account that it can be cleared, and that there are means of transportation already existing.<sup>301</sup> The greater part of the forces of nature are latent to nomads and nations of hunters.

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<sup>301</sup> Thus *Cicero*, *De Off.*, II, 3, 4. Nature may indeed produce mere value in use without the coöperation of labor, in the narrow sense of the word; as, for instance, a forest which protects a district from avalanches etc. But “everything which has been transformed into goods tends constantly to return to its natural state, and to withdraw itself from the life of goods.” *Stein*, *Lehrbuch*.

When labor develops, they are set free to assist it.<sup>302</sup> It is very seldom that any thing can be produced without capital. Even the poorest gatherer of wild berries needs a basket and must be clothed.<sup>303</sup> Were there no capital, every individual would have to begin at the very beginning every moment. Life would be possible only in a tropical climate. No man, since the days of Adam, has been able to labor, except on the condition that a considerable advance of capital had been made upon him. There is not a nail in all England, says Senior, which cannot directly or indirectly directly be traced back to savings made before the Norman conquest.<sup>304</sup>

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## Section XLVII.

## Productive Co-Operation Of The Three Factors. The Three Great Periods Of A Nation's Economy.

The relation of the three factors to one another is necessarily very different in different branches of production. For instance, in the case of cattle-raising on a prairie, labor does very little, land almost everything. Hence an extensive, thinly populated country

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<sup>302</sup> Compare *List*, System der Polit. Ökon. But see also the very fine discussion of *J. S. Mill*, Principles, IV, ch. VI, 2, on the dreariness of nature, when taken exclusive possession of by man; "with every rood of land brought into cultivation which is capable of growing food for human beings; every flowery waste or natural pasture plowed up; all quadrupeds or birds which are not domesticated for man's use, exterminated as his rivals for food; every hedgerow or superfluous tree rooted out, and scarcely a place left where a wild shrub or flower could grow, without being eradicated as a weed, in the name of improved agriculture."

<sup>303</sup> In Paris, in 1820, the necessary tools of a rag-gatherer cost 6-¼ francs. *Garnier*, Elements d'Econ.-polit., 43.

<sup>304</sup> It is not to be overlooked that all labor expended for a distant end also falls under the head of capital. See *Droz*, Economie politique, 1829, I, 6.

is best adapted to this species of production. But where land is scarce, as in wealthy and populous cities, human activity should be directed into those branches of industry which need capital and labor, as manufactures and the trades. (§ 198.)<sup>305</sup>

Looked at from this point of view, the history of the development of the public economy of every people may be divided into three great periods. In the earliest period, nature is the element that predominates everywhere. The woods, waters and meadows afford food almost spontaneously to a scanty population. This is the Saturnian or golden age of which the sagas tell. Wealth, properly speaking, does not exist here, and those who do not possess a piece of land run the risk of becoming completely dependent on, or even the slave of a land owner. In the second period, that through which all modern nations have passed since the later part of the middle ages, the element, labor, acquires an ever increasing importance. Labor favors the origin and development of cities as well as exclusive rights, the rights of boroughs and guilds by means of which labor is, so to speak, capitalized. A middle class is formed intermediate between the serfs and the owners of the soil. In the third period, capital, if we may so speak, gives tone to everything. The value of land is vastly increased by the expenditure of capital on it, and in manufactures, machine labor preponderates over the labor of the human hand.<sup>306</sup> The national wealth undergoes a daily increase; and it is the “capitalism” which first gives an independent existence to the economic activity of man; just in the same way that law is, as it were, emancipated from land-ownership, from the church and the family only in the constitutional state

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<sup>305</sup> For a good exposition as to how England has need of more agricultural products, the East Indies of more capital, and the West Indies of more labor, see *Fawcett*, *Manual of P. E.*, 110.

<sup>306</sup> It is a very significant fact, that, at present, in certain European countries, in Germany for instance, the laborer is called a *taker*, and the capitalist a *giver* of work. The expressions employed by *Canard*, *Say* and *Hermann*, teach a similar lesson.

(*Rechtsstaat*).<sup>307</sup> But, during this period, the middle class with its moderate ease and solid culture may decrease in numbers, and colossal wealth be confronted with the most abject misery.<sup>308</sup> Although these three periods may be shown to exist in the history of all highly civilized countries, the nations of antiquity, relatively speaking, never advanced far beyond the second, even in their palmiest days. A great part of that which is accomplished among us by means of capital and of machines, the Greeks and Romans performed by the labor of slaves. Leaving Christianity out of the question, nearly all the minor differences between the public economy of the ancients and that of the moderns may be reduced to this fundamental distinction.<sup>309310</sup>

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### Section XLVIII.

*matière d'où l'on tire la richesse; le travail de l'homme est la forme qui la produit. Tous les hommes d'un état subsistent et s'enrichissent aux dépens des propriétaires des terres.*" (Cantillon, *Sur la Nature du Commerce*, 1755, I. 33, 55.) *La terre est l'unique source des richesses.* (Quesnay, *Maximes générales de Gouvernement*, 1758, ch. 3.) In another place, indeed, the same writer says: *les revenus sont le produit des terres et des hommes* (*Grains*, p. 276, Daire), and Mirabeau frequently laid stress on the necessary coöperation of labor and capital. (*Landwirthschaftsphilosophie*, translation by Wichmann, I, 5.) Turgot, *Sur la Formation et Distribution des Richesses*, § 7. For an excellent refutation of this "Physiocratic" one-sidedness, which, if all men are endowed by nature with equal rights, leads to socialism, see Canard, *Principes*, 6. According to Gioja, N. Prospetto, I. 35, the part played by labor, in the production of *Parmesan* cheese, is a thousand times as great as that played by the soil; and in the production of a Dutch tulip, a hundred thousand times as great. The English are wont, similarly, to over-estimate the relative power of labor. (*Ponocratie*, after Ancillon, *Essais philosophiques*, 1817, II. 327.) "Commerce and trade first spring from the labour of men." (North, *Discourses upon Trade*, 112.) Thus, Locke (1690), *Of Civil Government*, II, 5, 40 ff., is of opinion, that, at least 9/10 of the value of the products of the soil, useful to man, are to be ascribed to labor, and, in the case of most, even 99/100. And so, Berkeley (1735), *Querist*, No. 38 seq. This view is advocated in its



## Critical History Of The Idea Of Productiveness.

In this chapter, the dogma-historical (*dogmengeschichtliche*) part is of the utmost importance, because it treats of the connection between the deepest fundamental notions and the principal branches of practical life. It is clear that every political economist must construct his exposition of productiveness on his prior notions of goods and value. We must, therefore, draw a distinction between expositions which are logical but altogether [168]

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that is to presuppose the forces of nature as matters of course (*als sich von selbst verstehend*), and to call the aggregate use made of them by the human mind, labor. Or we might say with old *Epicharmos*, that the gods sell all goods for labor. (*Xenoph.*, Memor. II. 1.) Moreover, even in purely intellectual productions, in poetical productions for instance, nature, labor and experience, the culture inherited from former ages (a kind of intellectual capital) uniformly coöperate. But how almost completely valueless in literature are all entirely pure (empty!) productions of the fancy!

<sup>307</sup> *Schäffle*, Kapitalismus und Socialismus, 124 seq.

<sup>308</sup> It is evident, that, absolutely considered, the predominating factor of an earlier period may continue to increase during the following: and, as a rule, it does continue to increase.

<sup>309</sup> I need cite only the instance of the slaves, who called out the hours, thus performing the functions of a clock: *Martial*, VIII. 67; *Juvenal*, X. 216; *Petron*. 26; of the turning of water wheels, in Egypt and Babylon, by human hands. *Strabo*, XVI. 738, XVII., 807. Among the ancients, it required one shepherd, and shepherd boys besides, to take care of twenty sheep. (*Geopon*. XVIII, 1.) In highly cultivated regions, the number ran up to fifty. (*Demosth.*, adv. Euergetes, et Mnes., 1155.) It seldom passed eighty (*Varro*, De re rust., II. 10, 10. 2, 20), or one hundred (*Cato*, R.R. c. 10); while, recently, five men are sufficient to take care of eighteen hundred sheep. See *Roscher's* discourse on the relation

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of Political Economy to classical antiquity, in the reports of the Royal Saxon Science Association, May, 1849. Also *D. Hume*, Discourses, No. 10.

<sup>310</sup> The productive power of each of the factors of production has been over-estimated by some schools. After *Gratian* (c. i, C. XIII. qu. i), had clearly recognized the necessary coöperation of the three elements, there was in the one-sidedness with which the Reformers emphasized God's blessing as the only source of wealth, a great over-estimation of the factor nature. The Mercantile System over-estimated the factor capital, in one of its most obvious component parts, money. In later times again: "*La terre est la source ou la boldest form,—a thing unusual in the case of the independent disciples of a great master—by McCulloch*, Principles, II, ch. i, that it is to labor, and to labor alone, that man owes everything that possesses any value in exchange. Similarly, *J. Mill*, Elements (1824), III, 2. The consequences which socialism might draw from these premises are self-evident. *Karl Marx's* whole system, for instance, rests, without any attempt at demonstration, on the assumption that the Ricardo school is right. Much more moderate views are met with earlier. Thus, *Hobbes*, De Cive, XIII, 14, and *Leviath.*, 24 (1642 and 1651), calls *labor et parsimonia* necessary sources of wealth; *proventus terræ et aquæ* useful ones; and *Petty*, On Taxes (1679), 47, says: "Labour is the father and active principle of wealth, as lands are the mother. Land and labour together are the sources of all wealth; without a competency of lands there would be no

too narrow, and wholly erroneous ones.<sup>311</sup>

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Thus, the Mercantile System admits every mode of applying the three factors of production, but considers them really productive only in so far as they increase the quantity of the precious metals possessed by the nation, either through the agency of mining at home, or by means of foreign trade. This view stands and falls with the altogether too limited idea of national wealth before mentioned (§ 9), which this system advocated.<sup>312</sup> The majority of the followers of the Mercantile System ascribe more power to industry to attract gold and silver from foreign parts, than to agriculture, and to the finer kinds of industry than to the coarser; to active and direct trade, more than to passive and indirect trade.

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### Section XLIX.

Trade, 1664. *Ch. King*, British Merchant or Commerce Preserved, 1721. But, particularly, *A.C. Leib*, Von Verbesserung Land und Leuten etc. (1708), who, from the point of view of the Mercantile System, draws a very clear distinction between the productive and unproductive classes. See, also, *infra*, § 116. First thoroughly refuted by *W. Petty*, Political Anatomy of Ireland, 67, 82. Quantulumcunque concerning Money (1682). *D. North*, Discourses upon trade (1691). See *Roscher's* Geschichte der englischen Volkswirtschaftslehre, 77, 88, 138. And later, especially, *Ad. Smith*, W. of N. IV., ch. 1 ff. *Adam Smith's* doctrine of productive and unproductive labor is to be found already, in this period, in *Petty*, Several Essays, 127 ff. Political Anatomy, 185 ff; also, in the anonymous work, A Discourse of Trade, Coyn and Paper Credit, London (1697), 44, 159.

subsistence, and but a very poor one without labour." *Harris*, Upon Money and Coins, 1757, P.I. *Adam Smith*, also, in spite of the well known passage at the beginning of his work, very frequently lays stress on "the annual produce of land and labour." (See the passages collected in *Leser*, Begriff des Reichthums bei A.S., 97.) According to *Leibniz*, *regionis potentia consistit in terra, rebus, hominibus*. (ed. Dutens, IV. 2, 531.) *Ricardo's* school is wont to bring capital under the head of labor, as saved-up labor. This is about as correct as to say, that all that a grown man does, his parents had done. (*Umpfenbach*, Nat. (Ek., 64.) There is only one way in which labor, and even then the expression is

## Critical History Of The Idea Of Productiveness.—The Doctrine Of The Physiocrates.

The doctrine of the Physiocrates is to be explained in part by a very natural reaction from the narrow-heartedness of the Mercantile System, and at the same time, by a presentiment, misunderstood, of the true theory of rent. (§ 150 ff.). Of the six classes of labor mentioned above (§ 38), those only are called productive which increase the quantity of raw material useful for human ends. All the other classes, it matters not how useful, are called sterile, salaried, because they draw their income only from the superabundance of land-owners and the workers of the soil. Tradesmen, in the narrower sense of the term, produce only a change in the form of the material, the higher value of which depends on the quantity of other material consumed for the purposes of the tradesman's labor. If any of this material is saved, the value of their products sinks, although to the advantage of the economy of the whole nation. In any case, industry could create no wealth, but only make existing wealth more lasting. It might, so to speak, accumulate the value of the quantity of food consumed during the building of a house in the house itself.<sup>313</sup>

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See *Thom. Aquin.*, De Rebus publicis, II, 3, 5 seq. *Luther* entertained a like notion (Vom Kaufhandel und Wucher, 1524). He prefers agriculture to the trades. See the Irmischer edition of his works, XXII, 284; XXXVI, 172; LXI, 352. *Calvin* considered commerce both useful and honorable; so that *ex ipsius mercatoris diligentia atque industria*, its profit may be greater than that of agriculture. (Opp. ed. Amstelod, 1664, IX, 223.) *Asgill*, Several Assertions proved in order to create another Species of Money than Gold (1691): "what we call commodities is nothing but land severed from the soil; man deals in nothing but earth." Concerning *Cantillon*, compare § 47, note 4. How violent an innovation the Physiocratic theory was in its time may be inferred from what *Zincke* writes in the Leipzig Sammlungen, X, 551 ff. (1753), p. 20, XIII, 861.

not exactly correct, can be looked upon as the only factor in production; and<sup>311</sup> Before the predominance of the Mercantile System, *Montchrétien* very cleverly called all trades: *parcelles et fragments de cette sagesse divine que*

But if tradesmen really earned, in the value of their products, only what they had consumed during their labor, it would be difficult for them to find employers to provide them with capital. Everyone will acknowledge, that a Thorwaldsen and an ordinary stone-cutter, with the same block of marble, the same implements, the same food, would necessarily, after the same time, turn out exceedingly different values.<sup>314</sup> And, even in the case that industry should add to the raw material only precisely the same amount of value as had been consumed by the workmen, can it be said that the work ceases to be productive simply because it is consumed by the workmen themselves? If that were so, agriculture even, would, in most countries with a

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*Dieu nous communique par le moyen de la raisen.* By means of the three estates; *labourers, artisans, merchands, tout état est nourri; par eux tout profit se fait. L'utilité règle les rangs des arts.* (Traité, 12, 45, 66.) The teaching of *P. Gregorius Tolosanos* (ob. 1597) on the different classes of society and the different callings of men, is still more in keeping with the present doctrine of production; only, in the moralizing tone of the time, he speaks rather of their dignity than of their influence in creating wealth: *De Rep.* I, 195. See, also, the earlier views of *Franc. Patricius* (ob. 1494), *De Rep.* I, 4, 7, 8.

<sup>312</sup> Compare *A. Serra*, *Breve Trattato delle Cause che possono far abbondare i Regni d'Oro d'Argento*, 1613. *Th. Mun*, *England's Treasure by foreign*

<sup>313</sup> *Quesnay*, *Dialogue sur les Travaux des Artisans*, 210 ff.; 289 éd. Daire; *Turgot*, *Sur la Formation etc.*, § 8; *Dupont*, *Correspondence avec J.B. Say*, 400, éd. Daire. *B. Franklin*, *Letter to Dr. Evans* (1768), and *Positions Concerning National Wealth* (1769), Works ed. Sparks, VII and II. Similarly even *Aristotle*, *Oec.*, I, 2, says, that commerce, wage-labor and war win from men, with or without their will; but that only agriculture obtains booty from nature. And so *Cicero* says of merchants: *nihil proficiunt, nisi admodum mentiantur.* *De Off.*, I, 42. The same view seems to have prevailed during the middle ages.

<sup>314</sup> *Quesnay*, l. c., 189, does not ignore that many workmen earn more than the cost of their necessary subsistence; but he claimed that this was a result of a natural or legal monopoly of the same. The dearer labor was, the more

low civilization, be unproductive.<sup>315</sup>

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Commerce, according to the theory of the Physiocrats, only transfers already existing wealth from one hand to another. What the merchants gain by it is at the cost of the nation. Hence, it is desirable that this loss should be as small as possible. Hence sterility!<sup>316</sup> But, the more important branches of business, especially wholesale trade, are connected with a transportation of goods (*Verri*), either from one place or from one period of time, into another. Here the genuine merchant speculates essentially on the difference of the values in use which are afterwards greater than before.<sup>317</sup> The ice shipped yearly from Boston to tropical lands met a much more urgent and wide-spread want there than it would if it had remained at home. And thus the storage of grain in large quantities after a bountiful harvest withdraws, indeed, an object of enjoyment from the consumption of the people; but its sale, after a bad harvest, undoubtedly increases their enjoyment in a much greater degree than it was before diminished. Besides, the condition of both parties to the contract is usually improved in all normal trade. (*Condillac*).<sup>318</sup> No one parts with exchangeable

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productive it seemed. Per contra, see *Dohm* on the Physiocratic system, in the *Deutsch. Museum*, 1778, II, 313 ff.

<sup>315</sup> *Gournay* (compare *Turgot*, *Eloge de G.*, in *Guillaumin's* edition, I, 266, 271 ff.), as well as *Raynal*, *Histoire des Indes*, vol. X, Livre 19, spite of the similarity of their and *Quesnay's* views, acknowledged on this account, the productiveness of industry. For some remarkable examples illustrative of how it may increase the value in exchange of raw material, see the anonymous work, *Paying Old Debts without New Taxes*, London, 1723. See also *Algarotti* (ob. 1794), 318, in *Custodi*, *Economisti classici italiani*, Parte moderna, I. Thus a cwt. of coarse cast iron is converted, in a Berlin manufactory, into 88,440 shirt buttons worth 6-■silver groschens each. Hence the value is raised from 1-2 thalers to 19,653 thalers. The increase of the value in use by industrial labor is self-evident.

<sup>316</sup> *Quesnay*, *Dialogue sur le Commerce*.

<sup>317</sup> Recognized very early by *Ad. Contzen*, *Politicorum*, Lib. VIII, C. 10 (1629).

<sup>318</sup> This did not escape the notice of Frederick II. *Von Raumer*, *Hohenstaufen*, III, 535.

goods unless they are of less use to him than the ones he receives in return.<sup>319</sup> And so, the value in use of a nation's resources is really increased by commerce. To the other attributes of goods it adds one of the principal conditions of all use, accessibility (*Kudler*), with which it either newly endows them, or which it increases in degree. To this end, the merchant makes use of tools, just as the manufacturer does. What spinning-wheels, looms and workshops are to the latter, ships, warehouses, cranes etc., are to the former. If production be not complete until the thing produced is made fit for its last end, consumption, commerce may be looked upon as the last link in the chain of productive labor. It, at the same time, constitutes a series of intermediate links; as without it no division of labor is possible, and without a division of labor, no higher economic productiveness.<sup>320</sup> How commerce may increase the value in exchange of goods, and without in any

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<sup>319</sup> *Condillac* acknowledges the productive power both of industry and of commerce; and that the service rendered by the state is at least economically indispensable. (*Le Commerce et le Gouvernement*, 1776, I, 6, 7, 10.) *Beccaria*, *Economia pubblica* (1769 ff.), IV, 4, 24. *Boisguillebert* (ob. 1714), *Sur la Nature des Richesses*, illustrated the utility of commerce by the picture of a number of men bound to pillars, one hundred steps apart, one with a superabundance of food but naked, a second with a superabundance of fuel, a third with a superabundance of clothing etc.; all of whom perish, because unable to exchange their respective surpluses with one another. According to *Lotz*, *Revision*, I, 217, "buying dear," apart from real fraud, means only a decrease of possible gain.

<sup>320</sup> *Verri*, *Meditazioni*, XXIV, instead of calling the merchant productive, calls him a mediator between producers and consumers. It would be just as reasonable to call the shoemaker a mediator between the production and consumption of leather; or the cloth merchant, who cuts the material from the piece, an assistant preparatory to the tailor. The labor of commerce is especially like that of the fisherman or the turf digger, because they produce only in so far as they transfer goods from inaccessible to accessible places. See, however, *Rau*, *Lehrbuch*, I, § 103. See the demonstration of the productive power of commerce in general, as well as of what is, by way of preference, called industry, in *Ad. Smith*, *W. of N.*, IV, ch. 9. A much more fundamental

way injuring the purchaser, needs no further illustration.<sup>321</sup>

## Section L.

### The Same Subject Continued.

Even Adam Smith called services, in the narrower sense of the term (§ 3), the grave and important ones of the statesman, clergyman and physician, as well as the “frivolous” ones of the opera singer, ballet-dancer and buffoon, unproductive. The labor of none of these can be fixed or incorporated in any particular object.<sup>322323</sup> But how strange it is that the labor of a violin-maker is called productive, while that of the violin-player is called unproductive; although the product of the former has no other object than to be played on by the latter? (*Garnier.*) Is it

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refutation of the Physiocratic Principle is to be found in *Jacob*, N. Œk., 204 ff.

<sup>321</sup> In 1843, about 55,000 tons of ice were shipped from Boston. Less than 25 cents per ton was paid for the ice in the first instance. When packed on board ship, it was worth \$2.55 per ton. The ultimate sale brought \$3,575,000. *Ausland*, 1844, No. 278. The ancients were acquainted with a similar production of ice, the value in exchange of which might be almost entirely reduced to the labor of commerce. See *Xenoph.*, *Memor.*, II, I, 30; *Athen.* III 97: *Proverbs of Solomon*, 25, 13.

<sup>322</sup> *W. of N.*, ch. 3. See, however, *Garnier's* French translation of Ad. Smith, *Préf.* p. IX and V, note 20. Similarly, *Malthus*, *Principles*, ch. 1, *Lect.* 21. *Definitions*, ch. 7, 10.

<sup>323</sup> *Bacon* had already said of the nobility, clergy and literateurs: *sorti reipublicæ nihil addunt* (*Serm.*, 15, 29); in opposition to which, *Hobbes* justly remarks, that even human labor may, like other things, be exchanged against goods of all sorts. (*Leviathan*, 24.) In the work, *Discourse of Trade*, *Coyn and Credit*, p. 44 ff., and p. 156, the absolute necessity of “head-work” as well as bodily labor, is conceded; but it is insisted that physicians, clergymen and jurists can never enrich a country, and that a relatively large number of them would even conduce to national poverty. (See *Roscher*, *Geschichte der englischen Volkswirtschaftslehre*, 138.) *David Hume* considers merchants as productive, but says that a doctor or lawyer can grow rich only at the expense



not strange that the hog-raiser should be called productive, and the educator of man unproductive (*List*); the apothecary, who prepares a salve which alleviates for the moment, productive, the physician, unproductive, spite of the fact that his prescription in relation to diet, or his surgical operation, may radically cure the severest disease?

If the productiveness of an employment of the factors of production be made to depend on whether it is attended by a material result, no one will deny that the labor of the plowman, for instance, is productive; and no one, of Adam Smith's school, at least, that that of the clerk, who orders the raw material for the owner of the manufactory, is. They have participated indirectly in the production. But, has not the servant of the state, who protects the property of its citizens, or the physician, who preserves the health of the producer, an equally mediate but indispensable share in it? The field-guard who keeps the crows away, every one calls productive; why, not, then, the soldier, who keeps away a far worse enemy from the whole land? (*McCulloch*.) But the entire division of business into two branches, the one directly, and the other indirectly productive, can be defended only as respects certain kinds of goods. (*Schmitthenner*.) The labor of the judge, for instance, is only indirectly productive in the manufacture of shoes, inasmuch as he guarantees the payment of the shoemaker's account. On the other hand, the shoemaker contributes only very indirectly to the general security which the law affords, by protecting the judge's foot.<sup>324</sup> [175]

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of some one else. (Discourses, No. 4, On Interest.) *Ferguson* very cleverly compares such a valuation of national wealth to that of a miser. *Hist. of Civil Society*, VI, I.

<sup>324</sup> Similarly *Lauderdale*, *Inquiry*, 355; *Lotz*, *Handbuch der Staatswirtschaft*, I, § 39, and *Rau*, *Lehrbuch I*, § 195, concede only indirect productiveness to commerce. It may be shown, in a great many instances, that such productiveness exists side by side with direct productiveness, on account of the thousand ways in which all economic threads are interwoven with one another. Thus *Paley* remarks in his work on the *Principles of Morals and Politics*, that a tobacco

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Nor can any effectual inferiority of service be claimed, simply because the productive power of one branch of business is, measured by the duration of its results, greater than another.<sup>325</sup> What is more perishable than a loaf of bread bought for dinner? What more imperishable than the *monumentum ære perennius* of a Horace? The labor expended on persons and on relations (*Verhältnissen*) is, both as to the extent and duration of its results, much less capable of being estimated than any other; but its capacity of accumulation and its power of propagation are greater than any other. It is in the domain of the “immaterial,” that man is most “creative.” (*Lueder.*)<sup>326</sup> Finally, neither should the greater indispensableness of the more material branches of business be too generally asserted. Agriculture produces grain which is indispensable, and tobacco which is not; industry, cloth, as well as lace; commerce draws from the same part of the world rhubarb and edible bird's-nests; and so, to *services*

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manufacturer even may contribute indirectly to the cultivation of grain; an actor, to industry etc.

<sup>325</sup> Thus *Sismondi*, *Nouveaux Principes*, II, ch. 1, and, earlier, *Mengotti Colbertismo*, 317. (Cust.) See, on the other hand, *Hermann*, *Staatsw. Untersuchungen*, 34 ff. Even *J.B. Say* does no manner of justice, in this respect, to personal services. He speaks of *produits qui ne s'attachent à rien qui s'évanouissent à mesure qu'ils naissent, qu'il est impossible d'accumuler, qui n'ajoutent rien à la richesse nationale*. Compare *Catéchisme* (3d ed.) 52 ff., 174 ff. On the other hand *Dunoyer*, *Liberté du Travail*, L.V., remarks that here labor and its result are made to change places; the former like all labor is very perishable, the latter as lasting as in the case of other kinds of labor. In the one case the utility is fixed in things, in the other in persons. *Ad. Müller*, *Elemente der Staatskunst* passim, calls special attention to how the kinds of labor, called unproductive by *Adam Smith*, preserve the state, and in that way, all individual exchangeable goods. Similarly, *Storch*, *Handbuch*, I, 347; *Steinlein*, *Handbuch*, I, 460. *Lauderdale* (443), however, is correct when he says, that the continued duration of the product of labor depends, usually, more on the caprice of consumers than on the nature of the labor.

<sup>326</sup> *Garnier* calls attention to the fact, that there is a great quantity of material products, such as laces, perfumes etc., that can scarcely be ever used in further production, and, generally speaking, one's resources for the most part are not

belong the indispensable ones of the educator and judge, as well as those of the rope-dancer and bear-leader, which can be dispensed with.<sup>327</sup> Indeed, the dividing line between material and intellectual production cannot, by any means, be closely drawn.<sup>328</sup>

## Section LI.

### The Same Subject Continued.

The greater number of recent writers<sup>329</sup> have, therefore, come to be of the opinion that every useful business which ministers to the whole people's requirement of external goods possesses economic productiveness.<sup>330</sup> But it makes a great difference to science, whether a view is considered true because no one has

kept in lasting goods, but are preserved by the change of technic forms in production. *Hermann*, I, Aufl., 115.

<sup>327</sup> When *Schön*, Nat. Œkonomie, 33, ridicules the idea of the productiveness of personal services, by citing the instance of prostitution carried on as a trade, he forgets that many material goods also may conduce to the moral damage of the purchaser of them. It is said that there are in France 3,500 retailers and colporteurs of immoral writings and pictures, who sell yearly nine million numbers or pieces, at a cost of six million francs! (*Moniteur*, 9 Avril, 1853.)

<sup>328</sup> Compare *Schäffle*, Theorie der ausschliessenden Absatzverhältnisse, 1867, 135. seq.

<sup>329</sup> Many of the socialists take a retrograde step in this respect, in as much as they consider only manual labor productive. *Fourier's* school particularly, declaim passionately against the unproductiveness of commerce and of most personal services. Compare *V. Considérant*, Destinée sociale, 1851, I, 44.

<sup>330</sup> Besides the above, see *Gioja*, N. Prospetto, I, 246 ff.; *Scialoja*, 42; *J. B. Say*, Traité, I, ch. 2; *Hufeland*, N. Grundlegung, I, 42, 54; *Gr. Soden*, Nat. Œkonomie, I, 142 ff. *Hermann*, St. Untersuchungen, 20 ff., distinguishes three politico-economical points of view; that of the producer, that of the consumer, and that of the whole nation's economy. The producer calls his labor productive, in case he receives back his outlay of capital with the rate of profit usual in the trade of the country. To this point of view, therefore,

suggested a doubt of its correctness, or because all doubts as to its truth have been triumphantly removed.

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## Section LII.

### Idea Of Productiveness.

It should never be lost sight of, that the public economy of a people should be considered an organism, which, when its growth is healthy, always develops more varied organs, but always in a due proportion, which are not only carried by the body, but also in turn serve to carry it. The aggregate of the wants of the entire public economy etc., is satisfied by the aggregate activity of the people. Every individual who employs

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value in use, all useful labor is productive; and that when estimated according to its value in exchange, all labor that is paid is productive. (Inquiry, ch. 3.) *Stein* (Lehrbuch, 68; Tüb. Zeitschr., 1868, 230) conditions the notion of productiveness by the presence of a superfluity of values. But, it may be asked, does a family, which does no more than support itself, labor unproductively? (Compare, however, § 30.) *J. S. Mill* took a surprisingly retrograde step in the doctrine on this point, in his *Principles*, I, ch. 3. Compare his *Essays on some unsettled Questions of Political Economy*, No. 3. A still more surprising exaggeration in *de Augustinis* *Instituzioni di Economia sociale* (Napoli 1837), who goes so far as to call a person guilty of arson a productive person because he has produced for himself “the pleasure of destruction”! More recently, *von Mangoldt* distinguishes between economic labor and the labor of culture: the latter is incorporated into the man himself, the former one employed on the external world, in order to transform it in a way corresponding to human wants. Viewed from the stand-point of Political Economy, the latter only is productive. (*Volkswirtschaftslehre*, 1865, 26 ff.)

every service which is paid for, according to wish, seems productive. On the other hand, the consumer ascribes productiveness to all those kinds of labor the achievements of which he may use, and which he can obtain at a convenient price. Whenever, therefore, he pays for a service voluntarily, he acknowledges its productiveness. Lastly, from a national-economical point of

his lands, labor or capital for the whole, receives his share of the aggregate produce, whether he contributed or not to the creation of the kind of produce in which he is paid. Thus, in a pin-manufactory, the workman who is occupied solely in making the heads of pins is not paid in pins or pin-heads, but in a part of the aggregate result of the manufacture, in money. Every department of business, therefore, for the achievements of which there is a rational demand, and which are remunerated in proportion to their deserts, has labored productively. It is unproductive only when no one will need what it has brought forth, or when no one will pay for it; but, in this case, what is true of the writer without readers—that he is unproductive—and of the singer without hearers, is equally true of the peasant whose corn rots in his granary, because he can find no sale for it.<sup>331</sup>

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growth of the latter contributes, as well as that of the former, to the nutrition of the whole, and is far removed from exhausting the tree. *Théorie de l' E.P.*, II, 46 ff. "Natural production" would, indeed, accomplish very little without the legal protection guaranteed by the state, or without the tools furnished by industry etc. But it is, besides, in most instances, a distortion of the truth to speak of productive and unproductive men or classes of men. These expressions are proper only when applied to individual kinds of labor. See *Murhard*, *Ideen über Nat. Œk.*, 88 ff. Persons seriously ill are temporarily unproductive, and children who die early, are unproductive for their whole life.

view, all labor is considered productive which increases the quantity of goods exposed for sale in the market; and this, personal services do. The technic productiveness, which depends on the execution of the technic ideas floating before the mind of the workman, must be distinguished from this economic productiveness. It is possible that, technically labor may be very productive, and yet cause economic loss; for instance, the fine arts and the so-called master pieces of the trades! See *Seneca*, *De Benef.*, II, 33. *H.* (33) furnishes a very good refutation of the doctrine that a great deal depends on whether the labor has been paid from capital or from income. *Eiselen*, *Volkswirtschaft* (1843), 27 ff., remarks, that the laborer, for instance, who grows corn, must besides look after his health and the preservation of his house; this is a part of his necessary aggregate labor. Why, then, should it be called unproductive

## Section LIII.

## The Same Subject Continued.

In this matter, again, there is an important difference to be observed between private or individual economy and economy in its widest sense, in the sense of a world-economy. The productiveness of labor is estimated in the case of the former, according to the value in exchange of its result; in the case of the latter, according to its value in use. There is a great number of employments which are very remunerative to private individuals, but which are entirely unproductive, and even injurious, so far as mankind is concerned; for the reason that they take from others as much as, or even more than they procure to those engaged in them. Here belong, besides formal crimes against property, games of chance,<sup>332</sup> usurious speculations (§ 113) and measures taken to entice customers away from other competitors. Again, scientific experiments, means of communication etc., may be entirely unproductive in the individual economy of the undertaker, and yet be of more profit to mankind in general, than they have cost the former.<sup>333</sup> In this respect the nation's economy holds a middle

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when such secondary labor is performed by particular persons? Otherwise the farmer would have no time whatever for his principal business! Edinburgh Review, 1804, IV, 343 ff.; *Wakefield*, An Essay upon Political Economy, 1804, who is concerned mainly with the theory of the productiveness of labor. *L. Lauderdale* says, that when the nation's wealth is estimated according to its

<sup>331</sup> We might, indeed, compare original production, that which preceded all other, to eating; the trades, to digestion; commerce, to the movements of the several members of the body; personal services to inspiration, and yet all are equally necessary to the life of the body! Thus, *Gamilh* compares agriculture to the root of a tree of which the service rendered by the state is the top. The

<sup>332</sup> Not, however, in the case in which the loser estimates the pleasure of the play higher than the loss.

<sup>333</sup> *J. B. Say*, *Traité*, I. ch. 1.

place between individual economy and the world's economy.<sup>334</sup> Strictly speaking, only those employments should be called productive which increase the world's resources. Hence, the work of government should be called so, only in so far as its expenses are covered by the taxes paid willingly by the more reasonable portion of the citizens; and also only in so far as its work is really necessary to the attainment of its end.<sup>335</sup> The productiveness of an employment supposes, also, that it is not carried on at the cost of other employments which it is more difficult to do without. In a healthy nation we may, in this matter, rely, to a certain extent, on the judgment of public opinion, which knows how to appreciate, at their just value, professional gamblers, pettifoggers and the luxury of soldiers. The greater, freer and more cultivated a nation is, the more probable is it that the productiveness of private economy is also national-economical productiveness, and that national-economical productiveness is world-economical productiveness.<sup>336</sup>

#### Section LIV.

### Importance Of A Due Proportion In The Different Branches Of Productiveness.

<sup>334</sup> v. *Cancrin*, *Ökonomie der menschlichen Gesellschaften*, 1845, 10, speaks, in this case, of privative production. Among the Socialists, *Bazard's* expression *l'exploitation de l'homme par l'homme*, has found loud echo; instead of which only *l'exploitation du globe par l'homme* should be allowed to obtain. (Exposition de la Doctrine de St. Simon, 24.) But *von Schröder* had already warned the world of "imagined food" which led only to idleness. (F. Schatz- und Rentkammer, 191, 363.)

<sup>335</sup> Therefore, there should not be too many nor too highly salaried offices. See *Storch*, *Nationaleinkommen*, 33 ff.

<sup>336</sup> See v. *Mangoldt*, *Volkswirtschaftslehre*, 29 ff.

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Much always depends on the due proportion of the different branches of productiveness to one another. Thus, Spain, for instance, has remained poor under the most advantageous circumstances in the world,<sup>337</sup> because it allowed a disproportionate preponderance of personal services. The character of the Spanish people has always given them a leaning towards aristocratic pride and economic idleness. Tradesmen, in that country, sought, as a rule, to amass merely enough to enable them to live on the interest of their capital; after which they, by way of preference, removed it into some other province, where they might be considered as among the nobility; or they withdrew into a monastery. Even in 1781, the Madrid Academy thought it incumbent on it to propose a prize for the best essay in support of the thesis: "The useful trades in no way detract from personal honor."<sup>338</sup> During the century in which the country was in its greatest glory, the whole people were bent on being to all Europe what nobles, officers and officials are to a single nation. "Whoever wishes to make his fortune," said Cervantes, "let him seek the church, the sea (i.e., go as an adventurer to America) or the king's palace." Under Philip III., there were in Spain nine hundred and eighty-eight nunneries, and thirty-two thousand mendicant friars. The number of monasteries trebled between 1574 and 1624, and the number of monks increased in a yet greater ratio. A great many of its manufactories, much of its commerce, and not a few of its most important farms were controlled by foreigners, especially by Italians. There

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<sup>337</sup> *Remained*, and not *become*, poor, as is generally supposed; for the enormous wealth of Spain, under Ferdinand and Isabella, as well as during the early period of Charles V. is only a *fable convenue*. Charles V. said: France has a superabundance of everything, and Spain is in want of everything. See also the embassy report of *Navagero* (1526), *Viaggio fatto in Spagna e in Francia* (Venet., 1563), and *Ranke, Fürsten und Volker*, I, 393 ff.

<sup>338</sup> The prize was won by *Arreta de Monteseuro*. The author of the history of Portuguese Asia, translated by *Stevens*, is of opinion (III, ch. 6), that commerce is not a proper subject for serious history to treat.



were, it seems, in 1610, one hundred and sixty thousand foreign tradesmen living in Castile. In 1787, there were still 188,625 priests, monks, nuns, etc.; 280,092 servants; 480,589 nobles; 964,571 day laborers; 987,187 peasants; 310,739 mechanics and manufacturers; 34,339 merchants.<sup>339</sup> As a counterpart to this, the United States had, in 1840, about 77.5 per cent. of its population engaged in agriculture, 16.8 in manufactures and mining, 4.2 in shipping and commerce, 1.3 in the learned professions.<sup>340</sup>

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We might be tempted, in view of this contrast, to return once more to the unproductiveness of personal services. It is not, however, the direction given to the forces of production, but the squandering of them, that is injurious. When the Magyar, through mere vanity, drives a yoke of from four to six horses where two are enough; or when, as in 1831, Irish agriculture employed 1,131,715 workmen to produce a value of thirty-six million

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industrials, 6.7 in commerce, 2.8 in the liberal professions, 1.5 *force publique*, 2.1 *propriétaires, rentiers, pensionnés*, 3.7 *domesticité*. In Prussia, in 1871, of the entire male population, 28.6 per cent. were engaged in agriculture, forest-culture, hunting and fishing; 32.3 per cent. in mining, industry, building, and in foundries; 8.56 in trade and commerce; 20.3 in personal services and handiwork not belonging to any of the groups above mentioned; 2.3 in the army and navy; 3.7 in other callings; 2.7 were renters, pensioners, and persons who lived by selling or renting houses, reserving lodgings for themselves therein, and persons who gave no account of their calling. (Preuss. statist. Zeitschr., 1875, 32. ff.) It is, however, surprising that *Engel's* Amtl. Jahrbuch, III, 1867, gives only 48 per cent. as belonging to the first category, and 25 to the second. In the kingdom of Saxony in 1861, 25.1 per cent. of the population were agriculturists and foresters; 56.1 were engaged in industry; 7.7 in trade and commerce; 6.8 in art, science, the service of the state and of private persons; while 4.1 per cent. were without any particular calling, or returned none. Bavaria, in 1852, had 67.9 per cent. of its population engaged in agriculture; 22.7 in the trades and in manufactures; 5.5 per cent., persons living on the interest of their money, and by performing the higher class of personal services; 1.9 in the army; and 2 per cent. of listed poor. In *Hermann*, Beiträge zur Statistik des Königreichs Bayern. In France, according to the official reports, there were:

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*Agriculteurs* 61.46 per cent. in 1851, 51.49 per cent. in 1866;  
*Industriels et commerçants* 25.95 per cent. in 1851, 32.78 per cent. in 1866;  
*Professions libérales* 9.73 per cent. in 1851, 9.48 per cent. in 1866.

To which it must be added, that, in 1851, there were 2.86 *sans profession ou dont les professions n'ont pu être constatées*; and that, in 1866, on the other hand, there were 2.87 per cent. in *professions se rattachant à l'agriculture, industrie et commerce. (Legoyt.)* In England and Wales, leaving the domestic class out of consideration (women without an independent means of employment, school children, servant girls etc.), and also the “indefinite class,” there were, in 1861, 25.3 per cent. of the population engaged in agricultural pursuits; 60.7 in industrial; 7.8 in commercial; and 6.06 in professional pursuits. In Italy, omitting housewives, children and infirm persons, there were, in 1862, 57.4 per cent. of the population engaged in agriculture; 22.9 in industrial pursuits; 4 in commerce; and 3.9 per cent. in the army and in the liberal professions. (*Annali univ. di Statistica*, Febr., 1866.) On Holland, in the middle of the 17th century, see *J. de Wit*, *Mémoires*, 34 seq.

<sup>339</sup> There is a very fine description of this spirit in *Clenard*, *Epist. I. ad Latomum* (1535 ff.) Compare *Juvellanos*, in *Laborde*, *Itinéraire descriptif*, IV, 176. *Townsend*, *Journey through Spain*, II, 207, 117. *Buckle*, *History of Civilization*, II, ch. I. The census of 1788 gave the number of priests and monks, soldiers, mariners, nobles, lawyers, tax-gatherers, authors, students and domestics, at

pounds sterling, while that of Great Britain<sup>341</sup> produced one hundred and fifty millions a year, and employed only 1,055,982 workmen, these causes are as sure to impoverish the country, as the waste of the Spaniards in supporting such an army of clergy and servants. Of course, the temptation to waste wealth on parks is greater than to waste it in vegetable gardens! The probability that a man will ruin himself by keeping too many servants is greater than that he will do the same by employing too many operatives.<sup>342</sup> And all the more, as there are many and especially important services which regulate their own remuneration: thus, as a rule, those of the statesman, those of the military in times of

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1,221,000, in a total of 3,800,000 men; from which number there was a multitude of beggars, vagrants etc. to be deducted. *Laborde*, *Itinéraire*, II, 32 ff. The seventeen universities and the numberless small Latin schools, with their gratuitous instruction, and their many scholarships, misled a disproportionately large number to engage in study. At the beginning of this century, there were at least 200,000 priests, nuns (*Geistliche*), etc., in a population of from three to three and a half millions only. (*Ebeling*, *Erdbeschreibung von Portugal*, 66.) *Senior* shows that the poverty of the Osman is caused by too many state employees, tax-farmers and retail merchants. (Journal kept in Turkey and Greece, 1857-58.) Thus, also, *J. Tucker*, *Four Tracts*, 1774, 18, contrasts men engaged in industry with rich idlers, whose increase, possibly by immigration, would make the people a nation of "gentlemen and ladies, footmen, grooms, laundresses etc." *Schmittener*, *N. Œk.*, 656, calls a condition such as that of Spain, "national-economical phthisis."

<sup>340</sup> *Tucker*, *Progress of the U.S.*, 137. The following data also will serve for a comparison: In Belgium, in 1856, it was estimated that, leaving persons *sans profession* out of consideration, 45.6 per cent. were agriculturists, 37.2

<sup>341</sup> *Csaplovics*, *Gemälde von Ungarn* II, 1. *Torrens*, *The Budget: On commercial and colonial Policy*, 106 ff.

<sup>342</sup> Precisely as there are more people ruined by spirituous liquors than by bread. Time thieving is also more frequent among servants. There is scarcely

war, and those of the priest in the age of superstition.<sup>343</sup>

### Section LV.

#### The Degree Of Productiveness.

Concerning the degree of productiveness, it may be remarked that that application of the factors of production is most productive, which, with the least expenditure of means, satisfies the greatest want in the economy of a people. Here, there is a continual change, corresponding precisely to the change in wants and faculties. After a bad harvest, for instance, the labor which procures grain from foreign countries or the supplies of former years, is most productive; and, after an earthquake which has destroyed a large city, the labor of the builder. Agriculture is, as a rule, the more productive labor of undeveloped nations, and

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anything in agriculture analogous to the lazzaroni who wait all day to help a gondola to land, to unload a coach, etc. There is more in the chase, in the fisheries, or in the cattle raising.

<sup>343</sup> Compare *Bastiat*, *Harmonies économiques*, ch. 17. Hence *Sismondi* accounts it one of the chief merits of the constitutional state, that in it, the *population gardienne* does not regulate its own remuneration. (N.P., I, 144.) *Saint Simon*, indeed, says that the French members of the *Chambre*, in his time, drew a revenue from the state, three times as large as from their own resources, and were, therefore, deeply interested in increasing the budget. (*Vues sur la Propriété et la Législation*, 1818.) I would call attention also to the national over-estimation and over-crowding of learned callings from which Germany suffered, even as far back as the time of Louis XIV. (v. *Schröder*, Fürstl. Schatz-und Rentkammer, 302 ff.); to the disproportionate number of keepers of public houses, which is related to the system of popular assemblies, and is a regular attendant upon Democracy (*Bronner*, *Der C. Aargau*, I, 451.) Taxation-legislation may here become a good means of popular education.

industry of highly developed nations.<sup>344345</sup>

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<sup>344</sup> This was recognized very early by *Gregor. Tolsan*, l.c. *Ad. Müller*, *Elemente*, II, 255. *Storch*, *Handbuch*, II, 229 ff. (*Schleiermacher*, *Christ. Sitte*, 668.) *A. Smith*, *W. of N.*, II, ch. 5, ascribed greater productiveness to agricultural than to industrial labor; in the former case, not only human labor was put in operation, but the forces of nature were compelled to coöperate with them. Similarly, *Malthus*, *Additions* (1817) to the *Essay on the Principle of Population*, B. III, ch. 8-12. *Principles of P. E.*, 217 ff. Both thus explain the rent of land, and so far as products, which have only value in exchange are concerned, they are right. Hence it is all the more surprising that *Carey*, the zealous advocate of a protective tariff and opponent of rent, comes back in this to *Adam Smith*. *Principles of Social Science*, 1858, II, 35, and passim. Compare also *J. B. Say*, *Traité*, II, ch. 8; *Sismondi*, *N. P.*, II, ch. 5. For the best refutation of this view, see *Ricardo*, *Principles*, ch. 2, 3. Does not all labor put the force of nature in operation? *Ad opera nihil aliud potest homo, quam ut corpora naturalia admoveat, reliqua natura intus transigit.* (*Bacon.*) Similarly, *Verri*, *Meditazioni*, III, 1. An expression escapes even *Ricardo* himself (ch. 7), to the effect, that capitalists are the producing class.

<sup>345</sup> Relying on very superficial statistics of England and France, *Ganilh* advocates a theory of the productive forces of the several branches of economy the very reverse of *Adam Smith's*. He places foreign trade first; then follow wholesale trade, industry and agriculture. (*Théorie*, I, 240 seq.)

## Chapter III.

# The Organization Of Labor.

### Section LVI.

## Development Of The Division Of Labor.

The larger a tree grows to be, the more boughs and branches does it put forth. The more perfect any species of animal is, the more does it stand in need of a special organ for each special purpose. And thus the division of labor has developed and kept pace with the development of human society. While Crusoe was obliged to provide for all his wants by his own labor, we find that in the wildest Indian family the male is employed in war, the chase, in fishing, in the manufacture of arms and boats, and in the transportation of the latter during long marches; the female, on the other hand, in the preparation of food, in the hewing of wood, the curing of skins, the sewing of clothes, in the building and preservation of the wig-wam, the care of children, and the carriage of baggage when on the march.<sup>346</sup> These occupations, at first entirely domestic, became, by degrees, separate industries,

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<sup>346</sup> Ausland, 1846, No. 54. Expressions still used in Europe, such as *Spindelmagen* (spindle-relation), *Kunkellehen* (apron-string-hold) etc., for instance, suggest this most ancient and purely family division of labor. The lower classes of the population, even in the most civilized countries, are wont to preserve some of the peculiar customs of very primitive times. Hence it is that among proletarians, the division of labor between males and females is still very small. The employments usual at different stages of life among men, and the costumes worn by them are much more uniform than among the higher classes. See *Riehl*, *Die Familie*, 1855, passim.

which are constantly subject to further subdivision.<sup>347</sup>

## Section LVII.

### Development Of The Division Of Labor.—Its Extent At Different Periods.

In the middle age of a people, the division of labor is not carried to any great extent. The courtiers of King Frotho III. advised him to marry, “since otherwise his majesty's ragged linen would never be mended.” Saint Dunstan, although he occupied a high position in politics and in the Church, was an excellent blacksmith, bell-founder and designer of ladies' robes. Chriemhild in the *Nibelungenlied* was an industrious and skillful milliner. In the corresponding period of Grecian and Roman history, we find Penelope and Lucretia at the loom, Nausicaa, a laundress, the daughter of the king of the Lestrignons, fetching water from the spring, Odysseus, a carpenter, a queen of Macedonia as a cook, and finally the distaff of Tanaquil.<sup>348</sup> In the highlands of Scotland, in 1797, there were a great many peasants all of whose clothing was home-made, with the exception of their caps; nothing coming from abroad except the tailor, his needles and iron tools generally. But the peasant himself was the weaver,

<sup>347</sup> As *Dankwardt* shows, the *jus civile* of the earliest Roman time is based on the condition of isolated labor, the later *jus gentium*, on the division of labor. N. Œk. und Jurisprudenz, 1857, Heft. I.

<sup>348</sup> *Saxo Gramm.*, Hist. Dan. V, 101. *Turner*, Hist. of the A. Saxons B. VII, ch. 11. *Nibel.*, 351 ff. There is a French proverb: *du temps que la reine Berthe filait*. Queen Bertha was a mythic daughter of Charlemagne. It may be that the character meant is the old German spinning goddess Berchta. Concerning the daughter of Otto the Great, see *Dithmar*, Merseb. II. *Homer*, Od. V, 31 ff.; X, 106; XXIII, 189 ff. *Herodot.*, VIII, 137. *Livy*, I. 57.

fuller, dyer, tanner, shoemaker etc. of his own family:<sup>349</sup> every man jack of all trades.<sup>350</sup>

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In present England, on the other hand, the manufacture of watches is divided into one hundred and two branches which have to be specially learned; only the so-called “watch-finisher” carries on other branches besides. In Wolverhampton, it may happen that a man, employed in the manufacture of keys, may not be able to make a whole key after an apprenticeship of ten years, for the reason that during all that time he may have

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<sup>349</sup> *Eden*, State of the Poor I, 558 ff. In the interior of Peru, the priest is also usually a shop-keeper (*Pöppig*, Reise, II, 365); in Canada, as in many of the villages of the Alps which are not often visited, a hotel keeper. In countries with an unadvanced civilization, the little division of labor that exists is also very awkwardly regulated. Thus in Russia, weak children are very frequently put to work on farms, while powerful men are found in the city offering all kinds of eatables and the pictures of saints for sale. (*Storch*, Gemälde des russischen Reichs II, 364. v. *Haxthausen*, Studien I, 335.)

<sup>350</sup> *Babbage*, Economy of Machinery, 1833, 201. *L. Faucher*, Angleterre II, Ch. “*la Ville des Serruriers*.” The industrial statistics of Paris, furnished by *H. Say* in 1847 and 1848, show that in that city alone there are 325 different branches of industry, 17 of which are concerned with the production of food; 21 with building; 32 with the manufacture of furniture; 21 with that of clothing; 36 with that of thread and tissues; 7 with skins and leathers; 14 with vehicles, saddlery, and military equipment; 33 with chemicals and pottery; 33 with working in metal, glass etc.; 35 in that of the precious metals and jewels; 27 with printing, engraving and paper; 15 with that of wooden-ware and wicker-ware; 34 with *articles de Paris*. *Journal des Economistes*, Janv., 1853, 107. According to the industrial almanac of Birmingham, there are in that city manufacturers of buttons in gold, silver, metal, mother-of-pearl etc.; manufacturers of hammers, ink-stands, coffin-nails, dog-collars, tooth-picks, stirrups, fish-hooks, spurs,



been engaged only in filing.<sup>351</sup> In English agriculture there are, according to German notions, very few complete wholes. A well-marked distinction exists there between the cultivators of corn and breeders of cattle; and the latter are again divided into breeders of young cattle, into fatteners of cattle etc. Its industries are, in large part, separated into provinces. Thus, linen manufactures are confined almost exclusively to Leeds and Dundee, woolen manufactures, to Leeds,<sup>352</sup> cotton manufactures, to Manchester, and Glasgow, pottery to Stafford, coarse iron to South Wales, hardwares to Birmingham, cutlery to Sheffield. [189] And so in the different quarters of the city. Thus, in large towns, the banks, stores, offices etc., are found in one portion, with scarcely any intervening dwelling houses.

On the division of labor depends all differences of estate and class, and all human culture. It cannot be claimed that a division of labor does not exist among animals;<sup>353</sup> but those animals among which something analogous to a division of labor among men exists, are raised far above all others by their human-like economy and the relative importance of their achievements.<sup>354</sup>

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pack-needles etc.

<sup>351</sup> And so with the subdivisions. Flannel is manufactured almost exclusively in Halifax, woolen blankets between Leeds and Huddersfield etc.

<sup>352</sup> The same division of labor was developed among the Dutch in the 17th century, and excited then the wonder of the English. See *Sir W. Temple*, *Observations upon the U. Provinces*, 1672, ch. 3. Works, I, 128, 143. In 1615, *Montchrétien* held up the Flemish as a model to the French, in this respect.

<sup>353</sup> On the bees, see *Virgil*, *Georg.* IV, 158.

<sup>354</sup> The principle of the division of labor was known to the ancients: *Xenophon*, *Cyri Discipl.*, VIII, 2, 5. *Plato*, *de Rep.*, II, 369, III, 394, IV, 443; *Isocrat.*, *Busir.*, 8. *Aristot.*, *Polit.*, II, 8, 8. Among the more modern writers, compare *Thomas Aquin.*, *De Reg. pr.*, I, 1, II, 3. *Luther* (Works by Walch, I, 388), in his *Commentary on Genesis*, 3, 19. *Petty*, *Several Essays*, 1682, p. 113. *Considerations upon the East India Trade*, London, 1701. *Roscher*, *Geschichte der englischen Volkswirtschaftslehre*, 118. *Mandeville*, *The Fable of the Bees*, enlarged edition of 1723, p. 411. *Berkeley*, *Querist*, 1735, No. 415, 430, 520 ff., 586: "What is everybody's business is nobody's." *Harris*, on *Money*

## Section LVIII.

## Advantages Of The Division Of Labor.

The advantages of all suitable division of labor, consequent upon the natural differences of human faculties and dispositions, are the following:

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A. *The greater skill of the workman.* Even physically, many capacities are, by an indefinite number of repetitions of the same operation, enhanced to an extraordinary degree; which, however, renders the performance of other operations more difficult. Thus, the man who has developed his muscles and hardened his hands working in a smithy, renders himself incapable of becoming a violin-player or an operating oculist.<sup>355</sup> Here belongs especially the possibility of turning every kind of labor-power to greatest account. Even children<sup>356</sup> and old men may be made, in this way,

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and Coins (1757), I, 16. *J. J. Rousseau*, *Emile* (1762), L. III. *Turgot*, *Sur la Formation et la Distribution des Richesses*, § 3, p. 50, 62, 66. *Diderot*, *Encyclopédie de l'Art*, s. v. Art. *J. Tucker*, *Four Tracts* (1774), p. 25 ff. *Boccaria*, *Economia pubblica*, I, 1, 9. But the author to whom we owe most on this score is undoubtedly *Adam Smith*. To him we are indebted almost entirely for our knowledge of the natural laws developed in § 59 seq.

<sup>355</sup> According to *Adam Smith*, a nailer can make 2,300 nails (*Rau* says 3,000 shoemaker's tacks in the Odenwalde) per day; a smith who is only occasionally employed in the manufacture, from 800 to 1,000; and smiths who never made nails before, from 200 to 300. A clever filer makes 200 strokes in a minute; a skilled comb-maker can make in a day from 60 to 70 combs of such fineness that there are from 40 to 48 teeth to the inch in them; eight Liege brick-makers, working together, produce 4,800 bricks per day; children employed in a needle manufactory, in making the eyes of needles, grow so skillful at it that they can make a small hole in the finest hair and draw another hair through it. *Rau*, *Lehrbuch I*, § 115. The old proverb, "practice makes perfect," is followed even by thieves in their great division of labor. See *Thiele*, *Die jüdischen Gauner I*, 87. *Fregier*, *Des Classes Dangéreuses*.

<sup>356</sup> Children, with their thinner fingers, can point twice as many needles in the same time as a grown person.

to play a part in the production of goods. It becomes practicable, too, to relieve men endowed with superior faculties from common labor, and allow them to devote themselves exclusively to the development of the peculiar powers with which nature has gifted them.<sup>357</sup>

B. *A great saving of time and trouble.* The simpler the operation performed by a single workman, the more easily is it learned; the smaller is the price paid or apprenticeship, which depends on this, at least, that beginners perform poorer work and are paid more poorly. “The shortest way to the end is most easily found when the end itself is near, and can be kept continually in view.” (*J. B. Say.*) Where the same workman combines different operations, a great deal of time is lost in changing tools etc. Besides, it always takes some time for a workman to get rightly under way of his work. The person who changes thus frequently becomes more easily indolent. Lastly, there is a great number of operations which demand the same aggregate amount of effort, no matter what the number of objects on which they are performed. It is thus, for instance, with shepherds, mail-carriers etc.<sup>358</sup> The post carries a thousand letters with almost as much ease as one; and the entire life of a wholesale dealer would scarcely suffice to carry all the letters which he mails in a single day, to their place of destination. During the middle ages, every man was obliged to watch over his own personal safety and the maintenance of his own rights; while in 1850, in Great Britain, twenty-one million people are protected in their persons and property, in an infinitely more effectual manner, and at less cost, by fifteen thousand soldiers, and by a much smaller number of

<sup>357</sup> The manufacture of English needles demands, on the part of workmen, degrees of skill so different that their pay varies from 6 pence to 20 shillings per day. If the most skillful workman were to manufacture whole needles alone, he would partly be obliged to be satisfied with one-fortieth of what he might otherwise receive. *Babbage*, loc. cit.

<sup>358</sup> In the case of machines and in the chemical branches of industry, the labor increases in a much smaller ratio than the material used in production.

policemen, whose place it is to preserve public order. (*Senior.*) Something similar takes place among merchants, and it may be admitted as correct in principle, that every new intermediary, freely recognized by both sides in commerce,<sup>359</sup> makes labor better or less expensive.

C. As the land of a country is, in a sense, the natural extension of the national body, *the international division of labor* affords an indirect means, but frequently an indispensable one, of procuring the products of foreign countries and climates.<sup>360</sup> If the English people wished to obtain themselves, and without having recourse to any intermediary, the quantity of tea which they annually consume, it is possible that its whole agricultural population would not suffice to procure it; while, at present, it is obtained by the labor of forty-five thousand industrial workmen. (*Senior.*) Moreover, the division of labor increases not only the aptitude of the workman but also his incentive to productive labor, since it guarantees to every one the certainty of being able, by means of exchange, to enjoy the productions of every other person.<sup>361</sup>

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### Section LIX.

## Conditions Of The Division Of Labor.

It is by its division, that labor, considered as a factor of production, is raised to the highest degree of efficiency. Its results in any given industry are, therefore, more important in proportion as

<sup>359</sup> In opposition to monopolies, and to practical constraint which has its source in ignorance etc.

<sup>360</sup> Hence *Torrens* calls foreign trade the "territorial division of labour." (Essay on the Production of Wealth (1821), 155 ff.)

<sup>361</sup> See *Bastiat*, *Harmonies*, ch. 1, for a very beautiful exposition of the doctrine that each man receives much more from society than he accomplishes on his part, for it.

the element labor predominates in it. Hence, these results are much smaller, in agriculture, for instance, than in the trades, or in personal services.<sup>362</sup> The most expert sower or harvester cannot be employed the whole year through in sowing or harvesting. Some kind of rotation of crops, some kind of combination of tillage and stock-raising is necessary to every agriculturist. On this depends the importance of the technic secondary industries of agriculture, which are, in principle, opposed to the division of labor. Hence, too, almost any person engaged in a trade, no matter of what kind, supposes a greater number of customers than a tiller of the land of the same rank. [193]

The more labor is divided, the greater is the amount of capital necessary to it.<sup>363</sup> It may be even said, that all preparatory labor becomes capital in its relation to subsequent labor. If ten isolated workmen can produce ten dozen articles of any kind, daily, and, after the introduction of a more efficient division of labor, fifty dozen, the employer must provide them, in the latter case, not only with five times as much capital, but probably with fifty times as much, as then, five hundred dozen are making continually.

### Section LX.

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<sup>362</sup> The working together of a great number of persons is often carried on to the detriment of agriculture, for each then waits for all the others to work, throws all the blame on them etc. (*Columella*, I, 9.) As many a housekeeper must have observed, two seamstresses or ironers accomplish, in a day, less than one, in two days. Of course, this rule does not apply in the case of work which cannot be performed by one man, under any circumstances, or the magnitude of which would easily discourage him, and in which mutual aid is easily obtained; as in the raising of heavy loads, the construction of roads, dikes etc.

<sup>363</sup> *Ad. Smith*, B., II, Introd. *Hufeland*, Neue Grundlegung, I, 215. In many instances, a division of labor, of course, favors the saving of capital. If every workman needed all the tools necessary to the work in which he participates, three-fourths of them would have to lie idle at present. *J. Rae*, New Principles on the Subject of Political Economy, 164.

## Influence Of The Extent Of The Market On The Division Of Labor.

But it is the extent of the market especially which determines the limits of the division of labor; for there is a direct and necessary relation between the division of labor and the exchange of its surplus. Hence, the division of labor may be carried farthest in the case of those products which are most easily transported from place to place, and which, at the same time, possess the utility that is most widely recognized. The smallness of the market may depend upon the scantiness of the population, or upon its scattered condition;<sup>364</sup> upon their smaller ability to pay, or upon the bad means of communication at their disposal.<sup>365</sup> Hence it is, that in villages, small cities, and still more on isolated farms, many branches of business are carried on by one person, which are divided among many in larger cities; and this is especially true in the case of businesses which have a chiefly local demand.<sup>366</sup> While, in small places, the barber is also frequently the physician, in larger ones there are dentists, oculists, accoucheurs, surgeons etc.<sup>367</sup>; and while, in the former, the tavern keeper is both dry

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<sup>364</sup> This necessity is observable, although in a peculiar form, even where what has been called the "despotic organization of labor" prevails, instead of freedom.

<sup>365</sup> In the highlands of Scotland, in Adam Smith's time, there were no smiths who manufactured nails only; for the reason that no smith had a market for more than 1,000 nails a year, that is not for so many as might be manufactured in a single day.

<sup>366</sup> It is of course very different when there is question of a foreign market, even if it be only indirectly. Thus, for instance, there are in the Hartz mountains, persons who are simply post-makers, trough-makers, chess-wood-makers, block-hewers, shingle-makers etc.

<sup>367</sup> Too much should not be inferred from the existence among the Egyptians of physicians, specialists for the several members of the body. *Herodot.*, II, 84. Something analogous is to be found even among barbarous nations; but it is accounted for entirely by the superstition of the people. See *Klemm*, *Kulturgeschichte*, I, 266.

goods merchant and grocer, there are, in the latter, tea merchants, cigar-dealers, dealers in mourning goods (in London childbed-linen warehouses) etc., and hotels for all the different classes of travelers. There can be a distinct class of porters, hack-men etc., only where commerce is very active.<sup>368</sup> And even in cities like Paris, where the costly industries that minister to luxury, that of the jeweler, for instance, admit of only a limited division of labor, this effect depends on the smallness of the market; a market, indeed, which geographically may extend over the whole earth, [195] but which, in an economic sense, must always remain small, on account of the small number of customers who have the ability to pay for their products. The real wonders produced by the division of labor and the employment of machinery we must look for in the manufacture of the cheapest and commonest commodities.<sup>369</sup>

## Section LXI.

### The Division Of Labor—Means Of Increasing It.

Whoever, therefore, would increase the division of labor among the people, must, first of all, extend their market; and this is done most efficiently by improving the means of communication.

<sup>368</sup> In the whole of Hesse, there were under Philip the Magnanimous, only two apothecaries, one at Cassel and one at Marburg. *Rommel*, *Gesch. v. Hessen*, IV, p. 419, note. And there were no bakers among the Romans before the time of the war with Perseus. All the bread needed by the family was baked by the wife or by female domestics. *Plin.*, H. N. XVIII, 28. The common oven in new towns marks the period of transition. Even yet, in the central part of France, there are localities where each family bakes its own bread for a whole month in advance; and, in the Alpine departments for even a year in advance. *M. Chevalier*, *Cours II*, 366.

<sup>369</sup> It is obvious from the foregoing that, in decaying nations, in which the market contracts and capital decreases, the division of labor also must grow less.

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Even in our day, it is over the water-highroads that the heaviest articles are carried with the least expenditure of force;<sup>370</sup> but where civilization is not advanced, these highroads possess still greater advantages, because of their safety, convenience and priority. And here is the explanation of the intimate connection of the beginnings of all civilizations with the existence, near the scene of such beginnings, of good natural water-roads. "Even the wildest inhabitant of the sea coast very soon obtains the idea of distance, which is altogether wanting to the inhabitant of the primeval forest. No sooner does he catch sight of the far-off island than his yearning after the distant assumes a well-defined character. Bits of wood floating past him suggest to his mind the best material to buoy himself up upon the water, and a fish the best form for his craft." (*Klemm.*) Hence the Mediterranean sea, especially the eastern portion, with the various peoples and products of its coasts, with its numerous islands, peninsulas and bays, its easy navigation, but little influenced by the tides or by ocean currents, was the principal seat of ancient civilization.<sup>371</sup> The literal meaning of Attica is coast-land. (*Strabo.*) The colonization of a new country is wont, where possible, to begin on the coast, especially on islands near the coast; and to follow the course of rivers into the interior. Even whole continents occupy, for the most part, in the history of the world, the position assigned them by their coast-development.<sup>372</sup> While it is hard to determine whether, in the case of the European continent, its limbs predominate or its trunk, Africa may be

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<sup>370</sup> According to *Arago*, a horse uses the same amount of force to draw 20 cwt. along an ordinary road that he does to draw 200 over a railroad track, or 1,200 on a canal. He could carry scarcely 2 or 3 on his back! *Moniteur*, 1838, No. 116. It is, however, certain that the introduction of our railroads has somewhat detracted from the advantages of coasts.

<sup>371</sup> Compare *Humboldt*, *Essai politique sur l'Ile de Cuba*, II, 205.

<sup>372</sup> *Strabo*, II, 121 ff. In Europe, there is one mile of coast to every 31 square miles in the interior; in North America, to 56; in South America, 91; in Asia, 100; in Africa, 142. (*Humboldt.*)



said to be a trunk without members. Its islands, most of them insignificant in themselves, are almost entirely cut off from it by ocean currents. This explains why Madagascar had not, by any means, the influence on African civilization which Crete, Sicily and Britain have had on the civilization of Europe. Asia occupies, in this respect, about a middle position between Europe and Africa. The trunk of that continent bears to its members about the proportion of 670,000 to 150,000 square miles. And what is worst of all, the middle of the whole is an almost insurmountable wall between north, south, east and west Asia. Hence the tenacious peculiarity and isolated development of the Chinese, Malayan, Indian and Arabic civilizations; while the three peninsulas of southern Europe, for instance, have affected one another so largely, and in so many different ways.<sup>373</sup> The northern hemisphere compared with the southern, presents a contrast similar to that between Europe and Africa, or of the rich coast-groups of the Atlantic compared with the poor ones of the Pacific.<sup>374</sup> But it is most especially, large, well-watered [197]

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<sup>373</sup> If the original connection of the Caspian sea and the sea of Aral with the Frozen Ocean were still in existence, it is probable that an Asiatic Scandinavia would have been formed in consequence.

<sup>374</sup> What is true of the sea in this respect may be claimed, also, though in a less degree, for the streams that carry the civilizing fruits of the coasts far into the interior. Nearly all large cities not situated on the harbors of coasts derive their importance from rivers; especially when they have been built on spots adapted by nature to the transshipment of merchandise. That Venice finally eclipsed Genoa is to be ascribed, in greatest part, to its control of an important stream, the Po. The economic importance of Holland, of Hamburg and Bremen will, in the long run, bear the same relation to one another as the geographical importance of the valleys of the Rhine, Elbe and Weser. As nothing is more disastrous to a nation than the loss of its coast (we need only cite the efforts of the Lybian kings and, later, of Philip of Macedon to conquer the Greek colonies on their coasts; and in more recent times, of Russia before Peter the Great, or of the Zollverein without the shores of the German sea), so, also, the economic and political influence of a stream increases as one approaches its mouth. Hence the justification of the great interest taken by Germany and Austria in the question of the Danubian principalities. The United States recognized

plains that are best adapted to the construction of roads, and thus to facilitate the division of labor. And while we find, in many countries, that the mountainous regions reached a certain stage of development earlier than any others, because they were more easily protected by military force, we find, too, that even here, plains, have, for the most part, had the largest share of power and of civilization (northern Italy, northern France, the plains of Switzerland and north Germany). See § 36.<sup>375</sup> We must not,

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this fact when they purchased Louisiana for 80,000,000 francs. *Bignon*, Hist. de France III, 111 seq. Readers of history are familiar with the important part played by the three Asiatic Mesopotamias: that between the Euphrates and the Tigris; that between the Ganges and the Brahmapootra; that between the Hoang-Ho and the Yang-tse-Kiang, to which finally the Punjab might be added. This relation is recognized by popular consciousness, in the case of the Ganges, by the belief in the sacredness of the stream. No river has had so much influence on civilization as the Nile: its periodical risings have made the labor of agriculture extraordinarily easy; their extent and regularity favored the progress of astronomy; the flooding over of the land led to geodesy; the hydraulic labors necessitated by the rising of the waters produced a school of architecture to which the river furnished an excellent means of transportation for the enormous masses to be moved. *K. Ritter*, Erdkunde, I, p. 880 seq; VI, p. 1,168 seq. In this matter, also, America and Europe have the advantage over Asia and Africa. While the Danube is, in places, scarcely three German miles from the Rhine—which, however, flows in an almost opposite direction—in Asia, the eastern streams are separated from the western, and the northern from the southern, by a strip of land difficult to be traveled, and about 300 German miles in extent. Besides, the principal streams of northern Asia have their exit into the Frozen Ocean, a fact which diminishes their importance greatly. The source of the Missouri is only about one mile distant from the Columbia river,

however, fail to consider the reverse side of the picture of the great highways of the world. The same reasons that raise them to the dignity of lines of commerce, make them lines of war; and even the contagion of great plagues and of the ruling vices follows, as a rule, the avenues of trade.

## Section LXII.

### The Reverse, Or Dark Side Of The Division Of Labor.

There are hardships often attending the highly developed division of labor, the dark and bright sides of which are most strikingly observable only in large cities. However, when it is charged with adding to the natural inequality of men, the accusation can be met only by the answer, that, without the division of labor, we should be all equally poor and equally coarse; for each one would be absorbed by the necessity of providing for his lower wants, and no one would be in a way to develop his higher faculties. Even the poorest man has more enjoyment in consequence of the division of labor, than he could have living in a state of isolation from his fellow men. The most wretched among us, the invalid without property of any kind, the father of a family with more children than he can support, would simply starve in the primeval forest.

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Those socialists who never tire of preaching "association," overlook for the most part, the great, free association which our needs, wants or tastes are ever changing, and which is given us, as

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although the two flow towards opposite seas.

<sup>375</sup> The law governing the march of civilization from the mountain to the plain and to coast lands was observed even by *Strabo*, XIII, 592, and partly by *Plato*, *De Leg.*, 677 ff.

of course, by the division of labor.<sup>376</sup> Yet the skill produced by the division of labor is unavoidably connected with a corresponding one-sidedness. The Russians, for instance, are exceedingly apt, but they rarely distinguish themselves in any thing.<sup>377</sup> Love of his avocation, or pride in it, is a thing unknown to the Russian workman. He shirks all continuous labor.<sup>378</sup> Experience has shown that the Neapolitans and Italians, in general, exhibit great skill when they work alone; but that when a great many of them work together, they become rapidly confused. The English, on the other hand, are slow to learn anything new, or to overcome unlooked for difficulties; but they have no equals as workmen in organized industries.<sup>379</sup> The difficulty experienced in seeking a new calling, where a high division of labor obtains, arises as much from the fact that each person here has received a more one-sided training, as from the necessity he is under of competing from the first with only consummate workers. Rousseau's school has laid too much stress on the tendency of higher civilization to diminish individual independence. *Quand on sait creuser un canot, battre l'ennemi, construire une cabane, vivre de peu, faire cent lieues dans les forêts sans autre guide que le vent et le soleil, sans autre provision qu'un arc et des flèches; c'est alors qu'on est un homme!*<sup>380</sup> We might reply that to build a steamship or a

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<sup>376</sup> Thus, for instance, that all the customers of a shoemaker together form a shoe-association etc. *Dunoyer*, Liberté du Travail, L. IV, ch. 10.

<sup>377</sup> *Storch*, Handbuch, III, 188 ff. The Dutch traveler, *Usselinx*, speaks in a similar way of the imitiveness and many-sidedness of the Swedes (*Argonautica Gustavica*, 20). Chilian servants (*peones*) are a good combination of the cook, the muleteer, builder, courier etc. Once they have passed over a road, they never forget it. A knife stands them in stead of most tools, and pieces of leather in stead of nails. *Pöppig*, Reise, I, 171 ff.

<sup>378</sup> *von Haxthausen*, Studien, I, 63, 113. In 1827, a Russian hatter got 12 rubles for a hat, a German one 35 (*Schön*, N. *Ö*conomie, 78).

<sup>379</sup> See the report of a large manufacturer in *Kohl*, England und Wales, p. 332 seq.

<sup>380</sup> *Raynal*, Histoire des Indes (1780), L. XV. And so *Rousseau*, Discours sur l'Inégalité (1754), who also declaims against all kinds of capital; were there

palace, and to travel around the world are far better. (*Dunoyer.*) Even physically, civilized man is superior to the savage, as might be inferred from the greater average duration of life of the former. Of course, extremes should not be compared, nor should we contrast the frame of a weaver or student with that of a savage chief.<sup>381</sup>

In a similar way, the one-sidedness of the international division of labor may be pregnant with great danger to national independence.

### Section LXIII.

## Dark Side Of The Division Of Labor.—Its Gain And Loss.

Where, indeed, the one-sidedness produced by the division of labor goes so far as to cause the degeneration<sup>382</sup> of the

no ladders, men would climb better; and throw a stone better if they had no slings. There is certainly a misunderstood truth in this saying. It is assuredly very salutary, in the actual state of society, in which every one's business is transacted for him by some one else, that a time should occasionally come when no one can take our place, and a man can only call upon himself. And herein lies the immense value which just war, when not much prolonged, but which is brought to a happy termination, sometimes has upon the life of a people.

<sup>381</sup> The American savages are, on an average, weaker than the whites. In a fist-fight the Kentuckians and Virginians showed themselves far superior to the Indians. See *Lawrence*, Lectures, 403, *supra*, § 40.

<sup>382</sup> For a very unprejudiced estimate of the dark and bright sides of the division of labor, even before Adam Smith's time, see *Ferguson*, History of of Civil Society (1767), IV, I, V, 3 ff. Also *Garve*, Versuche, III, 41. *Adam Smith* was not blind to the dark side of the division of labor, which, in part, he would remove by popular instruction at the expense of the state, and by a species of compulsory education. W. of N., V, ch. 1, 3, art. 2. One of the chief peculiarities of *J. Möser's* Political Economy is his great opposition to all highly developed division of labor. Patr. Ph., I, 2, 21, III, 32, 34.

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workman's personality, the human loss of the nation is greater than the material gain purchased by it. Thus the occupation of polishing metals or gilding, when continued for a long time without interruption, invariably ruins the health. What must be the aspect of the soul of a workman who, for forty years has done nothing but watch the moment when silver has reached the degree of fusion which precedes vaporization! who is blind to all else, but receives a good fat salary for his services.<sup>383</sup> Schleiermacher rightly declared all human action which is purely mechanical, through which man becomes a living tool (slave!) immoral. When the division of labor has reached this point, machines should take the place of men. The morality of a profession may be measured by the degree in which it corresponds with the universal calling of the race.<sup>384</sup> It is not, therefore, a piece of inconsistency but rather a deeply felt want, when, where civilization is at its highest, so many demands are made that the division of labor should take a retrograde path. The practice of gymnastic exercises by the sedentary classes, universal military duty, the participation of citizens in municipal government and in political affairs, of laymen in the government of the church, of the wealthy in the administration of charity; all these things are, from a materialistic

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<sup>383</sup> *von Ledebur*, *Reise in Altai*, I, 384. The working together of wife and child, introduced recently by manufacturers, cannot be considered as a higher grade of the division of labor, but only as a very unfavorable change in the kind of it; inasmuch as it were better to employ the women in their domestic avocations and to leave children to their studies and their sports. Among the higher classes, it should be made the part of female education, to counterbalance, in the family, the effects of the ever increasing division of labor among the male portion, by the development of that which is universally human—art, sociability, house-keeping etc.

<sup>384</sup> *Schleiermacher*, *Christliche Sitte*, 465 ff., 676 ff., 154 ff. From a similar feeling, although much exaggerated, the Greeks of the classic age proper considered all callings followed for gain dishonorable, not excepting even those of the physician and of the teacher. *Plato*, *de Rep.*, I, 347 ff. *Aristot.*, *Rhet.*, I, 9, 27: μηδεμίαν ἐργάζεσθαι βάνανυσον τέχνην, ἐλευθέρον γάρ τὸ μὴ πρὸς ἄλλον ζῆν.

stand-point, considered a great squandering of time. It may be, that, if the division of labor were more rigidly carried out, we might, by its means, obtain more perfect results with less economic expense. But the whole man is of more importance than the sum of his achievements and enjoyments. (Luke, 9:25.) Wo to the nation where only jurists have a developed sense of the right, where political judgment and cultivated patriotism are the portion of only officials and placemen, where only the standing army has warlike courage, and the clergy only conscious religiousness; where parents leave all care for education to the teachers of the various branches of learning, and where physical vigor is to be found only among the proletarians. Hence there is nothing more ruinous than premature one-sided education in a single trade or profession—a thing which often happens from poverty before the foundations of the general education becoming a human being have been laid. The higher a man's position, the more should he, so to speak, be a representative of the whole human race. Who, for instance, would wish to see a ruler brought up as men are to a special branch of science or to a special profession?<sup>385386</sup> The

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<sup>385</sup> As, for instance, the superintendent of a manufactory must have a better general training, but can get along with less of a special, than his workmen.

<sup>386</sup> *Thucydides* says of the contemporaries of Pericles: "The same men devote themselves, among us, in part to domestic and political business; in part, others who busy themselves with agriculture and industry have no mean knowledge of the affairs of state. We call those who take no part in the former not people loving their ease, but useless men." (II, 40.) During the succeeding period, Athens was destroyed mainly by the ever increasing division of labor between citizens and soldiers. For, "to separate the arts which form the citizen and the statesman, the arts of policy and war, is an attempt to dismember the human character, and to destroy those very arts we mean to improve." (*Ferguson.*) We know from *Valerius Maximus*, that the Roman soldiers from the time of Marius had, doubtless, a better technic training than their ancestors who who defeated Hannibal; but was it in a military or political sense that they were thus better trained? The beautiful definition of Cato intimates something of the same nature; the good orator was *vir bonus dicendi peritus*. (*Quintilian*, XII, I.) And so *Garve*, *Versuche*, IV, 51 ff., expects from the political elevation of citizenship, of those possessed of the right of citizens, not only usefulness in

[203] best corrective for the one-sidedness produced by a high division of labor consists in the extension and many-sided employment of leisure time, both of which are made more easy by the same high civilization which always accompanies the division of labor.<sup>387</sup>

#### Section LXIV.

### The Co-Operation Of Labor.

The coöperation or combination<sup>388</sup> of labor must, however, always correspond to the division of labor. Both are but different sides of the one idea of social labor; the separation of different kinds of labor, in so far as they would disturb one another, and the union or combination of them so far as they help one another.<sup>389</sup>

[204] The vintner or grower of flax would necessarily die of hunger if he could not certainly count on the grower of corn. The workman

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simple labor, the same sort of work is performed at the same time and place by several individuals, as, for instance, by a lot of hod-carriers in building. In the other case, there are different kinds of work performed at different times and places, but all intended for the one greater end. Agriculture affords room for the first especially, and it is known also to a great number of animal species. a particular direction but the development of the whole man, a thing hitherto expected only of the nobility.

<sup>387</sup> As one's peculiar calling does not take up all his life, we must draw a clear distinction between the one-sidedness of labor and the one-sidedness of life, (*von Mangoldt*, *Volkswirtschaftslehre*, 227.) Only the last is to be avoided at all hazards; and we find it in the middle ages, with its limited divisions of labor, perhaps more frequently than where civilization has attained a higher stage. During the middle ages, it was not unusual to make feelings which every one should cultivate at times, if only temporarily, the lasting calling of some. Thus one prayed his whole life long, or was engaged in contemplation, and relieved others of the necessity of performing these duties. The consequence was, that the latter sank as deeply in worldliness and want of the interior spirit as the former were plunged in idleness and hypocrisy. But, on the other hand, when, in our day, the printer relieves the writer of a portion of the labor which



in a pin-factory, who prepares only the heads of pins, must be sure of his colleagues who sharpen the points, if his labor would not be entirely in vain. The labor of the merchant is not even thinkable without that of the different producers between whom he mediates. Where the production of a certain article depends on the services of six different kinds of labor, one of which, however, demands thrice the time, and another twice the time of the rest, it is clear, that, in order that the business may be properly carried on, so many workmen should be employed that their number divided by 9 should leave no remainder. (*Rau.*) The union or combination of different kinds of labor is most perfect when the workmen live nearest together; when, therefore, they are not separated by great difficulties of transportation; or in different countries, in which case, a war might tear all to pieces.

#### Section LXV.

### The Principle Of Stability, Or Of The Continuity Of Work.

Coöperation in time is of equal importance: the principle of the stability, or of the continuity of labor. When a workman dies, it is necessary to be able to calculate on a substitute. It is well known that it is much harder to begin a business, than it is, afterwards, to improve and enlarge it; and this, the more complicated it

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might be his, the personal development of neither suffers.

<sup>388</sup> *L'uomo è un' tal potenza, che unita all' altra non fa un eguale alla somma, ma al quadrato della somma. (Genovesi.)* As to how the action of every individual man is a species of division and union of different kinds of labor, see *Stein*, Lehrbuch, 24.

<sup>389</sup> Compare *Ad. Müller*, Elemente der Staatskunst, III, 1809. *Fr. List*, System der polit. Ökonomie, 222 ff., 409 ff. *Wakefield*, in his edition of Adam Smith, distinguishes two degrees of coöperation, simple and complex. In the case of

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is. A new enterprise will take root easily, only where there are several similar ones already in existence; a new manufacturing establishment, for instance, where by the existence of other such establishments, the requisite habits of the workmen, of capitalists and of the public in general, have been previously developed. The skill of workmen is propagated especially by observation and the personal emulation of the young; whence it is, that the introduction of new industries is best made by the immigration of skilled workmen.<sup>390</sup> Hence the baleful influence of such interruptions, as for instance, the repeal of the edict of Nantes. Hence too, it is, that despotism and the reign of the populace are so unfavorable to the economy of a country, where there can be no guarantee of a consistent observance and development of the laws. To the best applications of the principle of the continuity of labor belong the church-building of the middle ages, the national canals, the street and fortification systems of modern times; all of which have been created only by the coöperation of several generations to the same end.<sup>391</sup> The most striking means by which such a coöperation has been advanced in modern times is public credit, “a draft on posterity;” yet, all saving is, in principle, the same. The most powerful element in the coöperation in time of labor is the economy in common of the family, although it differs in degree, according to the different kinds of family inheritance. Where, as among the English middle classes, it is

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<sup>390</sup> Flemish weavers in England, French refugees in Protestant countries; German miners in Spain, Scandinavia, Hungary and America.

<sup>391</sup> This, so very largely developed in Egypt and India, where the principle of caste obtains, is very little developed in the despotisms of Asia. The great princes, in the latter countries, build largely from vanity only. Hence their successors seldom complete their works, and scarcely repair them. Nowhere else are there so many half completed and yet decaying buildings. *Klemm*, *Kulturgeschichte*, VIII, 86. *Riedel*, *N. Ökonomie I*, 259, very correctly remarks that such kinds of coöperation as contribute most to the propagation of skill, both in commerce and manual labor, have less real division of labor, and vice versa.

customary to secure the business property of the family to one child by will, and to entrust the conduct of the business, during the life of the father, to the devisee, to provide for the other children by insurance, by savings etc., made from the surplus of the business, there may be old firms which remain always new, however; because they combine the experience of age with the energy of youth, and are never broken up by a division of the inheritance. But the compulsory equality of heirs, which [206] actually obtains in France, compels almost every new generation to begin with a new firm. (See § 85 seq.)<sup>392</sup>

### Section LXVI.

#### Advantage Of Large Enterprises.

On the results of the division and coöperation of labor rests the superior advantage of all great undertakings, and they are, therefore, smaller in agriculture than in industry. "It is harder to acquire the first thousand than the second million." Abstraction made of the conditions of capital and of the market, the limit up to which the growing magnitude of an enterprise becomes more advantageous, lies in the increasing difficulty of superintendence. Numberless commercial improvements, such as the post-office, railroads, telegraphs, exchange, banks etc., have operated powerfully to extend these limits. It is frequently possible, even in small enterprises, to secure the advantages of large enterprises, by association among those concerned. They must, of course, possess the necessary capital. If they have not got it, as property, they must borrow it. It is, of course, peculiarly difficult here to preserve the necessary unity, without which the coöperation of labor becomes the confusion of labor. The

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<sup>392</sup> Compare *Leplay*, *La Réforme sociale en France* (1864).

more moral and intelligent the participants are and the simpler the business, the more extensive may it become, and the more

probable will be its success. (§ 90.)<sup>393394395</sup>

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<sup>393</sup> Concerning association in general, see *M. Chevalier*, Cours, III, Leçon, 24, 25. On this subject so much talked of in our day, see, more in detail, concerning its application to agriculture, my work, Nationalökonomik des Ackerbaues, 4, § 39, 47 ff.; 68, 133 ff.; on its application to industry, especially where there is question of the relation of handiwork and manufactures to large factories; see *Roscher*, Ansichten der Volkswirtschaft, II, Aufl., 1861, Abhandlung, IV, V.

<sup>394</sup> *Adam Smith* remarked that the laws of the division of labor obtain also in intellectual works; and indeed, among all nations in a very low grade of civilization, the germs of all art and science are found connected with theology; and later, the germs of all poetry and history with the epic. The expression: *non defuit homini, sed scientiæ, quod nescivit Salmasius*, is a clear proof of the insignificance of the science of the time. Think of the increase during the last hundred years of the branches of study in our German universities. There are now thirty-four regular professors in the Leipzig philosophical faculty, where then there were only nine. But here also the principle proves true, that an excessive division of labor, where the broader connection and the deeper foundation of all sciences disappear from the consciousness, undermines intellectual health and freedom. And the injury here is greater and more irreparable than in the domain of mere physical labor. See *Hufeland*, N. Grundlegung, I, 207 ff. If we have just become Alexandrians, we have, however, no Aristotle to hope for. *Jurisprudentia est divinarum atque*

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be a dilettante, no one a master, and everything should be done as badly as possible. *Proudhon*, *Contradictions économiques*, ch. 3, objects to this, that a workman must, in some way, be held responsible for his work. *Fourier* himself calculates that, in his *harmonie* all pleasures are productive labor; and that by this constant change, one might be satisfied with from 4-½ to 5-½ hours of sleep, and that even children 2-½ years old might take part in the work. Thus, there would be a great rivalry between apple-growers and pear-growers, so great “that more intrigues in attack and defense [*passion cabaliste*] would arise there than in all the cabinets of Europe,” in the settling of which the growers of quinces would act as intermediaries. There are, in addition to all this, wonderful aids; a fructifying crown of light rises over the north pole; oranges bloom in Siberia; the sea becomes as delicious as lemonade; dangerous animals die, and in their stead anti-lions and anti-whales come into being, animals useful to man, which draw his ships for him during calms. These ideas are by no means retracted in *Fourier's* later works, See *Nouveau Monde* (Oeuvres) IV, 447. The propositions of *Robert Owen*, *A new View of Society* (1812), have much similarity with those of *Fourier*. They differ only in the absence of the French barrack-like character of the phalanxes, and the fantastic character of the presentation of the doctrine. He would have all the land divided into districts of 1,000 acres each; each district to have a four-cornered town with 1,000 inhabitants, following a system of production and consumption in common,

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but not with full equality; carrying on both agriculture and other business. A principal feature here is an entirely new system of education. The author says that man has hitherto been the slave of an execrable trinity: positive religion, personal property and indissoluble wedlock. (Declaration of mental independence.)

*humanarum rerum notitia, justis atque injustis scientia (Ulpian)*. It is remarkable that nations who possess no real national literature of their own, when they once get beyond the bounds of utter barbarism, learn foreign languages etc., most easily.

<sup>395</sup> The socialistic utopia of *Ch. Fourier* (*Théorie des quatre Mouvements*, 1808. *Théorie de l'Unité universelle*, 1822. *Le nouveau Monde industriel et sociétaire*, 1829) are based upon the following fundamental ideas. A. The present civilization is that of a topsy-turvy world, especially in so far as it ascribes a "moral" (a word always used by him in an ironical sense) self-government to man. In Fourier's world, on the other hand, every man is supposed, at all times, to give free rein to every *passion*; and the play of these gratifications constitutes the *harmonie*, in which the poorest find more enjoyment than do kings at the present time. (See § 207 of this work.) B. The main thing to further this is a radical reform in the division and cooperation of labor as they exist at present. Instead of the present villages and cities, we should have only phalansteries, each with 2,000 inhabitants, and situated in the

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center of the land cultivated by them. Instead of the present nations and states, we should have a universal confederate republic, hierarchically graded, with French as the universal language. According to the demands of the *passion papillonne*, each one should carry on the most different kinds of business side by side, and each one of them at most two hours per day; i.e., every one should



## Chapter IV.

### Freedom And Slavery.

#### Section LXVII.

##### The Origin Of Slavery.

An institution like that of personal bondage, which, it can be shown, has existed, among all nations of which history gives us information, at one time or another, must have very general causes. Among these may be mentioned especially subjection through war. It is not possible to calculate how much the principle, that it was proper to reduce the man to slavery whom it was considered right to kill, contributed to make war less bloody in an uncivilized age.<sup>396</sup> A nation of hunters is almost compelled to grant no quarter; the conqueror would be obliged either to feed his prisoner or to put arms in his hands. It is certainly a great humanitarian advance, when this state of things is superseded by slavery among nomadic nations.<sup>397</sup>

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<sup>396</sup> Compare *Tacitus*, *Histor.*, II, 44.

<sup>397</sup> See *Iselin*, *Geschichte der Menschheit* (1764), III, 7. *Bazard*, *Exposition de la Doctrine de Saint Simon*, 1831, 153. Among negro nations deprivation of freedom is one of the most usual punishments for crime; but the criminal has the option of substituting his wife or child for himself. *L.A. de Oliveira Mendez*, in the *Memor. econom. of the Royal Academy of Lisbon*, vol. IV, I, 1812. As to slavery on account of crime among the Germans, see *Grimm*, *D. Rechtsalterth.*, 328 seq.

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In times of peace, economic dependence is the result of poverty, excessive debt etc.<sup>398</sup> Where there is no division of labor, the individual has no means of supplying his wants, except by cultivating a spot of ground. But, how can the poor wretch who has neither capital<sup>399</sup> nor land exchange anything of value for either? Such an advance, where there is no security in law, can be made only on the credit of a very important pledge. But the man who is destitute of all property can offer nothing but the productive power of himself or of his family.<sup>400</sup> And so it is with the small landed proprietor who has lost all his capital,<sup>401</sup> for, considering the superabundance of land, the part which he possesses has value in exchange only to the extent that it is joined with the certainty of being cultivated; and here is the origin of the *glebæ adscriptio*. The hereditary transmission of the relation to the children seems to be equally useful to them; or who, were this not the case, would think of providing them with food? It also frequently happens that poor parents prefer to sell their children

<sup>398</sup> Loss at play was a frequent cause of slavery among the ancient Germans. *Tacit.*, Germ., 24. For the principal causes of slavery among the Israelites, see the books of Moses, II, 22, 3; III, 25, 39; IV, 21, 26 seq.; among the Indians, Laws of Menu, VIII, 415. The first serfs of Russia were prisoners of war and their children. The laws of Jaroslaws recognize, besides, the following causes: insolvency, contracting marriage with a slave, the illegal breach of a contract for service, flight, unconditional contract for service. *Karamsin*, Russ. Gesch., II, 37.

<sup>399</sup> At least seed and the means of subsistence until harvest time.

<sup>400</sup> Cases of voluntary slavery to escape famine. *Papencordt*, Geschichte der Vandalen, 186; *Victor*, Chron., V, 17; Tur., VII, 45; *Lex Bajuv*, VI, 3; *L. Fris*, XI, I. According to the Edictum Pistense (a., 864), c., 34, one could free himself again by paying back the purchase money and 20 per cent. in addition. It frequently happened that people spontaneously accepted the condition of a vassal in order to enjoy the protection of a powerful personage. See *Stiive*, Lasten des Grundeigentums, p. 74. In 1812, a young Himalayan offered himself to the traveler Moorcroft as a slave in order to obtain food during the famine. *K. Ritter*, Erdkunde, III, p. 999. The same fact occurred, but in greater proportions under Joseph in Egypt. *Moses*, I, 47, 18 seq.

<sup>401</sup> *Cæsar*, B.G., VI, 13.

to seeing them starve.<sup>402</sup> Hence the strange fact that most nations have the most rigid system of slavery precisely at the time that the soil produces food most readily. We need only cite the instance of the South Sea Islands, at the time of their discovery. In many negro countries, where the people have not yet learned to use animals for transportation, the lowest classes, although they enjoy a nominal liberty, are used as beasts of burden.<sup>403</sup>

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## Section LXVIII.

## The Same Subject Continued.

In all very low stages of civilization, the greatest absence of the feeling of wants, and the greatest indolence, are wont to prevail, and in the highest degree. As soon as their merest necessities are provided for, men begin to look upon labor as a disgraceful occupation, and indolence as the highest kind of enjoyment. (§

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<sup>402</sup> *Solon* was the first to prohibit this commerce in Athens. *Kindlinger*, in his *Geschichte der deutschen Hörigkeit*, p. 621, speaks of a child promised as a slave before its birth, by its parents, as a species of farm-rent. (See the *Edictum Pistense*, in *Baluz*, II, 192.) In Chili, the poorest country people who were not entirely white, sold their children in the towns, where they grew up with the families of their masters, and were then kept as servants in a state of semi-serfdom. There is, it is true, no law governing this condition of things. (*Pöppig*, *Reise*, I, 201 ff.)

<sup>403</sup> *Ritter*, XIII, 727. For instance, men in South America used for the purpose of riding. *M. Chevalier*, *Cours*, I, 251; *Læwenstern*, *Le Mexique, Souvenirs d'un Voyageur* (1843); and *Stephens*, *Travels in Yucatan* (1841), show how, even yet, in Central America, although the Indians are legally free, yet, by their senseless way of running into debt, a number of legal relations, amounting virtually to *glebæ adscriptio*, arise. But compare, however, *Humboldt*, *Neuspanien*, IV, 263. This condition of things has been produced in Peru, also, by the payment of one or two years' wages in advance. (*Pöppig*, *Reise*, II, 225.)

41, 213 ff.) Sustained and voluntary efforts, in any number, then become possible only by the creation of new wants; but these new wants suppose a higher civilization. Escape from this sorry circle is then effected in the most humane manner, through the agency of foreign teachers; inasmuch as the representatives of a more highly cultivated people (missionaries, merchants etc.), by their own example, make the nation acquainted with more wants, and at the same time help toward their satisfaction.<sup>404</sup> But, in the case of nations whose civilization is completely isolated, or having intercourse only with others equally low, progress is the creature of force exclusively. The barbarous isolation of families ceases when the strongest and most powerful force the weaker into their service. It is now that *the division of labor really begins*: the victor devotes himself entirely to work of a higher order, to statesmanship, war, worship etc.; the very doing of which is generally a pleasure in itself. The vanquished perform the lower. The one-half of the people are forced to labor for something beyond their own brute wants. And it is, here as elsewhere, the first step that costs.<sup>405</sup> (§ 45.)

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## Section LXIX.

### Origin Of Slavery.—Want Of Freedom.

<sup>404</sup> Thus *Forbonnais*, *Eléments du Commerce* (1854) I, 364, says of trade with savages: *il fait naître dans ces nations le goût du superflu et des commodités, qui multiplie le, échanges et leur donne le goût du travail.*

<sup>405</sup> In very uncivilized nations, among whom serfdom is not known, we generally find the slavery of woman and the temporary bondage of the son-in-law in order to secure the daughter in marriage. This is still the case among the Laplanders. *Klemm*, *Kulturgeschichte* III, p. 54. Slavery was unknown among the Greeks in the very earliest times. *Herod.*, VI, 263. *F. A. Wolf*, *Darstell. der Afterthumswissenschaft*, III, doubts whether any great advance in the higher development of the mind would have been possible without slavery.

It is not to be supposed that slavery, at this stage, is so oppressive even to those who have been deprived of their freedom. The feeling of moral degradation which slavery, abstraction even made of its abuses, awakens in us, is unknown in a very uncivilized age.<sup>406</sup> The child willingly obeys the orders of strangers, and is hired out to service by his parents etc. The want or craving for liberty keeps pace with the intellectual growth of a people. The systematic over-working of servants or slaves, in the interest of their masters, is scarcely thinkable in an uncultured age, when, in the absence of commercial intercourse, every family consumes what it produces.<sup>407</sup> The only thing which the slave has to fear is an occasional outburst of tyranny on the part of the master, a thing which is far from unfrequent in all the relations of low civilizations. Fear restrains masters to a certain extent; for, in those early days, how few were the institutions of state which could protect them against the vengeance of their

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<sup>406</sup> In Russia, where free peasants and serfs lived side by side, it has been remarked that the latter were never so rich and never so poor as the former. (*Kohl*, *Reise durch Russland* II, 8, 300.) The Livonian peasants have become poorer since their emancipation. (*Cancrin*, *Ökonomie der menschlichen Gesellschaften*, 41). Many of the serfs refused to accept emancipation. (*Büsch*, *Geldumlauf*, *Einleitung*, § 6.) And so *Martius*, *Reise in Brasilien* II, 552 ff., assures us that the negro slaves in Brazil are as a rule a very merry set. He is also of the opinion that they are better clothed, lodged, fed and employed than in their own country. For the remarkable official defense of North American slavery directed by *Calhoun*, to Lord Aberdeen, see the *Allg. Zeitung*, 1844, No. 145. In this document, we find a comparison instituted between the free negroes of the north and the slaves of the south. In the north, there was one deaf-mute, a case of blindness and of insanity in every 96; in the south, in every 672; a pauper, invalid and prisoner in every 6 at the north, in every 54 at the south. In Maine, 1/12th of the negroes were afflicted by disease; in Florida, 1/1105th(?). The fact that the slave population of the United States increased, between 1840 and 1860, from 2,873,698 to 4,441,830, while the free negro population of Jamaica, between 1833 and 1843, underwent a frightful decrease, is to the same purport. However, too much must not be inferred from all this, as the negroes in America are very far from being the children of the soil.

<sup>407</sup> The servants in the *Odyssey* who cared for hogs and cattle etc. were

slaves!<sup>408409</sup>

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## Section LXX.

### Emancipation.

As states grow greater and men's manners gentler, the ranks of slavery are less and less liable to be recruited through the agency

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*naturale* of the age of the Cæsars recognized the freedom and equality of man. Digest, XII, 664., L. 17, 32. The New Testament does not reject it absolutely, but would sanctify it as well as all other relations in life. Compare Luke, 17, 7; Eph. 6 5 ff.; Coloss. 3, 22; Tit. 2, 9. More especially, I Timothy, VI, 1 ff. It was not until the ninth century that the opinion that slavery was anti-Christian because men were all made in the image of God, arose. *Planck*, Geschichte der kirchlichen Gesellschaftsverfassung, II, 350. *Sachsenspiegel*, III, 42. A writer as recent as *Pufendorf* explains slavery as arising from a free contract; *faciam, ut des*. Jus naturæ (1672) VI, 3. More recently *Linguet*, Théorie des Lois civiles (1767), V, ch. 30, and *Hugo*, Naturrecht, § 186 ff. have endeavored to prove that slaves are in a condition preferable to that of poor free men. And so *Möser* Patriot Phantasien, II., p. 154, seq. Those who with *Thaer* separate the element of production, "labor" from that of "intelligence," justify slavery on the same principle that Aristotle did, without knowing it. Per contra, see *F. G. Schultze*, N. Ækonomie (1856), 418.

certainly in a better condition in many respects than the peasants of Attica, who were free, but buried in debt until the time of Solon. Concerning the mildness of the treatment of slaves in very early Roman times, see *Plutarch*, Coriol., 24, and *Cato*, I, 3, 20 ff.; *Cato*, de Re rust, 5, 56 ff.; *Macrob.*, Stat. I, 10 ff. On the state of the serfs among the Germans, see *Grimm*, Deutsche Rechtsalterthümer, p. 339 ff.; among the ancient Scandinavians etc., *Dahlman*, Geschichte von

of war.<sup>410</sup> It then becomes necessary to have recourse to the family to keep up their number, which makes their condition much more endurable, and which supposes that it has been made more endurable in other respects beforehand. Modern states, are, as a rule, larger than the ancient were. The Germans had, long before the time of Charlemagne, treated prisoners of war of German origin more mildly than those of Gallic or Slavic

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Dänemark, I, 163. See *Tacit.*, Germ., 25.

<sup>408</sup> Compare Landnamabok, I, 6.

<sup>409</sup> The opinions of the ancients for and against slavery are found in *Arist.* Polit. I, 2. See especially the beautiful passages in *Philemon: Meineke*, Comitorum jr., 364, 410. *Aristotle* even thinks that there are cases in which master and slave might be brought together by a mutual want, each of the other. The former wants hands to execute the work of his brain; the latter a guiding brain for his hands. Where the degree of dependence corresponds exactly to the difference of ability, *Aristotle*, leaving its abuses out of the question, declares slavery to be just. See, also, Eth. Nicom., VIII, 11. Similarly the Pythagorean *Bryson* in *Stobæus*, Florid. LXXXV, 15. But *Aristotle* would hold up emancipation to all slaves as a reward they might have in prospect. Polit VII, 9, 9; (Econ. I, 5. It is characteristic of the many testaments of philosophers, found in *Diogenes Laertius*, that they contain declarations giving slaves their freedom. The Essenes and Therapeutics condemned slavery under all circumstances. *Philo.*, Opp. II, pp. 458, 482, Opp. I. See *Seneca*, De Benef. III, 20. The *jus*<sup>410</sup> *Turgot*, Sur la Formation etc., § 21. The universal empire of the Romans demonstrated this. Then it was, for instance, that during the wars of Lucullus, a slave cost only four drachmas. (*Appian.*, Bell. Mithr., 78.) *Sardi venales*: on account of the glutting of the market with Sardinian slaves, made through the victory of Tib. Gracchus, 177, before Christ. Many of the lesser wars of the

origin.<sup>411</sup> The condition of the latter even improved from the time that nations began to think of making permanent conquests. Since the Slavic wars of the tenth century, certainly since the Lithuanian contests, it seems that prisoners of war were not reduced to slavery.<sup>412</sup> Chivalry, and allowing prisoners to go free, on their word of honor, contributed largely to this result.

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The more productive agriculture is, the more numerous the wants of land owners, the more extensive the division of labor and commercial intercourse become, the easier it is for a large class of the community to obtain support for themselves and families without cultivating land of their own. (Wages.) When exchanges through the medium of money become customary, the chief argument for slavery disappears; and the strong, rich and able man can, without having recourse to force, command the labor of other men. Every further advance in economic culture must necessarily help forward in this direction. Thus, without the plow, for instance, we should all be really only so many *glebæ adscripti*. It is due especially to the ever increasing perfection of tools, machines and operations, that the slave of antiquity was transformed into the serf of the middle ages, and

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Romans can be looked upon only as slave-hunts. But the great wars also were followed by uprisings of slaves on account of the many new slaves which they made. Thus 198 in Latium, 196 in Etruria. (*Bücher*, Aufstände der unfreien Arbeiter von, 143-129, v. Chr., 1874.) During the relatively peaceful periods which preceded many of the Roman revolutions, pirates delivered over great masses of slaves. It frequently happened that several thousand slaves were led to Delos and sold in a single day. (*Strabo*, XIV, 668.) As emancipation was a measure which people could not make up their minds to adopt, these pirates satisfied a "want" for a time, and this partly explains the otherwise incomprehensible forbearance of the state towards them.

<sup>411</sup> *Gregor. Turon.*, III, 15.

<sup>412</sup> *Grimm*, D. Rechtsalterthümer, 323. It is a strange fact that prisoners of war were in several remarkable instances sold as slaves in Italy during the fifteenth century. (*Sismondi*, Hist. des Républiques italiennes, IX, p. 312 seq.; XI, p. 138 seq.) And even in the sixteenth century, the pope allowed those of states opposed to him to be treated in this way. *Sismondi*, *supra*, XI, 251; XIII, 485. *Raynold*, Ann. eccl. 1506, § 25 ff.



afterwards into the day laborer of modern times.<sup>413</sup> It is more particularly to be remarked, that machines, since 1750, “first made the constitutional liberty of many, instead of the feudal freedom of a few, possible.” (*Schäffle*.)

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## Section LXXI.

## Disadvantages Of Slavery.

Slavery promotes the division of labor only in the very beginning. The more dependent the slave is, the worse he works. Whatever he spoils or allows to go to waste injures only his master. Hence it is that slave-husbandry is only one degree removed from what the Germans call *Raubbau*, and which means, as nearly as we can translate it, the most thoughtless and wasteful management possible.<sup>414</sup> Whatever he consumes is simply so much gain to himself. Industry and skill are injurious to him, because, if remarkable for these qualities, his master exacts more work from him and is more adverse to setting him at liberty. Instead of the numberless incentives of the free workman: care for the future,

<sup>413</sup> This graduation of slave, serf and workman, has been carried out especially by *Saint Simon*, *Oeuvres*, 328 ff. Even *Proudhon* admits that the condition of the lower classes is better now than formerly. (*Contradictions économiques*, ch. X, 2.) Compare *M. Chevalier*, *Cours*, I. Leçons 1 and 2, where he shows that our productive power has increased during the last four or five centuries in the production of iron in the proportion of 1 to from 25 to 30; in the preparation of flour since the time of Homer in the proportion of 1:144; in the production of cotton during the last 70 years in the proportion of 1:320. *Aristotle* predicted, long ago, that “when the shuttle would move of itself, and plectra of themselves strike the lyre, we should need no more slaves.” *Polit.*, 2, 5. Every step of true progress brings us nearer the fulfillment of the prophecy.

<sup>414</sup> The North American planters employed coarse tools rather than fine ones, mules rather than horses, because their slaves took so little care of them.

for his family, honor and comfort, the slave is generally moved by one—the fear of ill-treatment, and to this he gradually becomes insensible.<sup>415</sup> The division of labor demanded by manufactures, and which is to be found for the most part only where each person is at liberty to choose his own avocation, is scarcely supposable where slavery, in the strict sense of the word, prevails. The same is true of the spirit of invention and improvement.<sup>416</sup> And even where the milder *glebæ adscriptio* obtains, the division of labor is much hindered. Hence, competent judges all agree on the badness of slave labor;<sup>417</sup> which, as for instance in the United States, was used only where the slaves were crowded together in large numbers and could therefore be easily superintended. And not only are the slaves themselves indolent, but their masters as well; more particularly in slave countries where all labor is considered disgraceful. What must be the national husbandry of a people, one half of whom refuse to do anything that is right

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<sup>415</sup> It can never obtain as much labor from the slave, as the fear of losing his situation and of not being able to obtain another, will from the free workman. (*Hume.*) *Marlo*, *Weltökonomie*, 1848, I, 2, 38, grants this to be true only where all the forces of nature are appropriated by occupation, and the number of workmen is greater than the want of workmen.

<sup>416</sup> Even in Brazil, only free men are, as a rule, employed as sugar refiners, distillers, teamsters etc. (*Koster*, *Travels in Brazil*, 1816, 362.) *Storch*, *Russland unter Alexander I*, Heft, 23, p. 255, cites the opinion of an eminent Russian manufacturer, that it would first be necessary to liberate the serf factory-hands. Masters have generally given up employing their own serfs in manufactures, allowed them to seek work for themselves, and only required them to pay them a species of tax. When this plan was adopted, it was found that they worked much better, (v. *Haxthausen*, *Studien I*, 61, 116.) It was a consequence of slavery that, in antiquity, the very wealthy purchased so little: *omnia domi nascuntur!* (*Petron.*, 38.)

<sup>417</sup> Thus *Homer*, *Od.* XVII, 322, in whose time even there were day laborers, θῆτες or ἔριθοι. (*Od.* IV, 644; X, 85; XI, 490; XIV, 102. *Hesiod*, *Opera*, 602.) And *Varro*, *De Re rust.* I, 17, advises that difficult labor should be performed rather by day laborers. *Coli rura ab ergastulis pessimum est et quidquid agitur a desperantibus.* *Plin.*, *H. N.* XVIII, 7. *Omne genus agri tolerabilius sub liberis colonis, quam sub villicis.* (*Columetta*, *De Re rust I*, 7.) It has been estimated,

and proper, through malice, and the other half through pride! As soon as, on account of increased population and consequent increased consumption, this enormous waste of force can be endured no longer, free workmen become more profitable, not only to themselves and to the whole community, but to the greater number of the individuals who compose it.<sup>418</sup> On the Bernstoff estates the quantity of rye harvested before and after emancipation was as 3:8-■; of barley-corn as 4:9-■; of oat-grain as 2-■:8.<sup>419</sup> [218]

The owners of serfs, especially, are apt to be very wasteful of their labor, because they imagine that they obtain it gratis. Tucker has made a curious calculation tending to show that when civilization reaches a certain point, the master's self-interest leads to emancipation. In Russia, where there are seventy-five persons to the English square mile, it seemed to him that serfdom was still a good economic speculation. In western Europe, where there were one hundred and ten persons to the square mile, freedom, in all relations of master and servant, he considered more advantageous to all parties. Emancipation began in England in the fourteenth century, when that country had a population of forty to the square mile, and was completed in the seventeenth,

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that, in the West Indies, a negro slave performed only one-third of the work performed by an Englishman in his own country. (*B. Edwards*, History of the British West Indies, II, 131.) During the one afternoon, in every week, in which the negroes were allowed to work on their own account, they accomplished as much as on other entire days. Edinburgh R. IV, 842. Compare *Bentham*, *Traité de Législation* I, 319. *Ch. Comte*, *Traité de Législation*, 1827, Livre V.; *Cairnes*, *The Slave-Power, its Character, Career and probable Designs*, 1862; *Olmsted*, *Journeys and Explorations in the Cotton Kingdom*, 1861.

<sup>418</sup> While the older tyrants had prohibited idleness, Draco and Solon even under pain of degradation (see places in *Büchschütz*, *Besitz und Erwerb*, 260). *Socrates* called the ἀργία the sister of Freedom (Aelian, V.H.X, 14), and the σκολή the most beautiful of all professions.

<sup>419</sup> *B. Franklin*, *Observations concerning the Peopling of New Countries etc.*, 1751.

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when the population was ninety-two to the square mile.<sup>420</sup> Tucker concludes, that the turning point comes, when the population is relatively to the number of square miles as 66:1.<sup>421</sup> Such a calculation cannot, of course, be universally true. The free workman can usually command a much larger portion of the sum total of economic profits than can the slave or serf, who must be satisfied with the minimum necessary to support life.<sup>422</sup> Hence, free labor is more profitable to masters only when production in general is so much enhanced thereby that a greater quantity of goods falls to their share also. But this will always be the case where workmen are capable of development.<sup>423</sup>

## Section LXXII.

### Effect Of An Advance In Civilization On Slavery.

<sup>420</sup> Monument erected to *Bernstorff* by his peasants, 8, 15. The *Zàmoiski* estates yielded, 17 years after emancipation, three times as much as they did when serfdom prevailed. *Coxe*, Travels in Poland, I, 22. The transformation of the serfs into hereditary farmers cost *Count Bernstorff* 100,000 thalers; but the revenue derived from his lands increased in consequence, in twenty-four years, from 3,000 to 27,000 thalers. An English mower can mow a field two and three times as great as a Russian mower in a given time. If the former receives daily wages equivalent to seventy pounds of wheat, and the latter to only twelve, the Englishman's labor is still the cheaper; for he turns out 100 pounds of hay while the latter turns out only eight. *Jacob*, 43 seq. But the hiring out of serfs in the large cities of Russia yielded less to their masters than in the interior. *Storch*, Handbuch, II, 286.

<sup>421</sup> *Tucker*, Progress of the United States, 1843, pp. 111 ff. We need not call attention to the inaccuracy of these figures, nor remark how little serviceable for our present purpose an average obtained from the density of population in different parts of Russia, where such densities are themselves so very different, would be.

<sup>422</sup> The Spartans seemed to have counted on an adult free man for twice as much coarse food as a bondsman. (*Thucyd.*, VI, 16.)

<sup>423</sup> *Stewart*, Principles, I, 7, in accordance with historical data, says, that the peasantry in our days work for other people, because they have wants which

At the same time, the same degree of servitude becomes more and more oppressive to the bondman as civilization advances. The greater his intellectual progress, the more does he feel the want of liberty, and the more keenly he experiences the degradation of his condition. The development of luxury digs a gulf between master and servant which grows wider every day. (§ 227 ff.) As commerce extends, it becomes more profitable for the master to exact excessive work from his slave. In the West Indies, it was a problem which every slaveholder solved for himself, whether, by immoderately increased production, which cost the lives of many slaves, the gain in sugar was greater than the loss occasioned by the consequent death of the negroes.<sup>424</sup> When, with the advance of civilization, the state guarantees to all more certain [220] protection of their rights than they enjoyed in a less advanced stage of social improvement, the last check on masters, the fear

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can be satisfied only in this way; because “they are slaves of their own wants.” The unquestionable superiority of free to slave labor, in point of economy, has been dwelt upon especially by *Turgot*, *Sur la Formation et la Distribution*, § 28, and by *Adam Smith*, *Wealth of Nations*, I, 8, III, 2. But see *J. B. Say*, *Traité*, I, ch. 19, and *Storch*, *Handbuch*, II, 184. When *Hume*, *Discourses*, No. 11, *Populousness of ancient Nations*, demonstrates the greater cost of slavery from the fact that the master of slaves must either breed or buy them, he forgets that in the case of free workmen he is obliged to provide also for the support of the workman's children. Only, the slaveholder has, indeed, to advance the whole at once.

<sup>424</sup> *Humboldt*, *Cuba*, I, 177. *Ashworth*, *Tour in the U.S. Cuba and Canada*, 1861. The slaves in Louisiana were so overworked that they lived, on an average, scarcely seven years. *Edinburg Rev.*, LXXXIII, 73. Even the Stoics were not agreed, whether it was right, in case of shipwreck, to sacrifice a cheap slave in order to save a valuable horse. (*Cicero*, *de Off.* III, 23.) Whether the self-interest of masters is an inducement to the mild treatment of their slaves depends on the price for which fresh slaves may be obtained. This is a strong reason why a high degree of civilization, where there are not counteracting influences, must make slavery less endurable. The more valuable slaves are, the worse is their condition. In the unfertile Bahamas, the price was £21; in Demarara, £86. In the former place they were required to do little work and

of the vengeance of their slaves, is removed.<sup>425</sup> Demoralization naturally increases in the same proportion; and that of the master as well as that of his servants.<sup>426</sup>

### Section LXXIII.

#### The Same Subject Continued.

This explains why it is that, in all countries, the power of the state, in a period of transition towards a higher civilization, has endeavored to render slavery milder. Great credit is due the Church in this regard. It soon extinguished slavery entirely in Scandinavia,<sup>427</sup> and in portions of Europe it abolished at least the sale of prisoners to foreign countries.<sup>428</sup> The *Concilium Agatheuse*, in the year 506, decreed that serfs should not be killed

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were well fed and well clothed. Hence their numbers have increased there, while in Demarara they have decreased. (Edinburgh Rev., XLVI, 496, 180.)

<sup>425</sup> Proverb: *quot servi totidem hostes*. (Macrob., Sat. I, 11, 13.)

<sup>426</sup> Jefferson, Notes on Virginia, 212. The chastity of both parties especially suffers. The *leno* of ancient comedy was a slave trader! Compare L. 27, Digest, V, 3. In the English negro colonies, it was not unusual for the guests of the planters, even in the best families, on retiring, to ask the accompanying servant for a girl, with as little concern as they would in England for a light. (Negro Slavery, or a Creed of ... that state of Society as it exists in the United States and in the Colonies of the West Indies, London, 1823, 53.)

<sup>427</sup> Even the law of Upland forbade the sale of Christians. The children of a slave and of a free person were born free. Emancipation was considered a Christian act, to be performed for "the salvation of one's soul." Voluntary slavery was prohibited in 1266, and Magnus Erichson forbade slavery generally from the year 1335. See Geijer, Geschichte von Schweden, pp. 157, 185, 273. Estrup, in Falcks N. Staatsburg Magazin, 1837, 179, ff.

<sup>428</sup> L. Alam, 137, 1. L. Fris., 17, 5. Decree of 960 concerning the abolition of the trade in Christian slaves between Germany, Italy and the Byzantine Empire. Tafel und Thomas, Urkunden der Staats-und Handelsgeschichte von Venedig, I, 18 ff.

by their masters at pleasure,<sup>429</sup> but that they should be brought before a tribunal of justice. (The manorial tribunals of more recent times.) Moreover, the numberless holidays of the church operated greatly in favor of the bondmen. Pope Alexander III. recommended their gradual emancipation.<sup>430</sup> One of the principal steps in the way of progress was made when they could no longer be sold singly, but only with the village or on the estate to which they belonged.<sup>431</sup> The feudal aristocracy improved the condition of the bondmen by reducing a great number of freemen to their level.<sup>432</sup> This could not be effected without a real amelioration of slavery; and, later, when the feudal aristocracy declined, the older serfs were, with those who had been formerly free, raised from their abject condition. The sense of chivalry would not permit a lord to be served by a bondman. The old adage "the serf lives to serve and serves to live," by degrees, lost its force. Serfs were required to perform certain tasks on

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old form of serfdom had so far disappeared in the fourteenth century, that it might be said it was known only to history. But during the reign of the weak king, Ladislaus II, a new species of serfdom came into vogue, the result of the preponderance of the aristocratic element. *Palacky*, *Gesch. von Böhmen*, II, p. 33 seq.; III, 31 seq. Aristocratic Denmark, before the peasant war of 1255-1258, subjected the free peasantry who had been leaseholders for a term of years to unlimited socage duty. Waldemar III, reduced to the same kind of service the land-owning peasantry, which especially from the date of Margaret's reign, developed into a species of *glebæ adscriptio*. From the sixteenth century, when the royal power almost disappeared, these public privileges were abandoned to the nobility to such an extent that, in 1650, there were scarcely 5,000 free peasants. *Dahlmann*, III, p. 73 seq. However the severity of *traeldom* made way in the fourteenth century for the *vornedskap* (modified bondage), a milder species of vassalage. See *Kolderup Rosenvinge*, *Grundriss der dänischen Rechtsgeschichte*, § 94.

<sup>429</sup> *Tacit.* Germ. 25. In the *Legg. Walliæ* 206 (Wolton) we read: "*Hero eadem potestas in servum suum ac in jumentum.*"

<sup>430</sup> The council of London in 1102 forbade men to be sold like beasts. (Concil., ed. Venet. 1730, XII, 1100, No. 27.) *Guérard*, *Polyptiques d'Irminon*, Prolegg., 220, describes a pedagogical model emancipation by the Church of its own serfs. On the whole, the church contributed more towards the emancipation of

the lands of their master and to pay him a certain quantity of the produce of their own. Heriots (*mortuarium*), which became usual from the 8th century (*J. Grimm*), may be considered evidence that even bondmen were permitted to acquire and hold property in their own right. Thus was one of the chief disadvantages of slavery, in an economic sense, removed.<sup>433</sup> It may be affirmed, as characteristic of the aristocracy of feudal times, that they treated those, who like the serfs were entirely at their mercy, with much more consideration than those who were free, and, although dependent on them, had certain rights guaranteed by contract. The absolute monarchy found in nearly all nations, at the opening of modern times, was forced by its struggle with the mediæval aristocracy to favor the emancipation of the serfs and of the lower classes. Even in Russia, Iwan III. (1462-1505) seems to have restored to the peasantry the right of migration, of which they had been deprived by the invasion of the Mongols,

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the serfs of others than of its own. See ch. 39, C. XII, qu. 2; c. 3,4; De Rebus eccl.

<sup>431</sup> In Flanders since the end of the twelfth century. *Warnkönig*, Flandrische Staats und Rechtsgeschichte (I, 244).

<sup>432</sup> In what relates to Germany, compare *Sugenheim*, Geschichte der Aufhebung der Leibeigenschaft in Europa, 1861, p. 350 ff. The destruction of the old manorial system (*Hofwesen*) in the fifteenth and sixteenth centuries, was often unfavorable to bondmen and favorable to serfs. *Maurer*, Gesch. der Frohnhöfe, II, 92. In Poland, where all were originally equal land-owners, many sank gradually through poverty to the condition of the so-called *kinetes*, who, although personally free, were not very far removed from slaves. Beginning with the thirteenth century, a great number of immunities, after the model of those accorded in Germany, were granted, by means of which they lost, for the most part, their direct subjection to the emperor and the empire alone. This was soon followed as a consequence by their personal oppression. (*Röpell*, Geschichte von Polen, I, p. 308 seq., and p. 570 seq.) In Bohemia, the

<sup>433</sup> The French expression *mainmorte* comes originally from the deprivation of the right of inheritance. In Beaumanoir's time, 1283, it was customary, after a number of serfs had lived together for a year and a day, for their chattels movable to become the common property of the community. (*Warnkönig*, Französische Rechtsgeschichte, II, 157.)



nor did they lose it again until the great troubles at the beginning of the seventeenth century, which gave the ruling power to the nobility.<sup>434</sup>

Where civilization has reached its highest development, the irresistible power of public opinion, governed by the ideas of the universal brotherhood of man and of democratic equality, causes the abolition of all irredeemable and of all hereditary relations of

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<sup>434</sup> In France, Louis X. made it a fiscal speculation to sell serfs their liberty in whole districts, even against their will. His edict, *Ordonnances*, I, 583, recognizes that all men are by nature free, and that France is not without reason called the land of the Franks etc. Even in 1298, Philip IV. had exchanged the serfdom to the crown of several provinces for a land duty. The last ruler of Dauphiny gave all the serfs of the crown their liberty gratis, in 1394. (*Sugenheim*, p. 130.) When the so-called *coutumes* were written, there were only nine provinces in which by local law serfdom was permitted. The defeat of the *jacquerie* injured the cause of emancipation in France in the same way that the suppression of the war of the peasants did in Germany. About 1779, *mainmorte* was abolished in all lands of the crown, and its proof made almost impossible in all others. (*Warnkönig*, II, 151 seq.) Yet it is said that there were 150,000 *serfs de corps* in France in 1789. (*Cassagnac*, *Causes de la Revolution*, III, 11.) Koloman, who died in 1114, forbade the slave trade in Hungary, and labored to raise all Christian slaves to *conditionarii* (renters). But the right of migration was abolished in 1351. King Sigismund, and still more, Matthias Corvinus, restored it, after the suppression of the war of the peasants, but in 1514 it was again lost until 1586. Further progress was arrested until the *Urbarium* of Maria Theresa.

servitude.<sup>435436437</sup>

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<sup>435</sup> In Italy, Frederick II. liberated all the serfs of the crown. (Constitut. Regni Sicil., 164.) A model instance of emancipation at Bologna in 1256. The serfs of the state were simply set at liberty; the freedom of those of private persons was purchased with the money of the state, and a small corn-tithe laid on the emancipated as a compensation for the expense incurred in their behalf. In the future, there was not to be a bondman on Bologna territory. The motives which led to this measure are a strange admixture of Christianity and Democracy. (*Muzzi*, *Annali di Bologna*, 1840, I, 479.) Italy, at the end of the fourteenth century, was entirely free from Christian serfdom. (*Muratori*, *Antt. Ital.*, I, 798.) In the canton of Berne, Switzerland, slavery was gradually abolished, the process commencing about the beginning of the fifteenth century. It continued, however, in the case of ordinary masters until 1798. (*Sugenheim*, p. 530 seq. In England, Alfred the Great's efforts towards the gradual abolition of slavery (*Wilkins*, *Leges*, 29) remained without result. The steps taken by William I, towards a much narrower end, however, seem to have been more successful. (*Leges Will. Conq.*, 225, 229; *Turner*, *Hist. of England*, I, 135.) From the time of the Norman conquest, prisoners of war ceased to recruit the ranks of slavery. Under Henry III and Edward I, socage tenants became more and more frequent; but, before long, their duties became less onerous, and might be discharged by others hired for the purpose, instead of by themselves. The first remarkable vestige of a class working for wages is met with in the law

of 1351, which may be considered an effort made by the nobility to oppose the tendencies in favor of emancipation, which were a consequence of the development of cities. (*Eden*, *State of the Poor*, I, 7, 12, 30, 41,) *Infra*, § 175. Although the peasant war under Wat Tyler and Straw, who wished to abolish servitude at a blow, failed of its object, we find that there were a great many instances of emancipation by individuals in the fourteenth and fifteenth centuries when death or sickness overtook them, in which they declared the moral unfitness of slavery. (*Wycliffe*: “When Adam dalve and Eve span, who was then the gentleman?”) Elizabeth liberated the last serfs of the crown. Compare 12 Charles II, ch. 24, 1660. Emancipation in the lowlands of Scotland was completed in 1574. (*Tytler*, *Hist. of Scotland*, II, 260.)

<sup>436</sup> Modern Emancipation Laws: in Prussia, 1719, 1807, 1819; Lausitz; 1820, Westphalia; in Austria, 1781 (Bohemia and Moravia), 1782 (other German countries and Galicia); 1785 (Hungaria); Schleswig-Holstein, 1804, after many of the landed gentry had voluntarily emancipated their own serfs; in Bavaria, in 1808; in the kingdom of Westphalia, in 1808; in Hessen-Darmstadt, in 1811; in Württemberg, in 1817; in Baden, in 1783, 1820 in newly acquired countries; in Mecklenburg, in 1820; in the kingdom of Saxony, in 1832; in Hanover, in 1833. The law of 1702, abolishing serfdom in Denmark, was evaded until 1788, and in part, even until 1800 by the *Schollband* (clod-bond) introduced in its stead. The only Christian people in Europe, who, until recently, kept

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## Section LXXIV.

## The Same Subject Continued.

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It cannot be doubted, that an entirely direct leap from complete servitude to complete freedom may be attended by many evils. No man is “born free,”<sup>438</sup> but only with a faculty for freedom; but this faculty must be developed. The knowledge and respect for law, and the self-control, which are the conditions and limits of freedom, are never acquired without labor, seldom without the making of grave mistakes, and never except through the practice of them. As a rule, both parties, masters as well as servants, would like to get rid immediately of all the inconveniences of the former condition and yet continue to enjoy its advantages. The servant, for instance, will now yield no more the specific obedience of former times, but demands still specific mildness from the land-owner, or loaner of capital, his former master. It is

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serfs, was the Russian. The serfs of Russia, in 1834, numbered 22,000,000, i.e., about 40 per cent. of the entire population. In the meantime, the law of February 19, 1861, passed after four years of preparation, fixed the date of emancipation at the beginning of the year 1863. Slavery has been abolished in the United States since January 1, 1863; first of all in all portions of the country engaged in rebellion.

<sup>437</sup> There is a very interesting discussion in the *Journ. des Economistes* for June 1863, of the question whether the owners of serfs are entitled to compensation on their emancipation, by *Laboulaye, Wolowski, Lavergne, Garnier, Simon* and others. In the United States it would have required \$2,000,000,000 to fully compensate the slave-holders for depriving them of their slaves. (*Quart. R., Jan., 1874, 142.*) Compare my view, *Roscher, Nationalökonomi des Ackerbaues*, § 124.

<sup>438</sup> Leave a new-born child to its “natural freedom” for twenty-four hours, and it will in all probability be dead at the end of the time!

inevitable that there should be complaints on both sides.<sup>439</sup> But in the higher stages of economic culture, the relation of paternal protection and childlike obedience between the different classes of the people, which, even in medieval times, never obtained in all its purity, is certainly unrecalable. Hence it is, that all hope of a better condition of things is based only on this, that the lower classes may as soon as possible attain to true independence.<sup>440</sup> [226]

## Section LXXV.

## The Same Subject Continued.

Even in antiquity, the principal nations of the world could not keep the humanizing influence of civilization from making itself felt on their slaves. And if they did not go so far as to bring about the total abolition of slavery, it is unhesitatingly to be attributed to their religious inferiority.<sup>441</sup> In Athens, during the Peloponnesian war, it was almost impossible to distinguish the slaves from the poorer freemen by their looks or dress. Their treatment was mild in proportion as desertion was easier by reason of the smallness of the state or the frequency of war. It was forbidden to beat

<sup>439</sup> Compare Edinburgh Review, LXXXIII, 64 ff., April, 1851, 333. *Klein's Annalen* XXV, 70, ff. Even in the fifth book of Moses, 15, 13, ff., we see that experience had taken into consideration that a freed serf without capital or landed property might very readily be in a worse condition than he was before. In the United States, the anticipation that the emancipated negroes might diminish in numbers has not been realized. The census of 1870 showed a negro population of 4,880,000, nearly ten per cent. more than in 1860. The increase of the number of churches, schools and savings banks also bears testimony to the prosperity of the negro. (*R. Somers*, *The Southern States since the War*, 1871.)

<sup>440</sup> *J. S. Mill*, *Principles*, 10, ch. 7.

<sup>441</sup> As to the Jews, see *Ewald*, *Geschichte von Israel*, I 2, p. 198. In general, see *H. Wallon*, *Hist. de l'Esclavage dans l'Antiquité*, II, 1847.

them; and only a court of justice could punish them with death.<sup>442</sup> Emancipation, in individual cases, was very frequent, and the names of Agoratos and of the law-reviser Nicomachos show how great a part an emancipated slave might play in the nation.<sup>443</sup> The helot system of the Lacedemonians preserved much longer a great deal more of medieval barbarism; but even here, we may infer from the frequent uprisings and emancipations of the helots, from their services in war etc., that their lot was made less hard than it had been.<sup>444</sup>

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Among the Romans, with whom war and conquest were so long considered<sup>445</sup> the principal means of acquisition, slavery was relatively very hard.<sup>446</sup> But, later, there came to be several different grades of slavery (*servi ordinarii* and *mediastini* etc.); and in slavery, every gradation denotes some amelioration of

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<sup>442</sup> *Thucyd.* IV, 27; *Xenoph.* De Re. rep. Art. I, 10 ff., *Aristoph.* Nubes, 6; *Antiph.* De Caede Herod, 727. In the "Frogs" of Aristophanes, the relation between the slave Xanthias and his master is eloquent testimony to the good treatment he received. Slaves enjoyed great freedom of speech. (*Demosth.* Phil. III, iii.) Concerning masters accused of cruelty, see *Demosth.* Mid. 529, 7. Athen. VI, 266. The slave who had been ill-treated might seek refuge in a temple, after which his master was compelled to sell him. (*Schol. Aristoph.* Equitt. 1309. *Plutarch*, Thes. 36.)

<sup>443</sup> Slaves might purchase their own freedom with their *peculium*. See Petit. Legg., Art. II, 179. There were many who lived entirely on their own account, paying a certain duty or tax to their masters, and who were well able to make savings. *R. F. Hermann*, Privatalterthümer, § 13, 9, 58, 11 ff. See the instance in *Plato*, De Rep. VI, 495, where a slave who had grown wealthy asks the daughter of his former master in marriage. Moreover, there was a general indisposition to hold Greeks as slaves. (*Philostr.* Apoll. VIII, 7, 12.) The case cited in *Demosth.* adv. Nicostr. 1249 ff., is all the stronger on this account.

<sup>444</sup> Under Cleomenes, many purchased their freedom with their own means. *Plutarch*, Cleom. 23. At an earlier period, men like Lysandros, Gylippos, Kallikratidos had belonged to a class composed of the children of slaves brought up as citizens.

<sup>445</sup> *Cicero*, pro Muræna, IX, 22.

<sup>446</sup> Think of the subterranean *ergastula*, the fettered door-keepers and the

condition.<sup>447</sup> The slave obtained the right to possess resources of his own (*peculium*).<sup>448</sup> In addition to this, emancipation became much more frequent in the later republic; so much so, that Augustus considered it necessary to pass laws taxing frivolous emancipation. (*L. Aelia Sentia* and *Furia*.)<sup>449</sup> Where men like Terence, Roscius, Tiro, Phædrus and the father of Horace rose from the condition of slavery, the treatment of slaves cannot have been entirely brutalizing.<sup>450</sup> Under the emperors who oppressed the free citizens, legislation was directed more than [228]

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gladiatorial exhibitions.

<sup>447</sup> Even from the time of *Plautus*, the *servi honestiores* were wont to keep *vicarios*, or subordinate slaves. *Plaut. Asin.* I, 4, *Seneca De Tranq. Anim.* 8. Compare *Cicero*, *Parad.* V, 2. Of the slaves of the state, the public scribes were sometimes found in excellent circumstances.

<sup>448</sup> The *peculium* was fully developed in the time of *Plautus* and *Terence*. Compare *Terent.*, *Phorm.* I, 1. It was customary to promise slaves their freedom as soon as they had acquired a certain *peculium*. (*Dionys. Hal.*, *Antt. Rom.*, IV, 24. *Tac.*, *Ann.*, XIV, 42.) Humane masters permitted their slaves to dispose freely of their *peculium* by will. (*Plin.*, *Ep.*, VIII, 16.) There were many of the Romans who gave their slaves a fixed salary, from which they could make savings. (*Senec.*, *Epist.*, 80, 7.) Shepherds raised some sheep for themselves alone. (*Plaut.*, *Asin.*, III, 1, 36; *Varro*, *R. R.*, I, 17, 7.) Premiums were offered for certain products (*Athen.*, VI, 274 d), and there were cases even in which businesses were farmed out to slaves. (*Corp. Inscr. Gr.*, No. 4,713 f.) The *servi publici* had the right to dispose of the half of what they owned, by will. (*Ulpian*, XX, 16.) Contracts of loan were sometimes made between master and slave. (*Plut.*, *Cato*, I, 21, L., 49, § 2, *Digest*, XV, 1.)

<sup>449</sup> Compare *Tacit.*, *Ann.*, XIII, 26 seq. During the time from 356 to 211 A.C., it seems that there were, on an average, 1,380 slaves emancipated yearly. (*Dureau de la Malle*, *Economie polit. des Romains*, I, 290 ff.)

<sup>450</sup> Concerning the highly educated slaves of *Atticus*, of the like of whom the

ever towards the protection of the slaves.<sup>451</sup> Instead of permanent slavery, a condition of things was introduced and became more general every day, one in which the bondman might contract a legal marriage, have property of his own, and in which he was protected against an arbitrary increase of the quota he had to pay his master, whether in money or produce, although he still remained bound to the land. This class was formed not only of the *originarii*, or those born into it, but also of a large number of impoverished freemen, barbarian prisoners of war etc.<sup>452453</sup>

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### Section LXXVI. (Appendix To Chapter IV.)

#### The Domestic Servant System.

150,000. In Rome, during the time from the expulsion of the kings until the destruction of Carthage, the number of the slaves remained about the same. (*Blair*, State of Slavery among the Romans, 1833, 10, 15.) On the other hand, *Dureau de la Malle* is of opinion, that in 576 B.C., the number of slaves was to the number of free men as 1 to 25, and in 225 B.C. (including the metics), as 22 to 27. (*Economie polit. des Romains* I 270 ff., 296.) Compare *Cato*, de Re. rust. I, 3, IV, X, 1 XI; 1, XVII, XVIII, 1. In Germany, the number of bondmen, from the eighth to the tenth century, was estimated to be at least as great as that of free men. (*Grimm*, D. Rechtsalterthümer, 334.) Among the Anglo Saxons, before the Norman conquest, it was much higher, even three-fourths of the entire population. (*Turner*, Hist. of the A. S., VIII, 9.) Compare on the subject of this whole chapter my paper in the Archiv. der polit (Economie, N. F., IV, 30 ff.

Greeks had formerly few examples, see *Drumann*, Geschichte Roms., V, 66. The high prices, 100,000, and even 200,000 sesterces, paid for slaves, suppose a very high degree of education. (*Martial*, I, 59; III, 62; XI, 70; *Seneca*, Ep., 27.) But even *Cicero* was ashamed of his affliction over the death of an exceptionally clever slave. (*Ad. Att.*, I, 12.)

<sup>451</sup> At an earlier period, even the censor had punished cruel masters. But most of what was done to prevent the arbitrary condemnation to death of slaves, their castration etc., and to give them rights against their masters for libidinous



In most countries the servant system developed itself gradually out of serfdom, or of some condition of tutelage analogous thereto. This is seen most clearly in the long continuance of forced service, by which the subjects of the lord of the fee were compelled to allow their children to remain in the court of the lord as servants, either without any remuneration whatever, or for very low wages fixed by long continued custom.<sup>454</sup> Here, also, belongs the right of correction, so generally accorded to masters in former times. In the higher stages of civilization, the whole relation is wont to be resolved more and more into freedom of competition; and this process is wont to take place earliest and most strikingly in the cities. Where vast numbers of men are brought together, demand and supply of services meet most easily. The nearer in the course of this development the servant system approaches to piece-wages and day-wages, the shorter does the customary (presumptive) duration of the contract last,<sup>455</sup> the more voluntary is the period of leave-taking [230]

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acts towards them, for cruelty and insufficient support, or the furnishing them with bad food, was done after the time of Hadrian. (Compare *Seneca*, de Benef., III, 22; de Ira, III, 40, *Sueton.*, Claud, 25, Dom., 7; *Spartian.*, Hadr., 18; *Gaius*, I, 53; L., 1, § 2, Digest, I, 6; L., 1, § 8, D., I, 12; L., 1, § 2, D., XLVII, 8; L., 1; Cod., IX, 14; Contra, see *Dio Cass*, I, V, 17.) However, the *vita necisque potestas* existed in the time of Justinian. (*Zimmern*, Geschichte des röm., Privatrechts, I, 2, 661 ff.)

<sup>452</sup> *Salvian*, De Gubern. Dei, V, 8. *Theod.*, Cad. V, 4. *Eumenis*, Paneg Coast. 8, 9. *Trebell*, Poll. Claud., 9. *Justin*. Cad., XI, 26, 47. Compare v. *Savigny*, Ueber den römischen Colonat. Berliner Akad., 1822-23.

<sup>453</sup> The figures given in *Athen.*, VI, 103, concerning the number of bondmen in Greece are almost incredible. For Attica alone, the estimates vary between 110,000 (*Letronne*, in the Mem. de l'Académie des Inscr., 1822, 192, ff.) and 400,000 (*Athen.* 1. c.), while the free men are estimated at from 130,000 to

<sup>454</sup> *Klöntrup*, Abhandlung der Lehre vom Zwangsdienste, 1801. Frequently, the lord had only a right of preference in case the children of the tenant desired to abandon the parental roof and take service elsewhere.

<sup>455</sup> In *Adam Smith's* time, in England, the presumption was that a servant had been hired for a year. (I, 2, 15 ed., Bas.) Frederick the Great's ordinance of 1769, on this subject, forbade any one to enter into service for a shorter

by both parties;<sup>456</sup> the more does the entire relation tend to be limited to single acts of service agreed upon in advance (§ 39), and the more frequently do both parties endeavor to supply the place of the domestic servants by workmen who receive wages and live outside of the family.<sup>457</sup> The extreme of this direction at present is the servant-institutes in cities, the more movable and more democratic character of which finds expression in this, that they have extended the use of personal services to a lower circle of consumers than could previously have thought of employing them. In English agriculture this transition was completed mainly in the third decade of this century. The change was unquestionably favorable to the improvement of the art of agriculture, but it was frequently damaging to the social

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time than this (II, § 1 ff.), while the Saxon ordinance of 1835, on the same matter, allowed engagements by the month, in cities. *Darjes*, Erste Gründe der Cameralwissenschaften, 2d ed. (1768), p. 432, demands that servants should always hire themselves for at least four or five years, and that their masters should have, during the whole of this time, the right to enforce the contract. In North America, however, service by the month has become customary and general, and no notice of the dissolution of the contract is, as a rule, required. (*Deutsche Vierteljahrsschrift*, 1853, II, 191.) In Switzerland, contracts for service by the week are frequently made even by country servants. (*Böhmert*, Arbeiterverhh., II, 157.)

<sup>456</sup> In the south of England, farm hands were used to change service only at Michaelmas. The choice of such a date made farmers very dependent on them, as it fell in harvest time. (*Marshall*, Rural Economy of the Southern Countries, II, 233.) A similar complaint in Cleves. (*Schwerz*, Rheinischwestphälische Landw., 21 ff.) In Jülich, a half year's notice was required, during which time the servant who had received it, performed his work with disgust, and stirred up his fellow servants against their master. (*Schwerz*, II, 87.)

<sup>457</sup> The families of day laborers, to whom the owner of the land gives the use of a house, small garden, a cow etc., constitute such a transition; and also, workmen who are fed. In Brandenburg, in 1644, only married persons or widowers with children were permitted to work as day laborers. (*Mylius*, C. C.

relation existing between the rich and the poor in the country.<sup>458</sup> In Germany, the sale of the public domains, conscription and *Landwehr* duty have operated in this direction.<sup>459</sup> Hence it is, for instance, that in Prussia, the servants, in 1816, were 15.18 per cent. of the entire male population over 14 years of age, and 17.84 per cent. of the entire female population over 14 years of age. In 1861, on the other hand, there were only 11.88 and 12.93 per cent., respectively, while the number of day laborers and workmen, in the same time, increased from 16.29 per cent. males, and 10.87 per cent. females, to 20.95 and 16.65 per cent., respectively.<sup>460</sup> In most civilized countries, the grade of society from which servants are recruited grows lower and lower as the spirit of independence extends to the deeper strata

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cent. of the total number of servants engaged in industry; of female servants, it was 13.4 per cent. In 1861, on the other hand, the percentages were 8.4 and 37.2. In Great Britain, of the total number of servants over 20 years of age, only 2 per cent. were engaged in personal services. In 1841, they were 3-½ per cent. (*Meidinger.*) In France, in 1851, 2.5 per cent. of the whole population were in *domesticité*. (Stat. off.)

*March.*, V, 1, 3, 11.)

<sup>458</sup> *Wakefield*, *Swing Unmasked, or the Causes of rural Incendiarism*, 1831.

<sup>459</sup> By means of the former, the number of independent small householders was much increased in the country. Masters feel indisposed to hire young men liable to be subjected to military duty, because they may be called away at the moment their services are most needed. The returning soldier, as a rule, feels above doing menial service. (*Schwerz*, passim, I, 191 ff., 236.) On this account, servants' wages in Cleves rose much higher than those of day laborers. (194.) In Belgium, a farm hand cost, on an average, 400 francs a year; a day laborer, counting 300 working days to the year, only 339 francs. (*Horn*, *Statist. Gemälde*, 175.) In the Palatinate, day laborers who receive nothing but their wages cost their masters less than those who receive only their food; and servants are the dearest of all. (*Hanssen*, *Archiv der Politischen Ökonomie*, N. F. X, 243.) If servants were relatively more poorly paid in 1813 than day laborers (*Lotz*, *Revision*, III, 147), it was because of the at least temporary

of humanity.<sup>461</sup>

The servant class may continue a long time yet to be a school of development for those of the lower classes, who, ripe in body, are not intellectually independent; just as the duty of bearing arms has been a school of improvement for all male youth. Life-long servants are as seldom to be desired as life-long soldiers.

In most places, the long transition period from complete bondage to free competition was governed by a police system of wardship, which was very unfavorable to the servant class. Such especially was the provision that all young people of the lower classes, who could not expressly show that they were employed under the paternal roof or at some trade, should be compelled to seek some outside or inland work;<sup>462</sup> such also was the strict prohibition of "usurious" wage-claims, and the "decoying" of servants from their masters.<sup>463</sup> Besides, a great many provisions relating to servants, and based on views belonging to an older economic condition, were intended to throw obstacles

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the public (as if those who sell their services were not a part of it) should not be made the victims of exorbitant demands in the matter of servants' wages. *Jung*, more humane, demands that the authorities shall protect, especially, the weaker party. (*Grundlehre der Staatswirtschaft*, 1792, 700.) In Prussian legislation, the Silesian rescript of March 13, 1809, is the beginning of the new order of things. (*Rabe*, Samml. preuss. Gesetze, X, 59 ff.) The *Obertribunal*, or high court, decided, in 1874, that the bringing back of absconding servants by the police, which the law concerning servants of 1810 provided for, should not be allowed to occur any more.

retrogression of civilization which every great war causes.

<sup>460</sup> *Engel*, Preuss. Statist. Jahrb., II, 261. Services which contribute to personal convenience are naturally committed much less frequently to independent day laborers than those which aid in production proper. Hence it is, that, as civilization advances, house-servants, especially of the female sex, constitute an ever-increasing portion of the total number of servants. In Prussia, in 1816, the number of servants who ministered to personal comfort was only 4.19 per

<sup>461</sup> In England, now more especially, out of farm-hand day laborers: *Edinburgh Rev.*, April, 1862.

<sup>462</sup> A chief element in the earlier "organization of labor." So, also, in the *Magdeburg Gesindeordnung* (service-regulation) of 1789.

<sup>463</sup> Saxon *Landesordnungen* of 1482 and 1543. *Cod. August.* I, 3, 23. The

in the way of farm hands and country servants<sup>464</sup> becoming servants in towns; and, on the other hand, to facilitate the speedy abandonment of service in all cases in which the servant desired to marry.<sup>465</sup> All these preferences in favor of one class of contractors, and at the cost of another, are radically opposed to the modern political spirit. The laws relating to servants are wont, in our day, to have but one object, the prevention, by registration with the police, of fraud and breach of contract, and of all strife and litigation by the legally formulating of the conditions which are very frequently tacitly understood.

The ideal of the relation of master and servant is attained when it is considered by both as a part of the life of a Christian family.<sup>466</sup> Hence, benevolence on the one side and devotedness on the other, fidelity on both sides, disinterested care for the present and future interests each of the other *tanquam sua*; and especially for each other's eternal future. Whether this state of mutual feeling is best furthered by the patriarchal system, by a police system, or by free competition, it is scarcely possible to say. It may, however, be affirmed that it depends upon a mutual and continued denial of self not easy to attain. Where [234]

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*Gesindeordnung* (service regulation) of Frederick the Great, threatened with the house of correction the receivers, and under certain circumstances also the givers of wages higher than the fixed rate of wages; but as a "matter of course," the payment of wages less than this was permitted. (V, § 7) Great care was taken that wages greater than the law allowed should not be evaded by the payment of *arrha* or payment in produce. The same law forbade the deprivation of the servant of his right to determine the service by making of loans to him on long time (II, § 7.) Even *v. Berg*, *Handbuch des deutschen Polizeirechts*, calls it a duty of the public authorities charged with the protection of property and of the public security, to see to it that there be no lack of good servants, and that<sup>464</sup> Ordinance of the elector of Saxony of 1766, prohibiting the inhabitants of cities to take an apprentice from among the peasantry, unless he had served at least four years as a farm hand, beginning with his fourteenth year. Similarly, in Prussia in 1781.

<sup>465</sup> In Berlin, even before the "populationistischen" period: *Fidicin*, *Histor. diplom. Beiträge zur Gesch. der Stadt Berlin*, I, 101. (From the year 1397.)

<sup>466</sup> I Peter, 2, 18 ff.; I Timoth., 6, 12; Ephes., 6, 5; Philem., 15 ff.

it really prevails, all the advantages of the piece-work system are obtained in a worthy and organic manner, and without its atomistic drawbacks.<sup>467</sup>

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<sup>467</sup> In the German colonies of Mennonites in Russia, every youth serves a few years in the family of some other peasant. This is considered a sort of school. Wages are of course very large, and the treatment very mild. *v. Haxthausen, Studien, II, 185.* Southwestern Germany where small landed proprietors are many, something very analogous to this continues. (*v. d. Goltz, loc. cit., 452.*)

## Chapter V.

# Community Of Goods And Private Property. Capital—Property.

### Section LXXVII.

#### Capital.—Importance Of Private Property.

As human labor can attain its full development, only on the supposition that personal freedom is allowed to develop to its full economic importance and dimensions, so capital can develop its full productive power only on the supposition of the existence of the freedom of personal property. Who would save anything, that is, give up present enjoyment, if he were not certain of future enjoyment?<sup>468</sup> The legitimacy of private property has, since the time of Locke,<sup>469</sup> been based, by the greater number of political economists, on the right inherent in every workman, either to consume or to save the product of his labor. But it should not be forgotten here that, at least in the higher stages of the economy of a nation, scarcely any work or saving is possible without the coöperation of society. And society must be conceived not only as the sum-total of the now living individuals that compose it, but in its entire past, present and future, and also as being led [236]

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<sup>468</sup> For a masterly exposition of the doctrine that the right of prescription or limitation is related to the politico-economical necessity of property, see *John Stuart Mill*, Principles, 3, II, ch. 2, sec. 2.

<sup>469</sup> *Locke*, On Civil Government, II, §25-51; and so *L. Mendelssohn*, Jerusalem (1783), 32; *Thiers*, Du Droit de la Propriété (1849).

and borne onward by eternal ideas and wants.<sup>470</sup>

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### Section LXXVIII.

## Socialism And Communism.

In opposition to this, the idea of a community of goods has found favor, especially in times when the four following conditions

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property" etc. The recent doctrine, not unfrequently to be met with, that every man has a right to an amount of property corresponding to his wants, may be used to sanction all kinds of socialistic inferences. An entirely bewildered and bewildering description is to be found in *Proudhon's* *Qu'est ce que la Propriété*, 1848, as the precursor of which *Brissot's* *Recherches philosophiques sur le Droit de Propriété et le Vol*, may be considered. In medieval times, there are always a multitude of other titles to property besides production and saving. The title which is held in highest esteem for the time being is always because of this very extreme vis-a-vis of all other titles, strengthened and made general.

<sup>470</sup> Modern writers, in their attempt to find a philosophical basis for the right of property, have taken two principal directions, the first a juridical, the second a political one. The axiom, *res nullius cedit primo occupanti* (compare L. 3, Digest, XLI, 1), explains only the smallest part of the relations of property, and that only because of a very fortuitous circumstance. According to *Hobbes* (*Leviathan*, 24), property has its origin in the recognition of it by the power of the state, by the *autorité publique*, the *gouvernement* (*Bossuet*, *Politique tirée de l'écriture, Sainte*, L. 3, 4), or as *Montesquieu* (*Esprit des Lois* XXVI., 15) more mildly expresses it, in the laws. The application of this principle would, on account of the extreme changeableness of the laws of every state, lead to most extreme insecurity, and to a steady oscillation from one Utopia to another, from one revolution to another, if it were not, at the same time, recognized that



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A. *A well-defined, confrontation of rich and-poor.* So long as there is a middle class of considerable numbers between them, the two extremes are kept, by its moral force, from coming into collision. There is no greater preservative against envy of the superior classes and contempt for the inferior, than the gradual and unbroken fading of one class of society into another. *Sperate miseri, cavete felices!* In such a state of social organization, we find the utmost and freshest productive activity at every round of the great ladder. Those at the bottom are straining every nerve to rise, and those higher up, not to fall below. But where the rich and the poor are separated by an abyss which there is no hope of ever crossing, how pride on the one side and envy on the other rage! and especially in the *foci* of industry, the great cities, where the deepest misery is found side by side with the most brazen-faced luxury, and where the wretched themselves conscious of

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common is always opposed to freedom, and, at its first introduction, contrary to law. It can guarantee no compensation to those who have suffered from violence or force, because it leads to a thoughtless and wasteful exhaustion of the nation's resources, inasmuch as it weakens the incentive to industry and frugality. Political Economy, on the other hand, recommends an *expropriation* when the incentives to industry and frugality are thereby strengthened; and the increased resources thus obtained serve it, as full compensation to those whose property has been *expropriated*.

each one had a just title to the acquisitions he had made, not because the law, for the time being existing, acknowledged the right, but because they were the product of his labor and saving. The theory which bases the right of property on contract cannot be objected to with as much reason. Thus, *Hugo Grotius*, *Jus Belli et Pacis*, II, 2, who even justifies the occupation of things without an owner, on the supposition of the existence of an implied contract. It is very characteristic of the English, that in their political language, the words "liberty" and "property" are so frequently found in each other's company. In one of his classic speeches made by Fox in 1784, he gives a definition of liberty which begins with the words, "It consists in the safe and sacred possession of a man's

<sup>471</sup> The word socialism brought into use by *L. Reybaud* is as ambiguous as the word communism is simple and intelligible. But most socialists agree that actual "society" (which is indeed to be distinguished from the state) is, together

their numbers, mutually excite their own bad passions. It cannot, unfortunately, be denied, that when a nation has attained the acme of its development, we find a multitude of tendencies prevailing to make the rich richer and the poor, at least relatively poorer, and thus to diminish the numbers of the middle class from both sides; unless, indeed, remedial influences are brought to bear and to operate in a contrary direction.<sup>472</sup>

B. *A high degree of the division of labor*, by which, on the one hand, the mutual dependence of man on man grows ever greater, but by which, at the same time, the eye of the uncultured man becomes less and less able to perceive the connection existing between merit and reward, or service and remuneration. Let us betake ourselves in imagination to Crusoe's island. There, when one man, after the labor of many months, has hollowed out a tree into a canoe, with no tools but an animal's tooth, it does not occur to another who, in the meantime was, it may be, sleeping on his bear-skin, to contest the right of the former to the fruit of his labor. How different this from the condition of things where civilization is advanced, as it is in our day; where the banker, by a single stroke of his pen, seems to earn a thousand times more than a day-laborer in a week; where, in the case of those who loan money on interest, their debtors too frequently forget how laborious was the process of acquiring the loaned capital by the possessors, or their predecessors in ownership. More especially,

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with its foundations, the existing relations of property and the family, entirely wrong. A radical reconstruction, they say, is needed to remove forever the chief evil of this system, viz.: the glaring difference between the rich and the poor, the educated and the uneducated. The difference between the doctrines of the socialists and of Political Economy does not, by any means, consist in this, that the former concerns itself more with the welfare of the lower classes, or even that it gives wider scope to economy in common. But socialism is, indeed, a living or housekeeping in common (*Gemeinwirtschaft*), which goes far beyond the feeling for the common interest (*Gemeinsinn*). Such economy in

<sup>472</sup> See *Roscher*, *Betrachtungen über Socialismus und Communismus*, Berliner Zeitschrift für Geschichtswissenschaft, 1845, III, 422 ff.

we have, in times of “over-population,” whole masses of honest men asking not alms, but only work, an opportunity to earn their bread, and yet on the verge of starvation.<sup>473</sup> [239]

C. *A violent shaking or perplexing of public opinion in its relation to the feeling of Right, by revolutions*, especially when they follow rapidly one on the heels of another, and take opposite directions. On such occasions, both parties have generally prostituted themselves for the sake of the favor of the masses; and the latter have become conscious of the changes which the force of their arms may effect. In this way, it is impossible that until order is again entirely established, the reins of power should not be slackened in many ways at the demands of the multitude. In this way, too, they are stirred up to the making of pretentious claims which it is afterwards very difficult to silence. In every long and far-reaching revolution, whether undertaken in the interest of the crown, the nobility or the middle classes, we find, side by side with the seed it intended to sow, the tares of communism sprout up.

D. *Pretensions of the lower classes in consequence of a democratic constitution*. Communism is the logically not inconsistent exaggeration of the principle of equality. Men who always hear themselves designated as “the sovereign people,” and their welfare as the supreme law of the state, are more apt than others to feel more keenly the distance which separates their own misery from the superabundance of others. And, indeed, to what an extent our physical wants are determined by our intellectual mould! The Greenlander feels comfortable in his mud hut, with his oil-jug. An Englishman in the same condition

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<sup>473</sup> *Vivre en travaillant ou mourir en combattant*—the device on the flags of the mutinous silk-weavers at Lyons, in 1832.

would despair.<sup>474475</sup>

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## Section LXXIX.

### Socialism And Communism. (Continued.)

What has just been said will serve to explain why, in the following four periods of the world's history, socialistic and communistic ideas have been most widespread: among the ancients at the time of the decline of Greece,<sup>476</sup> and in that of the degeneration of

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<sup>474</sup> We are so assured by *Vauban* (*Dime Royale*, 34 seq), of the later years of the reign of Louis XIV, that nearly 1/10 of the French people begged, that 5/10 could give no alms, because they were themselves on the very brink of indigence; 3/10 were *fort malaisés, embarrassés de dettes et de procès*; scarcely one per cent. could be said to be *fort à leur aise*. How much better off is the present Parisian workman! And yet, at that time, there was not the least spread of communistic doctrines. It is indeed seldom that completely down-trodden men react against their wretchedness with great energy.

<sup>475</sup> "If my *caprice* be the source of law, then my *enjoyment* may be the source of the division of the nation's resources." *Stahl*, *Rechtsphilosophie*, II, 2, 72.

<sup>476</sup> That the socialism of *Plato*, *De Repub.*, V, was no mere fancy, is proved by the polemic which *Aristophanes* directs against it in his *Ecclesiazuses*. See also *Aristot.*, *Polit.*, II, 2, Schn. In the contemporary practice of the Greeks, with the increasing democratization of the state, it became more and more usual for it to bear the expense of the outlay for the means of subsistence of the great crowd. (See *Plutarch*, *Cimo*, 10.) Every act of public life was paid for. Citizens were paid for attending popular meetings three oboli per day, while the pay of the soldiers was six, and that of the sailors three. (*Thucyd.*, III, 17; VII, 27; VIII, 45.) The pay of the commonest day laborer was from three to four oboli per day. *Aristophan.*, *Eccl.*, 310, and *Pollux*, VII, 29. The number of magistrates was very large, in order that as many as possible might

the Roman Republic;<sup>477</sup> among the moderns in the age of the [241]

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most uncivilized and hoary past, when there was no money and no wealth—an aspiration which lies at the very foundation of communism. Thus *Virgil*, *Geo.*, I, 125, ff., *Tibull.* I, 3, 35, ff. *Propert.* II, 13, III, 5, 11; *Seneca*, *Epist.*, 90; *Senec.*, *Oct.* II, *Hippol.*, II, 2; *Plin.*, H. N. XXXII, 3. On the other hand, the practice of supporting the populace at the expense of great candidates or of the state, was developed to a very great extent. The masses lived very largely by the sale of their right of suffrage to the highest bidder. At the election of consuls in the year 54, 500,000 thalers were offered to the century called on to vote first. (*Cicero*, *ad Quintum* II, 15; *ad. A.H.* IV, 15.) Even *Cato* had a part in such bribery. (*Sueton.*, *Caes.*, 19.) In the social reform of the younger Gracchus, besides the limitation of large land-ownership, the principal points were the following: the sale of wheat under the market price, but only to the inhabitants of Rome itself; the construction of great highways in Italy; colonization at the expense of the state, and the increase of soldiers' pay. (*Ritsch*, *Gracchen*, 392 ff.) The socialistic plans of Rullus went much further. Were his agrarian laws put in execution, he would have confiscated very nearly the entire country in the interest of the poor, and of their demagogues! (*Cicero*, *De Lege agrar.*) Rome twice experienced a social revolution of the most frightful character, one by which a great portion of all private goods fell into the hands of the propertyless (soldiers), who knew nothing of how to turn it to account or to invest it—under Sulla, and then under the later Triumviri. (Compare *Appian*,

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Bell, civil., V, 5, 22.) Complaints concerning the latter, in *Horat.*, Epist., I, 2, 49; *Virgil*, Buc., IX, 28; *Tibull.* I, 1, 19, IV, 1, 182; *Propert.*, IV, 1, 129. The elder Gracchus had promised compensation to the last possessors. *Tabulæ novæ* of Cinna, Catiline, Cælius, Dolebella. Clodius introduced the distribution of wheat, which according to Cicero pro Sext., 25, ate up almost one-fifth of the public revenues. About 320,000 persons were, in this way, supported for a long period of time (*Sueton.*, Caes, 41, *Dio C.*, XLIII, 21; L. LV, 10), but only in such a manner as to keep them from starvation. (*Sallust*, 268 ed. Bip.) To all this was soon added distributions of salt, meal and oil, also free baths, numberless public plays, colossal banqueting, payment of one year's rent etc. *Panem et circenses!* (Juvenal, X, 80 seq.) The mere distribution of money under Augustus, in which from 200,000 to 320,000 men participated, cost each time from 2,500,000 to 6,000,000 thalers. (Monum Ancy., 372 Wolf.) Extraordinary assistance was, by way of preference, accorded to colonies of the poor. (*Sueton.*, Caes, 42.) Concerning this entire policy, see *Plin.*, Paneg., 26 ff. Even in Constantinople, at the time of its foundation, large distributions of bread were made at the expense of Egypt, although there could scarcely be any real pauperism in that new and flourishing city. (*Theod.*, Cod., XIII, 4, XIV 16; *Socrat.*, II, 13.) I can only allude to the plan proposed by the emperor Gallien by the neo-platonist Plotin, to found a city in which the ideas of Plato's republic should be carried out. (Porphyr., V, Plotin., 8.) participate in this species of remuneration. Thus, in Athens, when it had only

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about 20,000 inhabitants, there were 6,000 judges. In addition to all this, there were numberless feasts, plays, banquets etc., which were offered to the people gratis. The wealthy who were compelled to meet all the expense thus incurred, lived in such a state of terror of the populace, that they considered their own impoverishment as a species of deliverance. (*Xenoph.*, *Conviv.*, 4, and *Lysias*, *pro Bonis*.) *Isocrates* called it much more dangerous to be rich than to commit a crime, since in the latter case one might obtain a pardon or a mild punishment. (*De Permut.*, p. 160.) (*Lysias*, *De Invalido*, *de sacra Olea*, *seq.*) There is little difference between this state of things and a semi-community of goods. Only that, indeed, the great mass of the slaves were excluded from enjoying them. The contrast which somewhat later distinguished the Cynics from the Cyreno-Epicureans affords a striking analogy to that which, in our own times, exists between the pure socialists and the worshipers of mammon after the fashion of Doctor Ure. Concerning the Utopia of *Iambulos*, see *Diodor.*, II, 55 ff.

<sup>477</sup> Our sources of information concerning the division of the Roman republic into a moneyed oligarchy, and the proletariat are very numerous. Compare *infra*, § 205. The speeches of the Gracchi (e.g. *Plut.*, T. Gracchus, 9), and still more the violent discourses of Catiline's conspiracy (*Sallust*, *Cat.*, 20, 23, 37-39), remind us very forcibly of the shibboleths of modern socialism. We very frequently meet with the expression of a longing desire to return to the

Reformation,<sup>478</sup> and again, in our own day.<sup>479</sup>

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<sup>478</sup> During the two centuries of which the Reformation constituted the middle point, the transition from the peasant system of agriculture to the large farming system of modern times bore very heavily on the inferior classes. Such, too, was the operation of the fall in price of the precious metals. (§ 140.) The suppression of the many monasteries caused an increase in the wretchedness of the poor; and the numerous poor-laws enacted in England, Spain etc., were not sufficient to supply a remedy. The feeling of the people during this period of tribulation found expression in the War of the Peasants, in the sect of Anabaptists, in the many reformations and counter-reformations, in the revolt of the Netherlands, in the conflicts for the crown in France and England etc. In Italy, the contrast existing between the moneyed oligarchy and the proletariat had been developed several centuries, but from the middle of the sixteenth century, it had become much more oppressive by reason of the universal impoverishment of the country. For an account of the pantheistic "Brethren and Sisters of the Free Spirit," with their community of goods and of women, see *Ullmann*, *Reformatoren vor der Reformation*, II, 18 ff. They were very numerous from the thirteenth to the fifteenth century in Italy and France, as well as in Germany, and lead us to the Adamites in the Hussite war. (*Aschbach*, *Geschichte K. Sigismunds*, III, 109.) Earlier yet, we have the sect of the Giovannali, who had their property and women in common, and who, in 1355, had won the third of Corsica, but who were afterwards suppressed by



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Genoa and the Church. (*Lebret*, Geschichte von Italien, VI, 208 ff.) The coarse socialist, *John Balle*, bears about the same relation to Wycliffe, that Münzer and Bockholt did to Luther. (*Walsingham*, Hist. Angliæ in *Camden, Scriptt.*, 275.) Hans Böheim of Würzburg, 1476, seems to be the direct precursor of Münzer. (*Ullmann*, I, 421 ff.) It was almost as usual in Luther's time, as in 1848, or in our day, to hear of the deep demoralization of trade—the *Fuggerei* of the Germany of the time—and of the universal system of fraud that prevailed. See the citations in *Hagen*, Deutschland's Verhältnisse im Reform-Zeitalter, II, 313 ff. Münzer's fundamental principle: *Omnia simul communia!* *Sebastian Frank*, Chronica, Zeytbuch und Geschyhtbibel etc., 1551, fol. VI, 16, 27, 116, 194, 414, 433. John Bockholt's life presents us with a striking contrast. While they were bringing his perfumed women, sparkling with jewels, to his rose-covered bed, hung with curtains of gold cloth, on which he was reclining, his subjects were a prey to the horrors of famine, to such an extent that they were compelled to salt the bodies of children who had died of starvation. How frightful the end of this communistic benefactor of mankind! Libertine community of goods and women. (*Calvin*, Instructio adv. Libertinos, cap. 21.) English communists in the age of the reformation. (*J. Story*, Comment. on the Constitution of the U.S., I, 36.) Even under Cromwell, there were many Englishmen who believed that farmers were no longer obliged to pay rent to land-owners. On the sect of Levellers, see *Walker*, History of the Independency, II, 152. Even in *Erasmus*,

## Section LXXX.

## Socialism And Communism. (Continued.)

[242] We thus see, that the attempts made by socialism and communism  
 are, by no means, phenomena unheard of in the past, and peculiar  
 [243] to modern times, as the blind adherents and opponents of them  
 would have us believe. They are rather diseases of the body  
 social, which have affected every highly civilized nation at  
 [244] certain periods of its existence. If the body be too weak to react  
 healthily and curatively (§ 84), the evil is very apt to lead to the  
 [245] decline of all true freedom and order. The communist, viewing  
 all other things, especially the organization of the state, only as  
 instruments to supply his material and absolute wants, considers  
 the liberal either as a fool who is ever pursuing the phantoms  
 of the brain, or as a knave who covers his own selfishness

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that no one should abandon agricultural pursuits. All should eat at a common table and dress after the same fashion. Internal commerce should give way to a mutual exchange of gifts under the supervision of the state. *Campanella*, besides a community of goods, recommends continually varying occupation, to last not more than four hours daily; education in common, especially by means of pictures, popular encyclopedias etc., all under the supreme guidance of a despotism to be composed of the wise, some secular and some spiritual, operating through the confessional. Socialists nearly always succeed better in the critical part of their works than in the positive. Compare *R. Mohl*, *Geschichte und Literatur der Staatswissenschaften*, § 1, 165 ff.

<sup>479</sup> Considering the aversion exhibited against private property by *J. J. Rousseau*, and the unlimited power which he accords to the majority for the time being in the state (*Contrat Social*, 1761, II, ch. 4), it cannot be denied that his freedom and equality contain, to say the least, germs of communism by no means insignificant. But, he would, in the present state of civil society, have a feeling of respect for the rights of property implanted in the mind of the child very early, and even before the feeling of liberty is developed. (*Emile*, 1762, Livre II.) About the same time *Morelly* published his *Basiliade ou Naufrage des Iles flottantes*, 1753, a political romance in the interest of communism. See the same author's *Code de la Nature*, 1755. *Mably*, in his two works, *Doutes proposés aux Economistes*, 1768, and *La Législation ou*

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Principes des Lois, 1776, recommended the abolition of all inequality and a real community of goods. The introduction of property seems to him, *une faute qu'il était presque impossible de faire*. Even *Beccaria* calls property a dreadful but perhaps a necessary right which has left to the unfortunate nothing but a naked existence. (*Dei Delitti e delle Pene*, 1765, cap. 22.) The French Reign of Terror came pretty near carrying these ideas into effect. We need only refer to the abolition of the census, the payments made to the workingmen who attended the section meetings, two francs per diem, the enormous extension of confiscation, requisitions and forced loans, the revolution effected in the fortunes of individuals by the system of issuing assignats, the maximum affixed to the price of all the necessaries of life, the abolition of indirect taxes, and of what remained of the economic institutions handed down from the middle ages. According to *St. Just*: *l'opulence est une infamie; il ne faut ni riches ni pauvres*. The *Cahier des Pauvres* demands, first of all, that salaries "should no longer be estimated in accordance with the murderous principles of unbridled luxury." See Forster's letter dated November 15, 1793. (*Sämmtl. Schriften*, IX, 125.) On the conspiracy of Baboeuf, who was executed in 1796, and who wanted to see the completest equality and community of labor, of enjoyment and education, the abolition of large cities etc., see *Buonarotti*, *La Conjuration de B.*, 1821. This book contributed powerfully towards the revival of communistic ideas after the July revolution. Among modern communists who are to be

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distinguished from the more ancient, especially by the industrial coloring given to their theories, *Cabet*, *Voyage en Icarie*, 1840, II, holds a very prominent place. He declares the abolition of religion, of the family and of the state, to be open questions, and desires to bring the practice of a community of goods to a successful issue only through the peaceful channel of conviction.

Compare *Reybaud*, *Etudes sur les Réformateurs contemporains ou Socialistes modernes*, 1840. *L. Stein*, *Der Socialismus und Communismus des heutigen Frankreich*. See, also, the learned history of socialistic systems in *Marlo's Weltökonomie*, I, 2, 435 ff.; and in what concerns the most recent time, *R. Meyer*, *Der Emancipationskampf des vierten Standes*, II, 1874, seq.; a book which, in spite of its many defects, both doctrinal and journalistic, is as rich in thought, and in the knowledge of the subject it treats of, as it is permeated by a love of truth regardless of consequences. Among the opponents of socialism and communism, *Malthus*, *On Population*, B. III, ch. 3, and *B. Hildebrand*, *Die Nationalökonomie der Gegenwart und Zukunft*, vol. I, 1848, hold a very distinguished place. *J. S. Mill*, *Principles*, II, ch. 1, 3, calls attention to the fact that hitherto the principle of free property has never been consistently carried out. The first social arrangement of modern society was almost everywhere the result of conquest and violence, large traces of which yet remain. Things have always been made property which ought not to be property. Governments have endeavored to intensify the darkness of the dark side of property, and favored

under the mask of the public welfare.<sup>480</sup> Hence the adherents of communism are satisfied with any form of government which seems to offer them most, and this a ruthless despotism can do, at least, for the moment. And, although they are ever ready for any revolution in the form of government, and easily to be won over to it, they are most readily captivated by a despotic revolution. On the other hand, when communism seriously threatens all that constitutes the wealth of a people, the owners of that wealth are compelled to fly to any refuge which holds out the promise to protect them from it, although by seeking that same refuge they may destroy their own political freedom.<sup>481</sup> The Achean league, which under the leadership of Aratos, the “enemy of tyrants,” had come into existence, promising so much hope, beheld itself later, and mainly through fear of the contagious effects of Spartan socialism under Cleomenes, compelled to unite with the Macedonians, that is, to give themselves up entirely. (§ 204). [246]

### Section LXXXI.

the concentration instead of the diffusion of wealth etc. Hence, no one can claim that the social wrongs, so-called, had their origin in property as such. *Schäffle*, Kapitalismus und Socialismus, 1870, has made a very note-worthy effort to recognize whatever of truth there is in socialism, and to combat its errors.

we find some sympathy with communism. (Enchirid. milit. Christ, 80.) *Contra*, see *Melanchthon*, Prolegg. in Cic. de Off., Corp. Reform, XVI, 549 ff. The most remarkable systematic works of this period are *Thomas More's*, Utopia, 1516, and *Campanella's* Civitas, solis, 1620. *Thomas More* bluntly says that all existing governments are in fact only permanent conspiracies of the rich to further their own interests under the mask of the common good, and to despoil labor. The abolition of money, which should be continued in use only to carry on foreign war, would, he contends, remove all misery. There was no really private property in his Utopia. There should be a rigid superintendence of all work by the public authorities, whose duty it should be to see to it,<sup>480</sup> *Saint Simon's* reproach to the liberals, that their fundamental principle was: *ôte-toi de là, que je m'y mette*, is well known.

<sup>481</sup> Compare *Malthus*, Additions to the Essay on Population, 1817, IV, ch. 7.

## Community Of Goods.

We now, for the present, turn our gaze from the frightful revolution, destructive of all civilization, which would necessarily precede the establishment of a community of goods,<sup>482</sup> and inquire what would be the consequences. Among angels (“gods and sons of gods” of Plato) and mere animals, a community of goods might, perhaps, exist without producing injury. And so, too, it might exist among men bound one to the other by the bonds of the truest love. The life of every model family is accompanied by a species of community of goods.<sup>483</sup> But in more extensive social organizations, this love is never found except as an element of the most exalted religious enthusiasm, which, as a rule, is of very short duration; of which the Acts of the Apostles (II, 44 ff, 32 ff, V, I, II) affords us the best known and most beautiful example.<sup>484</sup>

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The Minorites claimed that property was a thing, so much to be condemned, that even food, at the moment of eating it, did not belong to the person using it. The Pope taught on the other hand, that even Christ and the Apostles possessed property, part personal and part in common. (*Raynaldi*, Ann. eccl., XV, 241, 285 ff.) Community of goods of the Homiliates, later of the Brothers of Common Life, after the manner of the monks, but of a much higher kind. (*Ullmann*, Reformatoren v.d. Reform, II, 62 ff.) The first settlers of New Haven, Connecticut, held their property in common. Land was divided among families in proportion to the number of persons in them, and of the number of cattle they had brought with them; and all sales and purchases were made on account of the whole community. And so in Massachusetts during the first seven years of the colony's existence. (*Ebeling*, Geschichte und Erdbeschreib. der Vereinigten Staaten, II, 391, I, 557.) *Herrnhut* community of goods in Pennsylvania, from 1742 to 1762, but which was done away with when the number of colonists became too great. (*Ebeling*, IV, 717.) Community of goods of the Shakers and Lutheran Rappers. (*Buckingham*, Eastern States, II, 214, 427. *Prinz Neuwied*, Reise in Nord Amerika, I, 136, ff.) Russian sects with community of goods. (v. *Haxthausen*, I, 366, 407.) *Harless*, christliche Ethik § 501, distinguishes very well between the “anti-christian” and “pseudo christian” stand point, from which it is sought to establish the doctrine of a community of goods. The Christian view of this subject (compare Ephes., 4,

Where this love does not exist, each participant in the community of goods will, as a rule, seek to do the least and

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28, I; Thess., 4, 11, II, 3, 12; Matth., 6, 24; Pet. 4, 10; Matth., 26, 7-11) is accused of hypocrisy by many socialists. It is very easy, they say, when one is himself in comfortable circumstances, to represent to the poor that their poverty is a school for heaven, and to preach a contempt for riches etc. They entirely forget, that the first promulgation of the Gospel was made at a time when the worst kind of pauperism prevailed; and that even the Master Himself, and the greater number of His Apostles belonged to the lowest stratum of society. *Luke*, 9, 58. Many of the Fathers of the Church, however, in their exhortations to benevolence, used language in which modern Socialists have found a rich mine which they have sedulously worked. (Compare *Villegardelle*, *Histoire des Idées sociales*, 1846, 61 ff.)

<sup>482</sup> The *travailleurs égalitaires* wished to murder not only the king, the court, and the ministry, but also the Liberals and all owners of property.

<sup>483</sup> As soon, indeed, as this true love disappears in the married state, the community of goods even there degenerates only too easily into a spoliation of the better party by the worse.

<sup>484</sup> The community of goods of the first Christians at Jerusalem, so frequently cited and extolled (*James*, I, 1), was only a community of use, not of ownership (*Acts* IV, 32), and, throughout, a voluntary act of love, not a duty (*V.* 4), least of all, a *right* which the poorer might assert. Spite of all this, that community of goods produced a chronic state of poverty in the church of Jerusalem. Hence,

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enjoy the most possible.<sup>485</sup> In a society of one hundred thousand members, each individual would be interested in the results of its aggregate frugality only indirectly, and only to the extent of a one-hundred thousandth part of the whole; that is, practically,

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accompanied uninterruptedly by famine. A change for the better took place, for the first time in 1623 with the introduction of the institution of private property which was followed in 1624 by the right of inheritance. (*Bancroft*, I, 340.) The military colonies of Algeria, also, in which husbandry in common was carried on, begged, at the end of a year, that the system should be abandoned, for the reason that it was good for nothing but to generate idlers; and yet, these colonists were all powerful men of about the same age, and accustomed to order and service in common. They were, moreover, assisted by the nation with pay and food. Compare *Bugeaud's* account: *Revue des deux Mondes*, June 1, 1848. "The French associations (after 1848), whose object was labor in common, have nearly all died out." *M. Chevalier* in the *Journal des Débats*, Feb. 3, 1851. In the United States, sixteen phalansteries of Fourierites, founded between 1840 and 1846, had all collapsed in 1855. (*D. Vierteljahrsschrift*, October, 1855, 205 ff.)

Paul had collections taken up for them on all sides, without, however, anywhere establishing a similar institution. (*Romans*, 15, 26; *I. Corinth.*, 16, 1.) Compare *Mosheim*, *De vera Natura Communionis Bonorum in Ecclesia Hierosol.*, in his *Dissertatt. ad Histor. Eccles. pertinentes*, II, 1 ff. As to whether *Barnabas* (*Epist.*, 19) desired to say anything more, compare *Epist. ad Diognetum*, 5. For a real recommendation of a community of goods, on economic grounds, see *Joh. Chrysostom.*, in *Acta Apost.*, *Hom.* XI. Also *Clemens Rom.* c. 2



not at all.<sup>486</sup> Individual selfishness would expend itself entirely on the division of what the whole community produced. It would, consequently, and almost always be detrimental to the whole, and to the other individuals of the society; whereas, at present, it does so only in exceptional cases. When Louis Blanc, as Mably had before him, recommended that the *point d'honneur* should take the place of the *intérêt personnel*, as a spur to production, and a check on consumption, and cited the army as an illustration of its workings, he forgot, among other things, the thirty cases in which the *code militaire* pronounces sentence of death on the violators of its provisions. And, as a matter of fact, the Münster Anabaptists could not help punishing [249]

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C. 12, qu. 1. Community of goods among the Essenes: *Philo. Opp.* II. 457 ff. *Joseph. Bell.* Jud., II. 8. *Bellermann*, Geschichtliche Nachrichten über die Essener. (1821.) In many monasteries, there has been and is a species of community of goods. There was once a singular contest on this subject, carried on between the Minorites and the Pope, in the time of Louis of Bavaria.

<sup>485</sup> Even *Aristotle* says that what is common to many is a matter of little concern to any one. (*Polit.*, II, 1.) *Bastiat* remarks: "We compete to-day to see who works most and best. Under another regime, we should emulate one another to see who should work least and worst." (*Harmonies Econ.*, ch. VIII.) When the first settlers of Virginia, in 1611, gave up the system of common labor and of joint-stock companies, as much work was performed in a day as formerly in a week, or as much by three workmen as formerly by thirty. (*Purchas*, *Pilgrims*, iv, 1866. *Bancroft*, *History of the United States*, I, 161.) Even in New England, therefore among men both steady and accustomed to labor, who for conscience sake had sacrificed so much, a community of goods was <sup>486</sup> Even in New Harmony, the members considered the task which they had to perform to obtain food, clothing and shelter, as villeinage in the worst sense of the term. (*H. Bernhard v. Weimar*, *Nordamerikan. Reise*, V, 134 ff.; 151, 310, ff.) It is very inconsistent in socialists to continue the proprietorship and heirship of the state. To be consistent they should give both these rights only to mankind as a whole. Compare *Kiraly*, *Ueber Socialismus und Comm.*, 1868, 35.

with death every transgression of their communistic precepts.<sup>487</sup> If, in a community in which the principles of communism were rigorously carried out, all the burthens and enjoyments of life were equal, and equally divided according to the ideas of the crowd, men like Thaeer, Arkwright, and others of their class, who now provide bread for hundreds of thousands from their studies and laboratories, would then be able, at most, with a rake and shovel, to provide food for three or four. The division of labor, with its infinite amount of productive force, would, for the most part, cease. Nor would the consequence be that the humbler classes would be freed from work of a coarse, mechanical, unintellectual and severe nature; but that the higher classes would be dragged down to engage in it likewise. And what an increase there would be in the number of consumers at the same time! Every man would, with a light heart, follow the most imperious of human impulses if the whole community were to educate his children. But we have seen that a community of goods is desired most urgently in times of over-population. Hence, here it would make the evil greater yet, by increasing consumption and diminishing production.

Where there are now one thousand wealthy persons, and one hundred thousand proletarians, there would be, after one generation, no one wealthy and two hundred thousand proletarians. Misery and want would be universal.<sup>488</sup> For the

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<sup>487</sup> It would not be entirely fair to take a partisan view of the *ateliers nationaux* of 1848, and claim them as a practical refutation of socialistic utopias, since no serious experiment was made with them. Compare *E. Thomas, Histoire des Ateliers nationaux considérés sous le double Point de Vue politique et social*, 1848.

<sup>488</sup> Socialists generally overlook the fact, that the greater number of enjoyments from which the poorer classes are excluded, by the right of property, would not exist at all were it not for that very right. (*Spittler, Politik*, 356 ff.) This remark may also be made of *Hugo's* ingenious objections. (*Naturrecht*, § 208 ff.) One of the most effective pieces of socialistic declamation is that the lower classes have a much shorter average of life than the upper. Hence the

purpose of giving the crowd a very agreeable,<sup>489</sup> but rather [250]  
 short-lived period of pleasure, a period simply of transition,  
 almost all that constitutes the wealth of a nation, all the higher  
 goods of life, would have to be cast to the waves, and henceforth  
 all men would have to content themselves with the gratifications  
 afforded by potatoes, brandy and the pleasures of the most sensual  
 of appetites. And then, the equal education of all, demanded by  
 the communists, would have no result but this, that no one would  
 acquire a higher scientific training.<sup>490</sup> But, after all, there lurks  
 concealed in communism much more of envy than is generally  
 supposed.

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### Section LXXXII.

these limits. Compare the able criticism of *Proudhon*, *Contradictions*, ch. 12.  
 institution of private property is charged with being a species of spoliation of  
 the poor of so many years of life, and the entire "present society" condemned  
 on that account. Here again it is not borne in mind, that a few centuries ago the  
 general average of life was probably still smaller; and that it was precisely the  
 growth and development of "present society" that lengthened the days of the  
 poorer classes even, although it may have lengthened those of the rich in a still  
 greater proportion. See § 246.

<sup>489</sup> But a community of goods would not, by a great deal, accomplish as much  
 as is generally supposed. In Prussia, for instance, in 1867, only about three per  
 cent. of the entire number of families in the community had a yearly income  
 of 1,000 thalers; only nine per cent. had 500 thalers or more, and only 6,465  
 returned an income of more than 4,000 thalers, while only 590 returned one of  
 16,000 thalers. (*Preuss. statist. Ztschr.*, 1868, 83. *Held*, *Die Einkommensteuer*,  
 197 ff) How little, therefore, could the poor here gain by the spoliation of the  
 rich! Besides, the purely personal consumption of the rich is, after all, not so  
 great; and if all luxury were abandoned, an innumerable number of men would  
 lose their gains. (Compare *Ad. Smith*, *Wealth of Nations*, I, ch. 11, 2.) It would  
 be to kill the hen that had hitherto laid the golden egg in order to divide its  
 flesh a little more equally.

<sup>490</sup> *Babeuf* declared all arts and sciences to be evils. He would have no one

## The Organization Of Labor.

Most theoretical adherents of the doctrine of a community of goods, feeling<sup>491</sup> more or less the weight of the above objections, have supplemented it with the idea of an organization of labor<sup>492</sup> or the centralized superintendence of all production and consumption, either by the government already existing, or by one to be created anew. Such a government would be, of course, a despotism such as the world has scarcely yet seen, a Cæsaro-Papacy, usurping both the place and power of Father of the universal Family.<sup>493</sup> But the evils mentioned above would be entailed none the less. Every incentive which now moves man to industry or frugality would disappear, and nothing remain but universal philanthropy; or, if you will, but patriotism, virtues which are not wanting even now. Even guardianship of the government newly created would be carried on in a very loose manner; for it would be exercised without any feeling of personal

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very sorry business. Its government was very similar to that of a house of correction or a penitentiary. Even in religious matters, spite of all pretended toleration, those members who did not agree with Cabot were described in the official weekly paper as *des infames ou des aveugles*. (D. Vierteljahrsschrift, 1855, October, 205 ff.)

learn anything but Reading, Writing, Arithmetic, and a little of the Geography of France; and have the strictest censorship enforced to keep every one within

<sup>491</sup> According to *Umpfenbach*, *Nationalökonomie*, 201, where a community of goods obtains, there can be but the alternative, viz.: whether each person or each family shall receive just the same amount. (The former would be more in harmony with principle, but what an over-population would be the consequence!) Precisely so, too, if each person were to come and take his own portion (anarchy!), or if it were parcelled out to each by a board of distributors (despotism!).

<sup>492</sup> This expression came into vogue, principally, through *L. Blanc*, *Organization du Travail* (1841), the leading ideas in which work are the following: The suppression of competition by the establishment of state industries; equality of remuneration for labor; equality and legislative determination of the rate of interest; the choice of superintendents by the workmen. With many modern socialists, the shibboleth is not so much *liberté* as *solidarité*. Besides, *Fichte's Naturrecht* (1796), and his *geschlossener*

interest, even in the most favorable case supposable. It is well known and easily understood, that state industries are never engaged in, in the long run, with the same zeal, nor crowned with the same success, as competing private industries. It is well known, too, how intimate the connection is between the political freedom of a people and their economic production; that, for instance, England's greater wealth, as compared with that of Turkey, depends, most largely, on the freedom that obtains in the former country and the servitude that prevails in the latter.<sup>494</sup> And we may inquire just here, what the result would be, if the despotism of government should go ten times farther than it has ever gone in Turkey, when, moreover, the despot who led the state, was not an individual with his few officials, but the whole crowd, with its million eyes and million hands. It would, practically, be to give every producer an escort of a policeman and a revenue agent, as if he were a prisoner.

And where would be the gain? A division of wealth which would seem unjust to many would exist now as well as before, because the idle and the unskillful would receive the same reward as the most industrious and skillful.<sup>495</sup> The opposition of one

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Handelsstaat, are, without doubt, among the most remarkable works favoring an "organization of labor." They aim at the destruction of the present social system, which, at most, needs only to be reformed and rejuvenated; and to galvanize the dead body into a new and different life (Medea's magic cauldron!). Compare *Corvaja*, *Bancocrazia o il gran Libro sociale*, 1840.

<sup>493</sup> Cabet's Icarian colony in America numbered 298 adults and only 107 children. Yet spite of this condition, so favorable to production, it did but a

<sup>494</sup> An eastern sage says, that land possesses the ideal of legal security through which a beautiful woman, decked with pearls, might travel without danger. What would such a sage say of a European country, in which even orphan children have their property not only preserved to them, but find it increased from having been placed at interest, as soon as they reach their majority? (*Barrow.*)

<sup>495</sup> "The equality of communism is the worst species of inequality, because it guarantees to one for two hours of poor labor as much as it does to another for four hours of good work." (*Bastiat*, *Harmonies économiques*, ch. 8.)

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class of society to another, so much complained of, would continue. The only difference would be, that whereas, it now comes from the weak, it would then come from the strong.<sup>496</sup> Compulsory association is certainly more prolific in strife and crime than is a state of society in which everybody manages his own affairs.

A journey on foot, in company with others, is allowed, on all hands, to be a very good test of friendship. But, a community of goods would, in the strictest sense of the word, be a journey on foot through the whole of life with numberless “friends.” Here, every one would believe himself entitled to possess whatever pleased him. And, who would decide; since so many communists preach the dissolution and extinction of all government, and the reign of anarchy? Besides, there can be no doubt, that the difference of human talents and human wants, would soon, spite of every law, lead to a difference in property again. Hence, that first revolution would have to be repeated from time to time—a real Sisyphus labor! No sooner have the bees produced anything, than the drones come, and divide anew!

### Section LXXXIII.

#### The Organization Of Labor. (Continued.)

Experience, however, teaches us, that, in all the lower stages of civilization, a community of goods exists to a greater or lesser extent.<sup>497</sup> The institution of private property has been more fully

<sup>496</sup> *Proudhon*, *Qu'est-ce que la Propriété*, 283, says, very justly, that “a community of goods is the spoliation of the strong by the weak.”

<sup>497</sup> Called a negative community of goods, by *Zacchariä*, *Vierzig Bücher vom Staate*, IV, 146, in contradistinction to the positive and universal community of gain, as desired by the communists.

evolved out of this condition of things, only in proportion as well-being and culture have been developed as cause and effect of such well-being. Thus, among most nations of hunters and fishermen, the idea of private property was unknown when these nations were first discovered. This is, indeed, very natural. Their chief spring of production flows as if of itself, apparently inexhaustible; and the hunter can hardly think of such a thing as saving any of his booty.<sup>498</sup> And, among nomadic nations, the land is a great meadow held in common; and the industry of plunder is considered, as it is in all inferior stages of civilization, [254]

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<sup>498</sup> Community of goods and of women among the Ichthyophages on the Red Sea, who lived in caves, went naked for the most part, plundered all shipwrecked people, and never reached an advanced age. *Diodor.*, III, 15 ff. *Peripl.*, Maris Erythr., 12. Concerning the Scythians, see *Strabo*, VII, 300; the Spaniards, *Plutarch*, Marius, 6; the Rhetians, *Dio Cass.* LIV, 22; the Triballi, *Isocr.*, Panath., § 237; the Kilici, *Sext.*, Empir. Pyrrh. Hypot. III, 24. Community of goods among the Caribs who performed all their work in common, and had, at least in the case of males, a common table and common stores with supplies. (*Petr. Martyr*, Dec. VII, 1. *Rochefort*, II, c. 16. *B. Edwards*, History of the West Indies, I, 43 ff.) Among the Kuskowimers of Russian America, all the able-bodied men of the tribe live together. (v. *Wrangell*, Nachrichten, 129.) Among the inhabitants of the Aleutian islands, at least in times of scarcity of food, the produce of the fisheries is divided according to their need. (V. *Wrangell*, 185.) The organization of labor is rigidly enforced among the Otomacs, on the banks of the Orinoco, and they are, nevertheless, more civilized than their neighbors. (*Depons*, Voyage, I, 295.) A community of goods must, however, be considered an advance, in the case of an isolated people; and it is an error to look upon it as the most primitive condition, as does, for instance, *Ambrosius*, De off. Minist. I, 28, and *Frederick II*, in the preface to his general code. (*Allgemein. Gesetzbuche*, 1231.) The hospitality of the inhabitants of the Friendly Islands borders on a community

especially honorable.<sup>499</sup> The *conquistadores* of Peru found there something very like a community of goods, under the despotic guardianship of the state, viz.: a yearly division of all lands among the people, in proportion to their rank; the cultivation of these lands in common, under the superintendence of the state, and to the sound of music. But, at the stage of civilization that Peru was then in, land is about the only resource possessed. The results were the usual ones. A country like Peru, with only one city, no beasts of burthen, no plows, no trades and no commerce, cannot possibly be rich.<sup>500</sup> That the constitution of Lycurgus established a sort of community of goods among the Spartans, is well known. I need only recall the public education, the meals in common, the authorization of stealing,<sup>501</sup> the prohibition of trade, of the precious metals and fine furniture, the equal division of property and the inalienable character of the land<sup>502</sup> etc. With such laws, Sparta could neither be, nor desire to become,

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of goods. (*Mariner*, Freundschaftsinseln, 75, 81. *Klemm*, Kulturgeschichte, IV, 398.) Concerning the beginnings of property among the Esquimaux, See *Klemm*, II, 294.

<sup>499</sup> Οὐκ ἄδοξον ἦν παρὰ τοῖς παλαιοῖς ληστεύειν, ἀλλ' ἔνδξον. (*Didym.*, ad *Odyss.* II, 73, IX, 252.)

<sup>500</sup> In Mexico, the Spaniards found land ownership among the most distinguished of the natives, but only a species of possession in common and common store houses among the peasantry. (*Robertson*, *History of America*, § VII.) Hence, the agriculture of the country was so unimportant that the little army of the *conquistadores* frequently produced a famine by their marches.

<sup>501</sup> The Tcherkesses considered robbery honorable provided the robber was not caught *in flagrante*. Compare *Koch*, *Reise in den kaukasischen Isthmus*, I, 370 ff. *Bell*, *Journal of a Residence in Circassia*, I, 181, II, 201. The organized robber bands of ancient Egypt, when it was so highly civilized (*Diodor.*, I, 80) may, on the other hand, be accounted for by similar conditions actually existing in the large cities of our own day.

<sup>502</sup> What a frightful organization of labor we find in Sparta, combined with a community of goods! Let us recall the exposing of children authorized by law, the mode of education which must have cost the life of all whose constitution was weak, the *cryptia*, the stern hierarchy of age etc. *Plut.*, *Inst. Lac.* 2,



wealthy. Of all Greek states of any historical importance, it preserved longest the economic peculiarities belonging to a low stage of civilization. Among most modern nations, the fundamental idea of their land laws, which had their origin in the middle ages, is, that each family is only the usufructuary, and that the community is the sovereign proprietor of the soil. This community of landed possession finds expression, among other things, in the vast extent of communal woods and pasturages, in the varied intersecting of parcels of land one by the other, which, indeed, change proprietors from time to time, and in the common working of the land, carried as far as possible etc.<sup>503</sup> [256] In all medieval times,<sup>504</sup> not only the individual is considered an owner of the land, but, over and above him, the family. At the same time, we are wont to find existing an amount of mortmain property in the hands of corporations, monastery lands, crown lands and domains of very great importance.<sup>505</sup> All these institutions have declined in number and shown a disposition to disappear, in proportion as national husbandry or economy has grown more productive.

#### Section LXXXIV.

appreciates the bad taste of the black broth at its true value. The Cretan community of goods was based chiefly on the unnatural relation created by the authorities known as *paidierastia*; and which was a very efficient means to prevent over-population. (*Plat.*, *De Legg.* I, 636. *Arist.*, *Polit.* II, 8.)

<sup>503</sup> Remarkable reasons therefor in *Cæsar*, *Bell. Gall.*, VI, 22.

<sup>504</sup> There are, especially in Russia, a multitude of such institutions among the inhabitants of the country still. See *Roscher*, *Nationalökonomik des Ackerbaues*, § 71 ff.

<sup>505</sup> In the *Corpus Juris Canonici*, that crown of medieval theology, politics and jurisprudence, the ideal of a community of goods occupies a place almost as prominent as in the works of modern socialists. The only difference is, that in the former the opposition to private property arises from a one-sided religiousness and contempt of the world, while, in the latter, it arises generally from irreligiousness and over-estimation of worldly goods.

## The Organization Of Labor. (Continued.)

To this tendency we find, indeed, another, and a no less powerful one, opposed. Everywhere as civilization advances, the sphere of action of the state grows larger, and the ends it serves more numerous.

In its origin, government was established to preserve only the external security of its subjects. By degrees, it comes to look after their internal legal security, by enforcing internal peace, prohibiting revenge for bloodshed etc. It next extends its care to the well-being, the culture, and even to the comfort of the people. But the claims of the state must grow in the same proportion as the service it renders. While Lowe, in 1822, estimated the yearly net income of the British people at £251,000,000; the government expenses,<sup>506</sup> in 1813 and 1814, averaged £106,000,000, and these sums were voluntarily devoted to public purposes by parliament. And so, between 1685 and 1841, the population of England more than trebled its numbers, But, in the same period of time, the outlay of the state increased forty fold. (*Macaulay.*) Simultaneously with this development of things, it becomes more and more usual by the exercise of the power of eminent domain and others like it, to sacrifice private rights, acquired by the very best of titles, to the preponderating common good. We may allude, further, to the duty, universally imposed in modern times, of performing military service, to the national systems of public instruction in so many countries; to the large number of societies, joint-stock companies, popular holidays; but particularly to the associations for insurance of every description. And so it may, indeed, be claimed that we have come nearer to a community of goods than could have been

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<sup>506</sup> This does not include the cost of the schools, churches and benevolent institutions.

dreamed of a hundred years ago.<sup>507</sup> And yet, these are, for the most part, institutions in which we find reflected the peculiar strength and solidity of our age. Whoever wishes to compare the power of one people with that of another, must take into account not only the elements which constitute their intellectual and physical force, but especially their inclination to permit these elements to coöperate for public purposes.<sup>508</sup>

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We may now inquire: At what point does this increasing community cease to be a gain? This is as easily determined generally, as it is difficult to say what the limit to it is in particular instances. Progress in the direction of a community of interests of this nature is beneficial, only so long but certainly as long as it corresponds with the feeling entertained by the community, that they have interests in common. Hence it is, that such a noble kind of communism reigns in art and literature, one which causes the stronger to willingly labor for the weaker,

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<sup>507</sup> According to *Lassalle*, *System der erworbenen Rechte*, 1861, § 259, history shows that law, as civilization advances, curtails more and more the proprietary sphere of private individuals, inasmuch as it tends more and more to place a greater number of objects outside the circle of individual ownership.

<sup>508</sup> Saint Simonism is a warning example of this tendency. Saint Simon never lost an opportunity to give vent to his utter contempt for the liberals, and for constitutional government—*ce bâtard du régime féodal et du régime industriel*; and to counsel the crown, after the example of Louis XI. to place itself at the head of the working class, and in opposition to the middle class. (*Oeuvres de Saint Simon*, éd. 1841, 44, 148, 209.) *Bazard*, Exposition, 76, demanded that all antagonism between the temporal and spiritual powers, all opposition for the sake of freedom, *méfiance organisée* of parliaments, and all competition, should cease. Even education he would have bestowed according to *capacité*, which he would have determined by the *chefs légitimes de la société* (280). To the criminal court should be referred all cases of *delicts*, that is, all inopportune acts, even in the scientific and artistic departments. They should be tried after the manner of the “courts of trade;” that is, in a summary way, without appeal, and by experts (317 ff). All the relations of property should be determined by the *décision arbitrale des chefs d'industrie* (326). *Bazard* everywhere insists that the reign of genius and of self-sacrifice on the one hand, and on the other of confidence and obedience, is the only true policy (330). Saint Simonism

and with the greatest success.<sup>509</sup> And so, too, the christian care of the poor, even were it carried to the height of the Gospel counsels (Luke, 3:11), would be no direct obstacle in the way of the development of a nation's public economy, provided it were given, and accepted, only as christian benevolence. Every approximation towards a community of goods should be effected by the love of the rich for the poor, not by the hatred of the poor for the rich. If all men were true Christians, a community of goods might exist without danger. But then, also, the institution of private property would have no dark side to it. Every employer would give his workmen the highest wages possible, and demand in return only the smallest possible sacrifice.<sup>510511</sup>

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## Section LXXXV.

### The Right Of Inheritance.

The right of inheritance to resources has its origin in a combination of the idea of the family with the idea of property. And, indeed, this combination of ideas is a very natural one. The larger portion of mankind consider the pleasures of the family as the highest attainable, and endeavor, whenever their economic means make it at all possible, to secure them. At the same

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was nearly related to Bonapartism.

<sup>509</sup> *Schäffle*, Nat. Œk., III, Aufl., I, 61.

<sup>510</sup> If we remove in thought, all injurious elements from a community of goods, and add to it all the incentives and restraints necessary to be added, we shall have a state of things entirely similar to that in a nation whose public and private affairs are carried on in accordance with the principles of a healthy system of Political Economy as understood to-day. (Edinburgh Review, January, 1851.)

<sup>511</sup> How true freedom is accompanied by what *Bastiat* calls "true Saint Simonism and true communism," see *infra*, § 210.

time, the selfishness of most men is not confined to their own persons, but extends also to their posterity. Hence it is that bed and board, *eonnubium* and *commercium*, have, from time immemorial, been considered correlative ideas; and, to all the more logical socialists, a community of wives (or celibacy)<sup>512</sup> is as dear as a community of goods.<sup>513</sup> (§ 245.) And in practice, the greater number of nations of hunters, who, according to our conceptions, have no knowledge of a real family and no knowledge of property, have a custom of burying with the dead the things they used, to kill their cattle etc., or to deprive minor children of their inheritance.<sup>514</sup>

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## Section LXXXVI.

### Economic Utility Of The Right Of Inheritance.

The certainty, that the material welfare of their children depends, in great part, on their industry and frugality, is one of the most

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<sup>512</sup> The experiments of a community of goods, which have proved successful in practice, were all based on the more or less complete celibacy of the members of the societies. Compare *Hermann*, Staatsw. Unters., II, Aufl., 45.

<sup>513</sup> Thus *Proudhon* (*Contradictions*, ch. 5) says that the many socialists, who would construct their societies after the type of the family, as the *molscule organique*, are all wrong. The family has a “monarchical, patriarchal” character. In it, the principle of authority is formed and preserved. On it, ancient and feudal society was based; and “precisely against this old patriarchal constitution, modern democracy protests and revolts.” *Fourier* calls marriage, *un groupe essentiellement faux: faux par le nombre borné à deux, par l'absence de liberté et par les dissidences du goût, qui éclatent dès le premier jour.* (*Nouveau Monde*, 57.)

<sup>514</sup> On the Indians of North America, see *Schoolcraft*, Information respecting the Indian Tribes of the United States, II, 194; on the South American *d'Orbigny*, Voyage, IV, 220, and passim, on the South Sea Islanders, the *Novara-Reise*, II, 418; on the ancient Albanians, *Strabo*, XI, 503.

powerful incentives to good, in the case of most men. And this is the basis of the economic utility of the family right of inheritance.<sup>515</sup> There is scarcely any other institution which opposes over-population with such efficiency, for the reason, that the obstacle placed in its way here is placed very directly, at the point where it can make itself felt most, viz.: in the life of the family itself. The weaker the family feeling, the less does the abolition of the right of inheritance interfere with the economic interests of a nation. Hence, for instance, it is, that taxes imposed upon legacies, bequests, testamentary gifts etc., are less objectionable in proportion as they affect only those in the more remote degrees of relationship in which inheritance is something merely accidental. While, when a nation is yet in the intermediate stages of civilization, the *family* right of inheritance seems to be very strong, especially as regards landed property, a consequence of the fact, that a superior kind of title to such property is recognized to exist in the family; at a period, when individualism becomes more developed, the liberty of devise by will is wont to prevail more and more.<sup>516</sup> Then

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<sup>515</sup> The hereditary transmission of property to posterity has an obvious tendency to make a man a good citizen. It ranges his passions on the side of duty, and induces him to make himself profit the common good, and it assures him that his reward shall not die with himself, but that it shall be handed down to those to whom he is joined by the dearest and most tender feelings. (See *Blackstone's Commentaries*, II, 11.) Without the right of inheritance, credit is scarcely possible, since with the death of the debtor the only stay of the creditor would cease.

<sup>516</sup> Testamentary freedom (which obtained in places there about the beginning of the eighteenth century) prevails completely in England at present, contrary to the principle of the Roman law requiring an obligatory portion (*la légitime*) to be left to the heirs, which is still binding in France, but in a very much developed form. The consequence is that last testaments are as frequent in England as they are rare in France. There were, in Paris, in 1825, 7,649 judicial, and only 1,081 testamentary partitions of property. (*Monnier*.) In Great Britain, in 1838, the number of testamentary alienations of property taxed stood to those in which there was no will, in the proportion of 8:3; and the values of the alienated property as 10:1. (*Porter*.) Among a people

the right of inheritance becomes, so to speak, a more elevated species of personal property, a prolongation of the same beyond the grave. Should testamentary freedom be too much hampered, selfishness would manifest itself in a way much more detrimental to economic interests, viz.: in the consumption of wealth, during the lifetime of its owner. Every man would be but a life annuitant of his own property. [261]

But, at the same time, in periods of moral decline, complete freedom may degenerate so as to produce evils equally great. The wealthy Bœotians, in the later days of Hellenic history, were wont to form themselves into dissolute drinking companies; and not only the childless, but even fathers of families made over their property to these companies, limiting their offspring to a portion which it was made their duty to let them have. It was so in Rome, also, in Cicero's time, when every acquaintance of standing took it very ill if not remembered in the will of the testator, and where Octavian, for instance, in the last twenty years of his reign, received about 70,000,000 thalers through legacies left him by his "friends."<sup>517</sup> Here, the repeal of the law making it obligatory on testators to leave a certain proportion of their wealth to their children would remove the last safe-guard of their material welfare.<sup>518</sup> [262]

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noted for their high moral tone, testamentary freedom is a powerful means of strengthening paternal authority on the one hand, and of keeping alive, in the minds of parents, on the other, a sense of responsibility for the future of their children. Compare *Helperich*, *Tübinger Zeitschr.*, 1854, 143, ff.

<sup>517</sup> *Polyb.*, XX, 6. Hence it was, that all (?) the wealth of Thebes, when it was destroyed by Alexander the Great, was only 440 talents. (Athen., IV, 148.) *Drumann*, *Gesch. Roms. etc.*, VI, 333 ff. *Cicero*, *Phil.*, II, 16. *Hoeck*, *Röm. Gesch.*, I, 2, 118. *Sueton.*, *Octav.*, 66. An especially scandalous instance in *Petron.*, 140. For a masterly theory of legacy-hunting, see *Horat.*, *Sat.*, II, 5. Compare *Lucian*, *Dialogues of the Dead*, 5-9. *Petronius* speaks of a *turba hæredipetarum*. (124.)

<sup>518</sup> Even the revolutionary shibboleth, *paternité*, really means nothing more than the equal right of inheritance of all, i.e., the abolition of the right of inheritance! (*R. Meyer.*) The strongest attack, from a scientific point of view,

## Section LXXXVII.

## Landed Property.

As land, in its uncultivated state, has neither been produced by man, nor can be entirely consumed by him, the above demonstration of the necessity of private property cannot without any more ado, be extended to land.<sup>519</sup> Hence, individual property

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are fewer rooms in the house, and the owner settles beside the ruins. (*Denon*, I, p. 193.) In the Butan, there exists a species of practical Saint Simonism. *Robinson*, Descriptive Account of Assan, 1841.

made on the right of inheritance in more recent times, comes from Saint Simonism. The founder himself, after a life rich in experience but poor in action, spent in the search of much but in the finding of little, succeeded only in arraying the industrial and proprietary classes against each other, in declaring the poorest class to be the most important of all, and in basing the new *religion of love* on the emancipation of labor. His disciples went further. In order to abolish all the privileges of birth, *Bazard*, Exposition de la Doctrine de Saint Simon, 1831, p. 172, ff., taught that it was not enough to distribute public employments according to merit, and in the interest of the people generally, but that the distribution of property should be made in accordance with the same principle. The inequality of ownership should correspond with the inequality of merit. Every one may, during his life, keep what he had acquired himself, but give it to the state at death. Thus would a reconciliation be effected between the general interest and private interest; and the public revenue, supplied in this way, might easily be employed in place of the revenue raised by such taxation as weighs most heavily on the inferior classes. *F. Huet*, also, *Le Regne social du Christianisme*, 1853, III, 5, would have all private property, after the death of the owner, fall *également à tous les jeunes travailleurs*. The practical



in land is everywhere much more recent than individual property in capital.<sup>520</sup>

But a certain expenditure of capital and labor is necessary that land may be used productively, and, in most instances, this employment of capital and labor is of long duration, irrevocable in the very nature of things, and one the fruits of which can be reaped only after some time has elapsed. Now, this cooperation of capital and labor is such, that no one would undertake to employ them in the cultivation of the land, had he not the strongest assurance of possessing it. Hence, agriculture in its most rudimentary stage supposes ownership of the land, at least from the time that it is “tickled with the hoe,” until it “smiles with the harvest;” or, to express it more accurately, all the time intervening between the work of the plow and the labor of the sickle. The more, afterwards, population and civilization increase, the more products must be wrung from the soil. But this can be accomplished only by means of its more *intensive* cultivation (higher farming), by lavishing a greater amount of capital and labor on it, and, as a rule, by extending the circle of agricultural operations by means of combinations more and more artificial. Hence, the progress of civilization demands an ever increasing fixity, and a more pronounced shaping of landed

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consequences of this system may now be seen in Turkey. There, the principal military fiefs are held in this way. Hence it is, that the Turkish owner of such a fief builds as little as possible. When one of his walls threatens to fall, it is kept standing by means of props. If it falls in fact, the only consequence is that there

<sup>519</sup> It was chiefly fear of the consequences of the declamations of the socialists and their declamation against “monopoly” that induced *Bastiat* to reduce all the value of landed property to that of the capital employed in its manuring, improvement etc. (*Harmonies*, ch. 9.) We may, however, unreservedly grant him that, as a rule, until the time of its original possession by man, land had no *valeur* whatever (278).

<sup>520</sup> *Kant* thinks the very contrary: *Metaph. Anfangsgründe der Rechtslehre*, (Werke, IX, 72 ff). *Contra*, *Grotius*, J. B. et P., II, 2. *Graswinkel*, in his *Schriften für die Freiheit des Meeres*, 1652 ff., in *Laspeyres*, *Geschichte der niederländischen N. Æk.*, 12. *Hufeland*, *Neue Grundlegung*, I, 307.

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property (the *specification* of jurists), in the interests of all who share in this progress, and even of those who own no landed property themselves. Were there no property in land, every one would find it more difficult and laborious to gratify his want of agricultural products;<sup>521</sup> and the products themselves would be of an inferior kind.

Thus, for instance, in Camargo, the lackmus was formerly prepared from plants to be had “free” in the woods. It was then, however, much dearer than it is now that the plants are artificially raised on landed property.<sup>522</sup> It is otherwise with the fisheries. The appropriation of rivers or seas would not tend to increase the abundance of their products, and hence this appropriation is, on the whole, rare.<sup>523</sup>

#### Section LXXXVIII.

### Landed Property. (Continued.)

Whenever this admixture of capital and labor with land has taken place to no great extent, private property in land is not found developed in any degree. Thus, there are even now many half-civilized countries in which the land is forfeited because not tilled for many years, and where it may be occupied by the first person

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<sup>521</sup> “A district of Tartary of ten square miles, in which several hordes pasture their flocks, may contain between 400 and 500 shepherds, who find employment in this mode of production.” In Brie, in France, on the same area, 50,000 peasants who own no land, live and draw their sole income from their labors in the fields (*J. B. Say*).

<sup>522</sup> *Schubert*, *Reise durch Frankreich und Italien*, I, 188.

<sup>523</sup> “Without labor, the earth bestows nothing on man but a stopping place. Hence, the reasons for private property do not extend so far as to prove that the great land and water highways should not be reserved as common property, and as a home to every man.” (*Zachariä*, *vom Staate*, VII, 43.)

who will cultivate it.<sup>524</sup> In Europe, common possession of forests and pasture lands asserted itself much longer than that of arable land, because, in the case of the former, labor and capital play a much less important part in the management of them. And yet, even in the case of arable land etc., and, in the highest stages of civilization, the property-quality is yet less developed than the property-quality of capital. How seldom do we find *fidei commissa* of capital, or capital juridically tied up. We find that the law of all ancient nations drew a marked distinction between moveable and immoveable property, and that the power of disposing of the former by sale, pledge, in dowry, partition etc., was a much freer one. And even now, the police power which may be exercised over moveable property is much more restricted than that over houses and land.<sup>525</sup> The justice of the exclusive right of possession to what one has earned and saved is obvious to every one. On the other hand, the appropriation of “original and [265]

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<sup>524</sup> This is the practice in Taway. *Ritter*, *Erdkunde*, V, 130. And so in ancient Germany. *J. Grimm*, *Rechtsalterthümer*, 92. Right of the “dead fire” in Spain and Portugal during the middle ages. *S. Rosa de Viterbo*: *Elucidario das Palavras* etc., I, 470. In many parts of Persia, the land belongs to anyone who has provided it with water by canals or wells. (*Fraser*, *Journey in Chorasán*, ch. 7.) Especially after the Mongolian devastation about the beginning of the fourteenth century, it was decreed that land which had remained uncultivated for a long time should belong to the person who made it productive. (*d’Ohsson*, *Hist. des Mongols*, IV, 418.) Similarly, in the time of the ancient Persians (*Polyb.*, X, 28, 3), the harvest for the first five years belonged to the person who first irrigated the land. On the upper Euphrates, likewise, the land is very often neither sold nor leased. Anyone who will till it and pay one-tenth of the produce to the bey may have it for nothing. (*Ritter*, X, 669; compare VIII, 468; IX, 900.) So, too, among the Fulah and Mandingo negroes, and even among the Tscherkessans. (*Klemm*, *Kulturgeschichte*, III, 337 ff.) As the latest stages of development so often present instances of a reversion to the earliest, we find that Theodosius and Valentinian decreed that the *agri deserti* should, after two years’ cultivation, belong to the possessor. L. 8, *Cod. Just.*, XI, 58.

<sup>525</sup> Thus anyone may burn his own coat or throw it in the water; but no one may set fire to his own house or drown his land by the destruction of a dam. Even the non-user of a large area, in a thickly populated region, would scarcely

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indestructible natural forces” has its basis not so much in justice as in the general good; and the state has always considered itself entitled to attach to the “monopoly of land,” which it accorded to the first possessor, all kinds of limitations and conditions in the interest of the common good, and sometimes to consider private property in land in the light of a semi-public function.<sup>526</sup> I may instance the feudal principles of the latter portion of the middle ages, which are so far removed from our ideas of private property in land; and yet, of which many echoes are heard, even in our day, and are not without their influence in practice. Thus, further, for instance, even in England, the greater number of the poor-rates, of taxes for the support of the established church, the maintenance of public highways etc., are heaped upon the rent of land. Many socialists have proposed to make the state the sole proprietor of the soil,<sup>527</sup> sometimes adding the condition, that the previous private owners should be compensated in capital,

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be permitted. The taking of property by the state, at the present day in times of peace, is confined almost exclusively to land.

<sup>526</sup> Thus *P. v. Arnim*, in a work entitled “Ideen zu einer vollständigen landwirtschaftlichen,” Buchführung, 1805, a treatise on “agricultural book-keeping,” considers the farmer as a state official who should cultivate whatever he believed in conscience, or what the state declared to be, most necessary. He suggests that the state should subject all new purchasers of land to an examination to ascertain whether they are rich and noble enough to act in this way.

<sup>527</sup> Thus, for instance, *Herbert Spencer*, *Social Statics*, 1851, 114 ff., and to some extent *Spinoza*, *Tract. polit.*, VI, 2. There are now in England several Land-Tenure-Reform-Associations, some of which would “expropriate” all land and vest the title in the state. The programme of the others embraces not only opposition to the right of primogeniture, to family *fidei commissa* and the assertion of the right of freedom of trade in land, and of a more democratic use of common lands, but also the appropriation by the state of the increase in the rent of land which is caused by no labor of the landlord, but solely by the increase of population and of the wealth of the community or of the nation. *Newmarch*, on the other hand, very correctly remarks, that since it is impossible to draw a line of demarkation showing the increase of the value of land growing out of the increase of population etc., the owner of land in

when it would be at least supposable that private capital might be enticed to cultivate it, if long and sure leases of it were made. This would be a “good” demesne-husbandry, extending over the entire country. We need only glance at those kingdoms in which something analogous is to be found, especially the despotisms of the east,<sup>528</sup> to divine that such a system does not suffice to insure the real productiveness of a nation's economy.<sup>529</sup> [267]

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land should be merely a sinecurist quartered on it.” He here alludes specially to Ireland. The Fourierist, *Considérant*, distinguishes accurately between the capital produced by labor and saving, and the increase of the value of land caused by capital and labor, and its original value. Only the first two elements can justly be made property. But as, for prudential reasons, it is necessary to grant individuals the right of private property in land, those who are not such proprietors must, as a compensation for the common property which they have lost, be guaranteed the right to labor. (*Théorie du Droit de Propriété et du Droit au Travail*.) In England, the opinion that the compulsory support of the poor was introduced in compensation to them for the establishment of private property in land has met with considerable favor. *Bishop Woodward*, *On the Expediency of a Regular Plan for the Maintenance of the Poor in Ireland*, 1775. Compare *Eden*, *State of the Poor*, I, 413. However, the poor rates, in a country like England, are much more than an equivalent of what its soil could produce without the assistance of capital. making improvements would never know whether he made them for himself or for the state. (*Statist. Journal*, 1871, 488 ff.) Compare *Wolkoff*, *Sur la Rente foncière*, 1854, and *H. H. Gossen*, *Entwicklung der Gesetze des menschlichen Verkehrs* (1854).

<sup>528</sup> In Congo and on the gold coast of Guinea the land, in whole villages, is tilled in common and the harvest distributed among the families per capita. Wherever

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absolutism reigns, the prince is also the owner of all the land. (*Klemm*, III, 337.) In China, where the original tenure in common of the land by all was broken through in the third century before Christ, all the land of the country now belongs, strictly speaking, to the state; and the possessor of land who permits it to go untilled is punished. (*Plath*. in the phil.-hist. Sitzungsberichten der Münchener Akad., 1873, 793 ff.) In Corea, private property in land is unknown; arable land is divided by the state according to the number in a family. (*Ritter*, IV, 633.) The example, on the largest scale, of a country without private property in land is the British East Indies. Compare the paper by *Ch. Campbell*, in the Essays published by the Cobden Club; System of Land Tenure in various Countries, 1870.

<sup>529</sup> The legal and economic difference between property in land and property in capital is well defined by *J. S. Mill*, Principles, II, ch. 2, 6. "The reasons which form the justification, in an economical point of view, of property in land, are only valid in so far as the proprietor of the land is its improver. In no sound theory of private property was it ever contemplated that the proprietor of

## Chapter VI.

### Credit.

#### Section LXXXIX.

#### Credit In General.

Credit<sup>530</sup> is the power of disposition over the goods of another,<sup>531</sup> voluntarily granted in consideration of the mere promise of the counter-value.<sup>532</sup> As Franklin says: A good pay is master of another man's purse. Hence, it is evident that whoever would

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<sup>530</sup> The principal classical work on this subject is *Nebenius*, *Der öffentliche Credit*, 1820, 2d ed., 1829. Previously, *Salmasius*, *De Modo Usurarum*, 1639; and even *Demosthenes*, *adv. Dionysiod*, 1283. Compare further *Schäffle*, in the *Deutsch. Vierteljahrsschrift*, No. 106, II, 289 ff.

<sup>531</sup> Compulsory loans by the state, for instance, occupy an intermediate position between taxes and credit-operations, properly so called.

<sup>532</sup> Besides loans proper, all payments in advance, or delays made in the payments of earnest-money, all leases and lettings, which *Courcelle-Seneuil* calls *un médiocre degré de crédit*, insurances and even all contracts for wages where the payment is delayed for a long period of time, are species of credit. For a nice distinction between leasing (*Pacht*) and letting (*Miethe*), see *Knies*, *Tübinger Ztschr.*, 1860, 180 ff., and the *Freiburger Univ. Programm.*, 9. September, 1862. *D. Wakefield*, *Essay upon Political Economy*, 1804, 35, distinguishes between "loan-credit" which is given to a poor man in the hope of his paying it by means of his labor, and "exchange-credit," or credit between property owners. *Cieszkowski's* definition: *le crédit c'est la métamorphose des capitaux stables et engagés en capitaux circulants et dégagés*. (*Du Crédit et de la Circulation*, 2d ed., 1847.) According to *Knies*, *Tübinger Ztschr.*, 1859, 568, every credit-operation is an exchange or sale of services, one of which is to be performed in the present, and the counter-service of the other party in the future. According to *Macleod*, it is "a sale of debts."

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obtain credit must be believed to possess the ability as well as the intention to fulfill his promise. Where this belief is based simply on the opinion entertained of the person of the debtor, we speak of personal credit,<sup>533</sup> in contradistinction especially to the credit based on bailment, pledge, hypothecation etc. The longer the time between the making of the promise and the period fixed for its fulfillment, the less certain is the latter, where the security is simply the person of the debtor. It is chiefly in very uncivilized nations and also in nations in their decrepitude, and during periods of anarchy, and in despotisms, that personal security stands higher than any other. The same is true, though for other reasons, in very energetic civilized nations, where the people put a high estimate on the element of labor in their economy, among whose members legal security is, indeed, found, but where the peculiar sensitiveness of speculation would be too much hampered by the more sluggish nature of other credits; as, for instance, in North America, and even in ancient Rome. Civilized nations that have reached the stationary economic state, on this account much prefer the greater security and the absence of care which accompany non-personal credit.<sup>534</sup>

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<sup>533</sup> Personal credit, of course, preponderates in commerce. Hence it is, that in mercantile life, information concerning the personal status, reputation etc. of his colleagues, plays so important a part with the merchant. This information was made more accessible in England by the Lloyd institution. On similar North American institutions, see *Tellkampf*, Beiträge, I, 51. Credit given on security is a modification, sometimes of personal and sometimes of real credit. Compare, *infra*, the theory on bankers, brokers etc.

<sup>534</sup> In despotisms, credit is almost entirely personal. *Montesquieu* *Esprit des Lois*, L.V., 15. In New York, says *M. Chevalier*, a merchant with resources worth 200,000 francs, can do a business of from 1,000,000 to 1,500,000 francs. In Paris, under similar circumstances, the same man would find it difficult to be credited to the extent of 500,000 francs. In Holland, two hundred years ago, a person who hypothecated his property was obliged to pay a higher rate of interest than in business (*Becher*, *Polit. Discurs*, 1763, 699), while the stationary period, one hundred years ago, made personal credit extremely difficult. In Zurich, it was encouraged by the prohibition of loaning money out



In estimating the ability of the debtor to meet his promise, we must take into account, especially, the disposable character of his resources; otherwise it would be impossible to understand [270] why the merchant may so frequently obtain a loan on his stock equal to its whole value, while the owner of land can place it as security only to the extent of half its value.

Credit, on the whole, grows in importance with an advance in civilization, and this is true especially of credit intended for productive purposes. This is a consequence of the greater division of labor which causes unfinished products to be put on the market more and more frequently,—products which come to have a value only after some time, but which, when that time has elapsed, have present value. And, indeed, as the world advances and civilization grows, it becomes much easier to forecast the future with certainty. The future, also, then becomes more a source of solicitude, and fixed capital, as a consequence, plays a part which grows daily more important. The limit to the development of credit is this: it is safe only when the debtor invests his borrowed goods in the production of, to say the least, their equivalent. This is why the personality of the state, clothed with immortality and with a formally boundless power of taxation, is so often seduced into engaging in transactions of credit which are never self-discharged.<sup>535</sup> The social diseases of panics and of extravagant enterprises stand in the same relation to credit that unbelief and superstition do to true religion.<sup>536</sup> (*Schäffle.*)

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of the country. (*Büsch*, Geldumlauf, III, 40.)

<sup>535</sup> *Schäffle*, Nat. Œk., II, Aufl., 112.

<sup>536</sup> *Schäffle*, according to the purpose which it is intended to subserve, divides credit into production-credit (investment of loans in immoveable property and in moveable property engaged in industrial operations), consumption-credit and clearing-credit, or loans made to pay respited purchase and earnest money, inheritances etc. (*Kapitalismus und Socialismus*, 552.)

## Section XC.

## Credit—Effects Of Credit.

As regards the effects of credit, we may remark, that it is as powerless directly to produce new capital as is the division of labor to produce new workmen. To every credit of the creditor corresponds a debit of the debtor. As Turgot said: *Tout credit est*

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<sup>537</sup> *Pinto*, *Traité de la Circulation et du Crédit*, 1771, considers loans bearing interest as new portions of the resources of a country (p. 161), and that government loans not made in excess of its powers are *une alchymie réalisée dont souvent eux mêmes qui l'opèrent n'entendent pas tout le mystère*, (p. 338.) Similarly and earlier, v. *Schröder*, *F. Schatz-und Rentkammer*, 238 ff; *Mélon*, *Essai politique sur le Commerce*, 1734, ch. 6; next, *Hamilton*, Report to the House of Representatives on the subject of Manufactures, Dec. 5, 1791; *Von Struensee*, *Abhandlungen*, 1800, I, 259. See *infra*, § 210. More recently, *St. Chamans*, *Nouvel Essai sur la Richesses des Nations*, 1824, 83 ff. To some extent, even *Dietzel*, *System der Staatsanleihen*, 1855, 200. This is a dangerous error, since to every credit there is a set-off in the nature of a debit of an equal amount; and the evidences of debt are nothing but claims on the future revenue of the state. This was fully recognized by *Cantillon*, 291 ff. One of the principal advocates of that view among writers on Political Economy is the vivacious, acute and practically not unskillful, but sophistically superficial *Macleod*. (*Elements of Political Economy*, 1858, ch. 3, *Dictionary*, 1862, v. *Credit*.) The creditor's assignable right of demand, he considers immaterial capital. While bills of lading, warehouse receipts, dock yard receipts etc., only represent goods, the bank note is new goods. Even metallic money has only a credit-value, inasmuch as it can be used only to effect exchanges. To the - of the creditor may correspond a + of the debtor; but the latter is negative only in the sense that we speak of negative electricity, a negative thermometrical

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*un emprunt.*<sup>537538539</sup> But, on the other hand, credit facilitates the transmission of the elements of production, especially of

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serviceable in further production (*Grands.*, 300), he confounds credit itself with the foundations of credit, which are, indeed, in large part material or moral capital.

degree. When an estate is leased, the owner has, in his demand for rent, a vendible *plus*; but the lessee no corresponding *minus*. (Not so. To the same extent that the proprietor has his future payments on the lease discounted, the present sale-value of his estate is diminished; or if it is not sold, the last party obtaining the discount has made his available capital as much less by the advance as that of the lessor has been increased.) The “discounting of the future,” that is, the apparent capitalization of hopes, so much in vogue at the present time, may be a great spur to production as it may also be to baseless extravagance.

<sup>538</sup> Many theoreticians ascribe a direct creation of new capital to credit, in so far as the capacity of the evidences of debt to circulate as a medium of exchange effects a real saving, and permits the former very costly and intrinsically valuable instruments of exchange to be used in some other way. (§ 123.) Compare *Ricardo*, *Proposals for a secure and economical Currency* (1817). *J. S. Mill*, *Principles*, II, 174 and 36. *McCulloch*, *Commercial Dictionary*, art. Credit. And so it was in the first four editions of this book of mine. But here, too, there is, immediately, only a transfer of already existing capital. The person, for instance, who accepts a bank note for payment, loans a part

capital, from one hand to another.<sup>540</sup> When, therefore, the debtor employs the capital that he has borrowed, more productively than the creditor would have done, the whole country is a gainer; as it is a loser, on the contrary, when a person engaged in industry advances to the idler, the frugal man to the spendthrift, the solid man to the wild speculator. In declining nations, where every new development hastens decay, the latter alternative may be the prevailing one; and, especially here, may the usurious giving of credit by the shrewd to the simple lead to ruinous debtor-slavery. Among a vigorous and energetic people, the former is apt to govern, as it is only by the productive employment of the loans made that they are permanently enabled to pay interest. Here credit is an invaluable means, not only of putting idle capital in motion, and of making active capital still more active, but especially of concentrating capital, by which it may gain as much in productive power as labor does by the coöperation of labor. This is effected, very frequently, by means of joint-stock companies, the principle of which recommends them especially in enterprises where stationary capital is required rather than circulating capital, and where capital generally plays a greater part than labor; and where this labor can be subjected to provisions which may be accurately laid down beforehand; as, for instance, in the case of docks, insurance companies, banks,<sup>541</sup> etc. Banks, [273]

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of his capital to the bank; and the advantage to the whole community of such credit-operations consists chiefly in this: that so large a quantity of cash-capital which lay idle in banks etc., may be used more productively.

<sup>539</sup> When *Roesler* says that credit is capital, the product of saving, and very

<sup>540</sup> Compare *Discourse on Trade, Coyn and Paper-Credit*, London, 1697, 72 ff.

<sup>541</sup> Compare *Buron*, *Guerre au Crédit*, 1868. *Schäffle*, *Tüb. Ztsch.*, 1869, 296 ff. With a thorough understanding of its politico-economical bearing, *O. Michaelis*, (*Berliner V. Jahrsschr.* 1863, IV, 121,) says: The capital-value of my credit is not equal to the nominal value of my evidences of indebtedness [notes etc.], but to the capitalized amount of the extra surplus which I have obtained in my business by means of credit, after deduction is made of the costs and of the risk-premium.

then, become real reservoirs of capital, provided they are properly and judiciously established and managed; real reservoirs which receive in one place the capital which is superfluous elsewhere, in order to supply some other place with that which is necessary to it. The more confidence increases, the more are even the smallest dribblets of capital awakened from their slumbers, and made active and productive. It is only by means of credit that the help of foreign capital can be obtained for home production. Indeed, credit, considered as an exchange of probable future goods against actually existing goods, is one of the principal functions of the temporal solidarity of the economy of nations. (*Schäffle*.) Without credit, there would be very little place for speculation proper.

We may see how the possibility of giving and receiving credit promotes wealth, by contemplating the poorer classes, whose poverty, both as cause and effect, is very closely related to the absence of credit. And here we have a suggestion of the reverse to the bright side of the picture of credit, analogous to that mentioned in § 62 of the coöperation of labor, viz.: that it tends to intensify inequality among men. The man who is distinguished by the amount of his wealth, or by his position is naturally known to a much wider circle than others are. From which it follows, that he may, by the way of credit, increase his power, already so much greater in the economic world, by a much larger multiplier.<sup>542</sup> Hence, it need not surprise us, that

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<sup>542</sup> We shall, in the books to follow this, inquire with great care, what are the means best calculated to remedy this dangerous tendency. We need only remark here, that it is to be found in a judicious association of small capitalists, and also in the capitalization, so to speak, of personal qualities. A well organized society of work-men, without capital, may indeed obtain credit, as for instance, the Schultze-Delitsch societies, the Russian *artel-schnicks* (market-aid societies) etc. prove. (*Frühauf*, Die russ. Artels in *Faucher's Vierteljahrsschrift*, 1868, I, 106 ff.) We may also mention the greater credit accorded to a land-owner the moment he becomes a member of a land-loan association as compared with what he could obtain before he had joined it. The popular belief of the ancient

the great obtain credit from those in a lower position, at least as frequently as they give them credit in turn.

On the side of the creditor, the possibility of making loans is a powerful incentive to frugality. Were there no credit, those who were not in a condition to employ their capital productively would make savings only within very narrow limits.<sup>543</sup>

## Section XCI.

### Debtor Laws.

Private credit is always conditioned, and in a great many ways, by the situation of the whole nation's business; in other words, by their politico-economical situation. It is especially in the [275]

*général des banques*, intended to administer all the goods of the nation, and to loan them to individuals engaged, in production. (*Bazard*, 205 ff.)

Egyptians afforded them a very great instrument of credit in the pledging of the remains of their ancestors. (*Herodot.*, II, 136.)

<sup>543</sup> *B. Hildebrand* is of opinion that the Political Economy of the future may be characterized as credit-economy, in the same way as the Economy of the present may be called money-economy, and that of the past as barter-economy of barter. (*National (Economie der Gegenwart und Zukunft*, I, 276 ff.) *Hildebrand's* view is correct in so far as that, with every advance in civilization, credit comes to have absolutely and relatively an ever increasing importance, although in the middle ages, especially under feudal forms (*Lebensformen*), there were numberless operations in credit. Otherwise, however, *Hildebrand's* three kinds of economy are, by no means, coördinated. While barter and purchase through the instrumentality of money, in every instance, entirely exclude each other, it is impossible to imagine a credit-transaction of which the promise of a barter-performance or of a money-performance does not constitute the base. During a "money-economical (*geldwirthschaftlichen*) period" [i.e., one during which money is the medium of exchange, and not notes; and when barter does not obtain.—*Translator.*] the service rendered by money as a medium of exchange may, for the most part, be supplanted by credit. Money, as a measure of value, still remains the substratum of credit itself. (See *Knies* in

higher stages of civilization, that one bankrupt may easily drag numberless others down with him; and where the laws are bad or powerless, not even the wealthiest man can predicate his own solvency for any length of time in advance. One of the most important conditions of credit is the certainty that, if the debtor's good will to meet his obligations should fail, it shall be supplied by the compulsory process of the courts. Hence, the importance of a judicial procedure, at once impartial, enlightened, prompt and cheap.<sup>544</sup> The more vigorous the laws relating to debt are in preventing dishonesty on the part of the debtor, the more advantageous are they to honorable and honest debtors. Adam Smith has rightly said, that in countries in which creditors are not completely protected by the courts, the honorable man who borrows money is in the same condition as the notoriously dishonest man or the spendthrift, in better governed countries. He finds it more difficult to borrow and is obliged to pay a higher rate of interest.<sup>545</sup> Rigorous debtor laws, on the other hand,

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the Tübinger Ztschr., 1860, 154 ff.; and in the Freiburger Programm, 9 Sept., 1862, 19.) Earlier yet, A. Wagner, Beitr. zur Lehre von den Banken, 1857 ff. Among the most practical propositions of Saint Simonism is that of a *système*<sup>544</sup> It is destructive of credit to allow the debtor to await several decrees or judgments before his liability is established; to allow him, on easy terms, delays, reversals of judgment, the costs of the case etc. The term within which a creditor might bring in his claim before the meeting of creditors in the Amsterdam Boedel-chamber was formerly thirty-three and a third years. (Büsch, Darst. der Handlung, Zusatz, 82.) In the presidency of Bengal there were, in 1819, 81,000 cases in arrears, and in 1829, 140,000. Westminster Review, XIX, 142.

<sup>545</sup> And yet Melon is of opinion that the state should favor the debtor as much as possible. (Essai politique sur le Commerce, ch. 12, 18.) This was the view entertained on this subject by the older practitioners. In Bengal, the *dhura*, a species of "judgment of God," in which the party who could hold out longest against hunger was declared the victor, was the only means to compel a debtor to pay his debt. As a consequence, the Bengal peasant could not borrow money at less than 60 per cent. per annum. Edinburgh Review, XXII, 67. On the damages attending the credit-laws and credit-courts of Russia, by which all foreign goods are rendered exceedingly dear, see v. Sternberg, Bemerkungen



diminish in the whole nation the amount of “bad debts,” that is, a not insignificant portion of the cost of production. They, at the same time, promote, as far as it is in the power of laws to do it, national honor and the mutual confidence of man in man. The excellence of their debtor laws, in their most flourishing period, was one of the principal elements which contributed to make Athens and Rome of such importance in the history of the world.<sup>546</sup> [276]

## Section XCII.

### History Of Credit Laws.

In the history of laws relating to credit, we may distinguish, in a great many countries, three stages of development.

über R., 100 ff. In a country in which a great many powerful personages are above the laws, an incorporated loaning bank may be an indispensable necessity. (*Storch*, Handbuch, II, p. 23 ff.) In Naples, even as recently as 1804, no debtor could be arrested during the last six months of the queen's pregnancy. At a previous period, one might fail in business there and escape all punishment by exposing the hindermost part of himself in a nude state publicly before a column of the *Vicaria*. (*Rehfues*, Gemälde von Neapel, I, p. 203 seq., 222.) In Schwytz, the rate of interest is so high, because the law allows the debtor to pay his creditor, whether the latter will or not, in articles of household furniture, clothes etc., estimated at a very high value. (*Hermann*, Staatsw. Untersuchungen, 202.) It has now become quite usual in the United States, on account of the many delays granted to the debtor by “democratic” laws introduced there, instead of mere mortgage, to give full warranty deeds when capital is loaned. By this means, the creditor is in danger, when misfortune overtakes him, to see himself compelled to let his property go at one-fourth of its value.

<sup>546</sup> See the Heliast oath in *Demosth.*, adv. Timocr., 746. The Roman system of credits in the time of Polybius was much better than the Carthaginian. *Polyb.*, VI, 56, XXXII, 13.

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A. The laws, in the first stage, are very severe. In the Germanic middle age the insolvent was disgraced. He became the slave of his creditor (*zu Hand und Halfter*), who might imprison him, fetter him (*stöcken und blöcken*), and probably kill him. A Norwegian law allowed the creditor, when his debtor would not work and his friends would not ransom him, to take him before the court, and “to lop off from his body what part he will, above or below.”<sup>547</sup> To judge of these provisions correctly, it is necessary to bear in mind the many ways in which family resources were at this time bound and tied up, and not forget “the power of defiance in these iron natures.”<sup>548</sup> (*Niebuhr.*)

B. The canon law introduced milder principles. Gregory the Great had already prohibited the holding on to the body of the debtor.<sup>549</sup> On this account, during the latter portion of the middle ages, it was customary to stipulate by contract that the provisions of the ancient law should govern in this matter, to submit to imprisonment etc.<sup>550</sup> The influence of the Roman law made it gradually more usual, in the case of insolvent debtors, to demand no more from them than the assignment of their property for the benefit of their creditors. This, however, led to numerous frauds; and these became more frequent in proportion as the laws governing the property of parties while the marriage relation existed between them, and as executions against landed property etc. were defective.

C. Hence, in more highly civilized times, there has been a return to the severity of earlier ages. Persons engaged in

<sup>547</sup> *Sachsenspiegel*, III, 39. *J. Grimm*, *Deutsche Rechtsalterthümer*, 612 ff. *Dahlmann*, *Dänische Gesch.*, II, 245, 339. *Hermann*, *Russ. Gesch.*, III, 357. On slavery for debt among the Malays, see *Ausland*, 1845, No. 157.

<sup>548</sup> *Beaujour*, *Tableau du Commerce en Grèce*, II, 176.

<sup>549</sup> C. 2 X. De Pignor. An appropriate provision in a priestly government. *Diodor.*, I, 79.

<sup>550</sup> Staying in a place by the debtor until the creditor is satisfied, and other degrading stipulations, which, however, were prohibited by the police regulations of the Empire in 1548, art. 17.

commerce, especially those whose capital is so volatile, and to whom time is a thing so precious, can scarcely dispense willingly with personal imprisonment for debt. Hence, legislation on bills of exchange, sanctioned especially by imprisonment of the person, plays a very important part in the commercial cities of the seventeenth century, as it did, naturally, much earlier in Italy and the Netherlands.<sup>551</sup> Modern laws in many cases [278] punish the bankrupt whenever an examination of his books, kept after approved methods, does not demonstrate his innocence.<sup>552</sup> The great facility of fraudulent bankruptcy, where commerce has attained a high degree of development and complication; the absence of honor shown in engaging in speculation for one's own gain with a stranger's capital, and without the real owner's knowledge; the comparatively small number of

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<sup>551</sup> *Marten's Ursprung des Wechselrechts*, 1797. Statuta Mediol., 1480, fol. 238 ff. The municipal law of Florence unconditionally imprisoned the father or grandfather for the debt of the son, when the latter engaged in industrial pursuits with their consent. (Stat. Flor., I, 201.) In Bologna, the brothers of a bankrupt who had constituted one household with him were held responsible for his debts. (Statuti dell' Università de Mercantati della Città di B., 1550, fol. 110.) The law of Geneva excluded from all positions of honor the son who had left his father's debts unpaid. *Montesquieu*, E. des Lois, XX, 16. The consequence was, that among the higher classes not a creditor lost anything for centuries. (*K. L. v. Haller*, Restauration der Staatswissenschaften, VI, 519.) Compare the "Nurenberger Reformation" of 1479, fol. 61 and 68 of the edition of 1564.

<sup>552</sup> Compare the R. P. O. of 1548, art. 22. And so, by the Code de Commerce, III, 4, I, even the simple bankrupt in contradistinction to the fraudulent bankrupt is punished, and every person unable to pay his debts is declared a *simple* bankrupt, who, among other things, has made excessive household expenses, or lost considerable sums by play etc. Compare *Sully*, Mémoires, Livre XXVI, who declares it to be his most wholesome law, that fraudulent bankrupts should, like thieves, be punished with death, and that all their fraudulent assignments, gifts, etc., should be declared void. Further, Ordonn. de Louis XIV., sur les Failletes, art. 11; *J. de Wit*, Mémoires, 77 ff; v. *den Heuvel*, Sur le Commerce

blameless and irreproachable bankruptcies,<sup>553</sup> certainly justify these provisions.<sup>554555</sup>

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### Section XCIII.

#### Means Of Promoting Credit.

One of the most efficient means of promoting credit consists in legislation intended to dry up the source of bad debts, by placing obstacles in the way of reckless or usurious credits for objects

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See several passages in *Walter.*, Röm Rechtsgesch, 763 ff; *Tertull.*, Apol., 4; Tab. Herac. I, 115 ff. Later, Cæsar's Lex Julia permitted the honest debtor to escape imprisonment by the assignment of his goods.

C. The moneyed oligarchy which prevailed in Rome caused the adoption of exceedingly severe measures against delinquent debtors. (*Plut.*, Lucull., 20. *Cic.*, ad. Att. V. 21, VI.), although its members themselves incurred debts in the most reckless manner. Cæsar, in the year A.C. 62, excluding his active (*activen*), owed debts to the amount of 25,000,000 sesterces; M. Antonius, in the year 24, 6,000,000; in the year 38, 40,000,000; Curio, 60,000,000; Milon, 70,000,000. (*Mommsen*, Römische Geschichte, III, 486.) Compare *Gellius*, XX, 1, XV, 14.

de la Hollande, 110 ff. Frederick William I., in 1715, threatened with the galleys all light-headed bankrupts, and, in 1723, all those who, knowing their insolvent condition, should effect further loans. *Mylius*, Corp. Const. March. II, 2, 31, 40. For China, see *Davis*, The Chinese, I, 247 ff. *Gr. Soden*, Nat. Oek., III, 231, demands that, in case of doubt, the guilt of the bankrupt should always be presumed.

<sup>553</sup> In England only one-tenth of the number of bankrupts are considered innocent. *Elliot*, Credit the Life of Commerce, 1845, 50 ff.

<sup>554</sup> The *contrainte par corps* of debtors was abolished in France in 1792, but restored in 1797. Even *Turgot* remarked that since slavery had ceased there

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was no further fear (?) that the poor would be oppressed by imprisonment for debt. (Sur le Prêt d' argent, § 31.) According to *Droz*, the question is not one of weighing "freedom" against "miserable money," but the deprivation of a few of that freedom and the non-fulfillment of obligations entered into, that is against the destruction of public confidence.

<sup>555</sup> A similar development among the Greeks:

A. Rigorous slavery for debt, which Kypselos moderated at Corinth. (*Pausan.*, V. 17, 2), and Solon abolished in Athens. (*Plutarch*, Sol., 15. *Demosth.*, de fals. Legat., 412.)

B. The reckless creation of debts as seen in Aristophanes; while outside of Athens slavery for debt lasted yet a long time. (*Hermann*, Griech. Privatalterth., § 57, 20.) In the time of Demosthenes, the merchant in arrears in the payment of his debts was cast into prison, and the bottomry-debtor who deprived his creditor of his security might be punished with death, (*Demosth.* adv. Pharm., 922, 958), and this although the *cessio honorum* was introduced. *Hermann*, § 70, 3. Compare *Xenoph.*, Vectigg., 3, *Demosth.* adv. Apat., 892; adv. Lacrit., and adv. Dionys. In Corinth, the state superintended expenses made by parties. This was part of its credit-policy. (*Athænaeus*, VI, 227.) For a remarkable Rhodian law relating to debts, see *Sext. Emp.*, Hypot. I, 149.

In Rome:

A. The chief characteristic of the ancient law in this matter was the eventual

of luxury or pleasure, to bad customers.<sup>556</sup> But the application of these laws should be clear and simple as to their matter, and require no inquiries, relating to the person, impracticable for a

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sale of the person of the debtor on the getting of the loan (*nexum*); the power of the creditor to put the *addictus* to death or to sell him in foreign parts; finally, the *in partes secanto*, in the concourse of creditors. Without these rigorous provisions, the borrower might easily have evaded his debts, by the emancipation of his son and turning over his property to him. (*Niebuhr*, Rom. Gesch., II, 770 ff; *Savigny* in the Abb. der Berliner Acad., 1833. *Zimmern*, Gesch. des röm. Privatrechts, III, 131 ff.)

B. Later, we find nothing of the execution of the debtor, or of the sale of his person; but he might be compelled to do slave labor for his creditor without any protection against ill-treatment. Slavery for debt was restricted by the Lex Poetelia. (*Niebuhr*, III, p. 178; *Mommsen*, III, 494.) The Prætorian law introduced the custom of putting the creditor in possession of the goods of the debtor, with power of sale, which proceeding rendered the debtor infamous.<sup>556</sup> Whenever a new shop-keeper, who sells goods on monthly credits, settles in a district, the number of poor persons invariably increases. (*McCulloch*, Commercial Dictionary.) The ruinous credit given by the Jews to the Westphalian peasants begins with an account for the goods which they have succeeded in pressing upon them, after five or six years have elapsed. The Jew seldom sues accounts at law; but he besieges the debtor and discovers where his last head of cattle and his last little supply of provisions are to be found. As he is willing to accept everything that has any value, sometimes in payment

business man to make.<sup>557</sup> Thus, for instance, a short period of limitation established by statute in the matter of advances made for ordinary money-claims is a beneficial restraint, as well on the creditor as on the debtor, since it prevents the accumulation of a multitude of small debts which almost imperceptibly but at the same time irresistibly overpower the debtor under their weight.<sup>558</sup> Another efficient means is associations of business men to circulate lists of bad debtors, and to prosecute their own [281]

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dealers etc., whose books showed credits of more than £4,000, most of them not to exceed over £10. How much of all this must be lost entirely, and how that loss must increase the sums paid for boots, shoes and hats by the prompt payer! (*McCulloch*, v. Credit.) We find, even in Athens, that the period of limitation was shortened in the interest of credit, and that in the case of minors, it did not exceed five years. (*Demosth.* adv. Nausim., 989.) Security for a debtor not over one year. (*Demosth.*, adv. Apatur., 901.) The prohibition of Zaleukos to issue any evidences of debt whatever goes much farther. (*Zenob.*, Proverb. V, 4.)

of arrears, and sometimes in payment for some new piece of trash, he is sure to obtain his dues in the end, but not until his victim, who is sunk deeper and deeper in the abyss of debt by every "accommodation," is entirely ruined. (*Schmerz*, Rheinisch-Westphäl. L.W., 396 ff.)

<sup>557</sup> In the lower and middle stages of civilization, we find a multitude of laws by which minors, students etc., but especially land-owners are limited to a minimum of credit, which, however, varies very much with the person, and is subjected to a number of embarrassing forms, the consent of a third person, for instance etc. (Compare Bayerische L.O. von 1553, fol. 83.) Such laws, however, give as much room to the play of dishonesty as they take away from that of want of reflection.

<sup>558</sup> On the municipal regulations (*Städteordnungen*) of the 14th and 15th

demands in common.<sup>559</sup> On the other hand, experience has shown that imprisonment for debt, as a means of enforcing a creditor's claim, where the amount of the debt is very small and such as only very poor debtors are apt to incur, is of little service. It is even injurious, because a great many sellers would rely on that means of compelling payment in the future instead of demanding it immediately, as they should do in the interest both of themselves and of their customers. As a rule, it is only rich creditors who can resort to it with success, a class who compel payment through this means by wringing it from the debtor's relations more frequently than from the debtor himself. The working out of debts in correctional institutions seems, for the same reasons, to fail of its object, since even well governed institutions scarcely cover their current expenses from the income derived from this source.<sup>560</sup> The inequitable character of imprisonment for debt lies in this, that it punishes the unfortunate debtor as severely as it does the malicious one. It must be clearly distinguished from the imprisonment recognized by the courts as a punishment for reckless or fraudulent bankruptcy.<sup>561</sup> We must pass a judgment similar to that on the imprisonment of the person of the debtor on

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for debt was abolished in France, England and Austria in 1867; in the North German Confederation, on the 29th of May, 1868, but arrest for security's sake was retained. *Sismondi* finds fault with nearly all laws in the premises, because they attack the person of the debtor rather than his personal property, and his personal, rather than his immovable, property. He would have all this just the contrary of what it is. The first interferes with the very source of wealth, the productive power of labor; the second causes goods to be sold much below their value. Neither of these evils attends the last. (*N. Principes*, I, 250.)

centuries, which compelled Jewish creditors especially to have their evidences of indebtedness redeemed within from every two to five years, see *Stobbe*, *Juden im Mittelalter*, 129. Compare further the Würtemberg L. O. of 1515, Statut. Ferrar, ed. 1650, lib. II, rub. 37, 289. According to the other provisions of the laws in North America, some book accounts were required to be sued on within six and others within seventeen years. (*Ebeling*, *Gerchichte und Erdberschreibung der v. Staaten*, II, 247, 298.) The Prussian law of March 31, 1838, provides a period of limitation of three years for all ordinary commercial debts. A similar law was passed in the Kingdom of Saxony, in 1846. In



the seizure of his wages not yet due, so far, at least, as an amount absolutely necessary to save himself and family from want, is not excepted. The prohibition of such seizure, beyond this, would amount to a declaration that all workmen without capital, even the best, should be considered unworthy of credit.<sup>562</sup> We may also include in this category such laws as except from execution the necessary tools of a tradesman, since to deprive him of them would be to prevent his employing even his labor to satisfy<sup>563</sup> [283]

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guarded against without dragging those whose wages are above the average down to their level, if a distinction had been made between production-credit and consumption-credit, and the latter had been limited by providing that no suit should be instituted for supplies made to public houses, taverns etc.

London, there has been found a great number of hatters, tailors, boot and shoe

<sup>559</sup> Compare the report of the Dresden Handelskammer, 1864, 11.

<sup>560</sup> A. Mayer, in *Faucher's Vierteljahrsschrift*, 1865, IV, 65.

<sup>561</sup> We learn from the debates in the English parliament of February 9, 1827, that, in two years and a half, there were, in London and its environs, 70,000 cases of imprisonment for debt, the costs of which were from £150,000 to £200,000. In 1831, there were in one debtors' prison 1,120 prisoners, who owed on an average £2 3s. 2d. (*McCulloch*, l. c.) There was, in 1792, a case of a woman who, for a debt of £19, remained in prison 45 years, and others like it. (See *Archenholtz*, *Annalen*, IX, 87 ff; X, 169 ff, XIII, 125.) In England in 1844, arrest for sums less than £19 was prohibited. *Johnson* had already proposed a similar provision. (*Idler*, 1758, Nos. 22 and 38.) Imprisonment

<sup>562</sup> A law of the North German Confederation allows the pledging of future wages, only in the case of public officers, and those holding permanent places in the service of private parties, whose salaries are over 400 thalers per annum. The original draft had excepted only the things necessary to workmen and those directly depending on them; while the law as passed makes the prohibition

his creditors' claims.

#### Section XCIV.

### Letters Of Respite (Specialmoratorien).

*Special letters of respite (Specialmoratorien)* are a suspension of the laws relating to debt, made in favor of an individual. (*Quinquennialia.*) They were intended to protect not only the debtor, but also the aggregate of creditors against the short-sighted severity of one of their number. They were wont to be given especially when the debtor showed that immediate execution would not only have the effect of ruining himself, but of sending his creditors away empty handed; while, if time were given him, he would be able to satisfy every one.<sup>564</sup> But the

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general. This was undoubtedly done for the convenience of employers as well as of courts; as for instance in the circuit of Dortmund, there were, in one year, 10,000 cases in which wages were garnished. (*Annalen des N.D. Bundes und Zollvereins, 1869, 1071 ff.*) But the recklessness of those workmen whose wages are below the average, might have been just as well<sup>563</sup> In the second book of *Moses*, 22, 25 ff., and the fifth, 24, 6. A very old Norman law provides that in actions for debt, execution should not issue against effects of the debtor which are indispensably necessary to him to maintain his position, such as the horses of a count or the armor of a knight. (*Dialog. de Scaccario.*) Magna Charta extended this provision so as to include the agricultural implements and cattle of the peasantry. The moment these laws, in consequence of a false principle of humanity, except anything but what is absolutely necessary, they injure credit. Thus, for instance, in Brazil, a law of 1758, providing that nothing immediately employed in or directly necessary to the production of sugar should be seized on execution, caused great injury to the production of sugar. (*Koster, Travels in B., 1816, 356 ff.*)

<sup>564</sup> § 2, Cod. De Prec. Imper. Off., I, 19. The diets of the Empire had granted such letters in the fourteenth century. (*Wachsmuth, Europ. Sittenges., IV, 690.*) They were granted, as a rule, only with the previous knowledge of the Emperor, by the police ordinances of the Empire of 1548, art. 22.

granting of such letters has, in recent times, been prohibited<sup>565</sup> in nearly all countries as arbitrary, and as a species of cabinet-justice. Nor should the granting of them be compared with the pardoning power. In the case of a pardon, the offended State forgives. In this case it sacrifices the unquestionable right of one party to the very doubtful advantage of another. Where such letters are granted in great numbers, credit cannot fail to suffer. [284]  
 “*Quinquinnellen gehören in die Hollen!*”

Yet in troublous times, when a great many debtors are insolvent at the same time, the question of modifying the laws relating to debt, temporarily, has been mooted. It has been urged on such occasions, that it would be a matter of enormous difficulty to treat, *lege artis*, thousands as bankrupts at once; that thousands of businesses would have to be closed, their stocks cast upon the market at mock prices, and their employees thrown out of employment. But, if certain privileges were to be accorded to all who should declare themselves unable to meet their obligations before a certain day, it would be known, at least, that the others were in a solid condition; and this would have the effect to strengthen the credit which had been before universally shaken. We must, however, leaving all cases of abuse out of the question, remember, that a really unrightful favor, granted to the debtor, may possibly entail the ruin of his creditor. Besides, the uncertainty of the law would have a much worse effect on credit than uncertainty as to the personal status of individuals.<sup>566</sup> Where,

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<sup>565</sup> So in Austria, Saxony, Brunswick, the electorates of Hesse and Baden. In Prussia, they could be granted only after a juridical decree to that effect; and an appeal to a superior court was allowed to reverse or affirm it. Compare *Mittermaier* in the *Archiv. für civilist. Praxis*, XVI, and also *P. de la Court*, *Aanwysing der politike Gronden en Maximen van Holland etc.*, 1669, I, ch. 25. Nürnberg obtained as a privilege, in 1495, that no *moratorium* should be valid as against its citizens. (*Roth*, *Geschichte des Nürnbn. Handels*, I, 86.)

<sup>566</sup> Compare the discussions in the French National Assembly, in the month of August, 1848. It is much less disadvantageous in times of great commotion, when all business is brought to a stand still, to extend the time in which bills of

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as is the case generally in inferior stages of civilization, debtors and creditors form two distinct classes, the question of right is not, indeed, changed, but there is a solid basis afforded for the political admeasurement of opposing interests. In another work I have shown how, after great wars, land owners, who became involved in debt, have been protected against capitalists. (See *Roscher*, *Nationalökonomik des Ackerbaues*, § 137, ff.)<sup>567</sup><sup>568</sup>

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before the abolition of debts. (*Plutarch*, *Sol.*, 15.) exchange etc. are payable. Such a measure prevents a number of bankruptcies which the real balance of debts due to one and owing by him does not render necessary.

<sup>567</sup> In the persecution of the Jews in the middle ages, the so-called *Brief-todten* (letter-killing), or the destruction of titles, was very common. In 1188, the French government released all crusaders from the payment of interest on their debts, and granted them an extension of three years' time to pay off the principal. (*Sismondi*, *Hist. des Français*, VI, 82.) Similar compulsory measures were provided against the Jews and usurers in 1223 (*Ibid*, VI, 539 ff.); and in 1299 (*Ordonnances*, I, 1331), on the formal request of the nobility. (*Ordonnances*, II, 59.) Again, in 1594, there was a release of one-third of the interest on all national and private debts. (*Sismondi*, XXI, 318.) The general *moratorium* of the Milanese for a term of eight years, introduced in 1251, after their war with France, was of an essentially different character. (*Sismondi*, *Geschichte der italienischen Republiken*, III, 155.) The same is true of the general *indult* granted by Philip II. in Belgium. (*Boxhorn*, *Disquisitt. politicæ*, 241 ff.)

<sup>568</sup> The abolition or release of debts, so frequent in ancient revolutionary times, reminds us, in many ways, of the crises precipitated in modern times by paper money and produced by the state. The ancestors of Alcibiades and Hipponikos

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laid the foundation of an immense fortune, in Solon's time, by purchasing land in large quantities with money borrowed from several citizens, a short time

## Book II.

# The Circulation Of Goods.

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### Chapter I.

## Circulation In General.

### Section XCV.

#### Meaning Of The Circulation Of Goods.

The more highly developed the division of labor is, the more frequent and necessary do exchanges become. While the hermit engaged in production thinks only of his own wants, and the mere housekeeper of the wants of his household, the man who is part of a nation and who plays a part in its general economy, must bear in mind the MARKET in which goods of one kind are exchanged against goods of other kinds. The greater, more various and more changeable the conditions of this market are, the greater are the intellectual faculties demanded to engage in it successfully, and to the advantage of every body concerned in

it.<sup>569</sup> Goods intended to be exchanged are called commodities. By the circulation of commodities is meant their going over from one owner to another.<sup>570</sup> Among the principal causes of circulation, we may mention the difference in the nature and civilization of countries and peoples, the distinction between

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<sup>569</sup> Enormous consumption of wax in the churches of the middle ages. In the cathedral of Wittenberg alone, a short time before the Reformation, more than 35,000 pounds of wax candles etc. were burned yearly. At the same time, honey was generally used instead of sugar. How much more important, therefore, at that time must bee-culture have been, considered from the point of view of circulation as compared with what it is to-day. And so in Catholic countries, a difference in the external manifestation of religion causes the relative importance of the consumption of fish to increase and decrease. In 1803 there was little demand in France for ivory crucifixes, rosaries etc. In 1844, the demand for them and for *prie-Dieu* for the bed-room etc. was increased. (*Mohl*, *Gewerbwissenschaftliche Reise*, 101.) To engage successfully in the sale of sugar in Persia, it is necessary to know that in that country it is liked only in little hat-shaped lumps, which are used only as semi-voluntary gifts; and that, in such case, custom fixes the number of lumps. (*Steinhaus*, *Russlands commerciale etc. Verhh.*, 151.) In the Levant, workmen prefer bars of iron which are small and of varied form because they find it difficult to manipulate the large ones. The English bear this in mind much better than the Russians. (*Steinhaus*.) A merchant sending wood to Southern France must be acquainted with the form of the staves used in the manufacture of barrels there. Compare *Büsch*, *Geldumlauf*, VI, 2, 2.

<sup>570</sup> The circulation of goods compared to the circulation of the blood: by

city and country, the division of people into classes etc.<sup>571</sup> The rapidity of circulation depends, on the one hand, on the quantity of commodities, and on the other, on the degree to which the division of labor has been carried. In both respects it is, therefore, an important indication of the wealth of the nation, and of the world.

Different commodities have very different degrees of capacity for circulation (*Circulationsfähigkeit*), that is, of certainty of finding purchasers, and of facility of seeking purchasers. The smaller, compared with its value, the volume and weight of a commodity are; the longer and more conveniently it can be stored away; the more invariable and well-known are its value in use and value in exchange: the more readily does it go from one place to another, the more easily is it transmitted from one period of time to another and from the possession of one person into the possession of another. Thus, for instance, the precious metals circulate more rapidly than industrial products; these in turn more than raw material,<sup>572</sup> and immovable property circulates least rapidly of all. An improvement in the means of transportation naturally increases the capacity of circulation of the entire wealth

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*Mirabeau*, Philosophie Rurale, ch. 3. *Turgot*, Sur la Formation etc. § 69. *Canard*., Principes, ch. 6.

<sup>571</sup> *Eiselen*, Volkswirtschaftslehre, 98 ff. If in ancient times commerce played a much less important part than it does among the moderns, it was, as *Montesquieu* says, because the whole commercial world was then more uniform in climate and the character of its products than it is now. (*Esprit des Lois*, XXI, 4.)

<sup>572</sup> Of the successive steps, sheaves, corn, flour, bread,—flour has the greatest capacity for circulation. And, indeed, the last operation of labor on a great many goods, because of their consequent more narrowly specialized utility, is accompanied by a decrease in their capacity for circulation. As an illustration, we may mention ready-made clothing as compared with cloth. The capacity for circulation of a commodity is very much advanced when the demand is wont to increase with the supply, as is the case with gold and silver, but not with learned books, optical instruments etc. Many commodities have but little circulating capacity, because no one desires to purchase them but at first hand. See *Menger*, Grundsätze, I, 245 ff.



of a people, and especially of those commodities which were not before transferable as well as of those of which the cost of transportation constituted a peculiarly large component part of the price.<sup>573</sup> The greater the capacity for circulation of any kind of goods, the greater is the power of control of its owner in the world of trade. If we compare two men, each of whom possesses a million of dollars, but one of whom has that million in money and the other in land, we shall find that the former is able, for present purposes, such as loaning to the state in case of need, aiding a conspiracy etc., to command resources much more readily and effectively than the latter. Under the ordinary circumstances of a nation's economy, we find that the owner of money is very seldom in want of bread, fuel or clothing, whereas very many owners of other property may be in want of money.<sup>574</sup> True, resources which may, so to speak, take the offensive most energetically, offer less resistance to unforeseen misfortune. The possessor of such resources is in a condition to lose his all on the turn of a single die. As civilization advances, the circulating capacity of a nation's wealth increases.<sup>575</sup>

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## Section XCVI.

## Rapidity Of Circulation.

With an advance in a people's public economy, we find an increased rapidity of circulation connected, both as cause

<sup>573</sup> *Knies.*, Die Eisenbahnen und ihre Wirkungen, 1853, 79.

<sup>574</sup> Compare *Schmitthenner*, I, who calls attention and with reason to the importance of loans on chattel mortgages. But *Berkeley*, *Querist*, No. 265, remarks that a squire with a yearly income of £1000 can, "upon an emergency," do less good or evil than a merchant with £20,000 ready money.

<sup>575</sup> A very important difference between Russia and England.

and effect. Every improvement, every thing which shortens the process of production, must facilitate and accelerate the circulation of commodities. And so, the perfecting of the means of transport of commodities, of the media of exchange and of credit, an increase in the number of middlemen who make it their business to purchase in order to sell again. On the other hand, the more rapid the circulation of wealth, the more can it promote production. The more rapidly, for instance, the manufacturer of cloth exchanges his wares for money, the more rapidly may he employ the money in the purchase of new tools and the hiring of new labor; and the sooner may he appear in the market with new cloth. It is here precisely as it is in agriculture, which is more productive where the seed returns several times in a year (several crops<sup>576</sup>) to the hand of the peasant than it is where this happens only once. The nearer the members of the commercial organism are to one another, the more rapid is circulation wont to be. Hence, it is more rapid in industry than in agriculture; in retail trade than in wholesale; in large cities than in the country; among a dense population than among a sparse population.

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<sup>576</sup> *Storch*, Handbuch, I, 273 ff. There is also a useless circulation which is not calculated to promote the division of labor, but to employ idle time or idle capital, as in the case of games of hazard, speculation in stocks, wheat etc. Even impoverishing consumption may produce rapidity of circulation, as in Germany during the war years 1812 and 1813. (*F. G. Schulze*, N. Ökonomie, 1856, 667.) Relying on this fact, *Hume* (1752) on Public Credit, Discourses, No. 8, argues in favor of the old opinion, that all circulation is wholesome and to be encouraged. *Boisguillebert*, Traité des Grains, I, 6, went so far as to laud war because it accelerated the circulation of wealth. On the necessity of a *circulation sans repos*, see *ibid.*, II, 10. In a similar way *Law*, Trade and Money, 1705, and *Dutos*, Réflexions Politiques sur le Commerce, over-valued the circulation of wealth as such. Concerning the Mercantile System, see § 116. *Darjes*, Erste Gründe der Cameralwissenschaft, 1768, 531. And even *Büsch*, Geldumlauf, I, 29, 32 ff., III, 96, who in other places nearly always overlooks real production and sees only the circulation of money caused thereby. Thus he calls the poor when they are helped in money, and spend it, useful members of society! (IV, 32, 39. Similarly, v. *Struensee*, Abhandlungen, 1800, I, 282 ff., 400 ff.)

The *regularity* of circulation increases with economic culture. Its concentration at large terminal points, its interruption by bad seasons of the year, belong to the lower stages of the political economy of a people; although bad harvests, floods, wars, revolutions etc. may, at any time, lead to a sluggishness or to an arrest of circulation.

### Section XCVII.

#### Freedom Of Competition.

But it is especially the freedom of circulation that increases with an advance in civilization, and this advance, like the two preceding, first affects the home or inland circulation. Freedom of competition, the freedom of commerce and industry, technical expressions used to designate freedom in general in the domain of a nation's economy, is the natural conclusion drawn from the principles of individual independence and of private property. Hence its development is as slow as the development of these, and attains its full growth only in highly cultivated nations, their colonies and dependencies. In very low stages of economic development, the circulation of goods is hampered by the absence of legal security; later, by privileges accorded to a great number of families, corporate bodies, municipalities, classes, etc., and later yet by the mighty guardianship which the state exercises by its power of legislation and even of education.<sup>577</sup> Each one of these epochs constitutes the end of the preceding one, and [294]

<sup>577</sup> As, for instance, happened in France in 1577, when all commerce, and in 1585 all industry, were declared to be *de droit domanial*. Louis XIV. was of opinion that the king was absolute master of all private property of priests and people. (Mémoires histor. de Louis XIV., II, 121.) Compare *Duclos*, Mémoires, I, 14 ff.

is milder than it was. Finally comes the period of complete freedom, when every man is permitted to manage his own affairs even with injury to himself, provided the injury is confined to himself.

The later times of the Roman Empire are the best illustration of how, with the decline of the conditions which must precede freedom of competition, that freedom itself decays.<sup>578</sup>

Freedom of competition unchains all economic forces, good and bad. Hence, when the former preponderate, it hastens the time of a people's grandeur, as it does their decline where the latter gain the upper hand.<sup>579</sup> We may say of economic freedom what may be said of all other freedom, that the removal of external constraint can be justified and produces the greater good of the greater number only where a stern empire over self takes its place. Without this it would not prevent or avoid idleness, usury or over-population. Freedom must not be simply negative. It must be positive. If on account of the immaturity or over-maturity of a people, there be no sturdy middle class among them, unlimited competition may become what Bazard calls a general *sauve-qui-peut* (let the devil take the hindmost); what Fourier designates as a *morcellement industriel*, and a *fraude commerciale*; what M. Chevalier denominated "a battle-field on which the little are devoured by the big;" and in such case, as Bodz-Reymond says,

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<sup>578</sup> Compare Theod. Cod., V, 9, 1; Just. Cod., X, 19, 8; XI, 47, 21, 23; XI, 50, 51, 52, 55, 58. How full the really classic period of the Roman jurists was of the idea of freedom of competition, we see in *Paullus*: L. 22, § 3, Dig. XIX, 2. The provisions concerning *laesio enormis* appear first in the time of Diocletian. (Just. Cod., IV, 44, 2.)

<sup>579</sup> *Benjamin Franklin* says that the freer the form of government is, the more the people show themselves in their true aspect. Ancient Rome, with the early development of its rational disposition, soon learned to favor freedom of commercial intercourse. Compare *Mommsen*, *Römische Geschichte*, I, passim. This was, certainly, an element of its greatness, but also of the proletarian evils developed in it an early date, and which were weighed down only by the absolute growth of the state and the development of its economic interests during centuries.

the word competition, meaning simply that each one is permitted to run in whatever direction he may see a door open to him, is but another and a new expression for vagabondizing. But here the evil does not lie in too great competition, but in this, that on one side there is too little competition.<sup>580</sup> The opposing principle of competition is always monopoly, that is, as John Stuart Mill says, the taxation of industry in the interest of indolence and even rapacity; and protection against competition is synonymous with a dispensation from the necessity to be as industrious and clever as other people.

A protection of this nature, sufficiently effective to attain its end, would not fail to arrest the efforts of those who had accomplished something, and even to turn them backward. That freedom of competition is a species of declaration of war,<sup>581</sup> among men considered as producers, is certain; but, at the same time, it makes all men considered as consumers members of one society, in which all the members are equally interested, a fact too much overlooked by socialists.<sup>582</sup> It is the means especially by which the greatest and ever increasing portion of the forces of nature are raised to the character of the free and common property of the human race.<sup>583</sup> “Man is not the favorite of nature in the sense that nature has done everything for him, but in the sense that it has endowed him with the ability to do everything for himself. The right of freedom of competition may, therefore,

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<sup>580</sup> Nor must it be forgotten that competition raises prices as well as lowers them. The expressions higher price and lower price denote only different sides of the same relation. *M. Chevalier* is of opinion that our present breathless competition is characteristic only of a period of transition prolific in new inventions, a competition soon to be followed by peace. (Cours, II, 450 ff.)

<sup>581</sup> Ἀγαθὴ ἔρις; Hesiod., *Opp.*, 10 ff.

<sup>582</sup> “Whoever speaks of competition suppresses the existence of a common aim,” says *Proudhon*, although he adds, after *Bileam's* way, that to cure the evils of competition by competition, is as absurd as to lead men to liberty by liberty, or to cultivate the mind by cultivation of the mind.

<sup>583</sup> Compare *Bastiat*, *Harmonies économiques*, ch. 10.

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be considered both the protection and the image of this provision of nature.” (*Zachariä.*)<sup>584</sup>

The person, therefore, who claims or asserts an exception from the rule of free competition, has to prove his position in every individual case, since the burthen of proof is on him. But the duty of interference on the part of the state is positively pointed out where any interest common to the whole people is not in a condition to assert itself; and negatively, when the custom which hitherto had prevented an undoubted abuse has grown too weak to continue to perform that service. In *both* regards I would call attention to the protection of factory children against the concurrent selfishness of their parents and masters.<sup>585586</sup> *Supra*, § 39.

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### Section XCVIII.

sur la Nature des Richesses, ch. VI; Détail de la France, 1697, II, ch. 13; Tr. des Grains, II, 8. For the most part dictated by a reaction against Colbertism.

See further, *Mélon*, Essai Politique sur le Commerce, 1734, ch. 2. *M. Decker*, Essay on the Causes of the Decline of Foreign Trade, 1744, 31 ff, 106 ff. *J. Tucker*, Essay on the advantages and disadvantages which respectively attend France and Great Britain with regard to Trade, 1750. *Forbonnais*, Elémens du Commerce, 1754, I, 63. *Genovesi*, c. I, 17, 3, is of opinion that at least in case of doubt, commerce stood more in need of freedom than of protection. *Verri*, in his *Meditazioni*, goes still farther. The Physiocrats, with their *laissez aller* and *laissez faire* recommend competition as the best means to increase the net income of a people. According to *Dupont*, 147 ff, éd. Daire, the province of legislation is confined to declaring the laws of nature. His motto is: *liberté and propriété*. *Adam Smith* asks that the state should do only three things: insure protection against foreign states, the administration of justice at home, the establishment and maintenance of certain institutions of advantage to the whole community, but which private interest could not establish for want of means to cover the expenses attending them. (*Wealth of Nations*, V, ch. I, 2.) Hence he demands (III, ch. 2) the abolition of all kinds of *fidei commissa*, of royalty in mines (I, ch. 11, 2), of all corporate and exclusive privileges, of all protective duties etc. (IV, ch. I ff), but especially of the colonial policy hitherto in vogue. (IV, ch. 8.)

## How Goods Are Paid For.—The Rent For Goods.

Payment for goods (§ 1 ff.) of any kind can be made only in other

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The attacks of the Socialists on freedom of competition were begun by *Fichte*, *Geschlossener Handelsstaat*, 126, in which it is called a robber-system or system of spoliation. He would have the state have more solicitude for human industry than if men were so many swallows. See further, *Sismondi*, *N. Principes*, passim, who everywhere demands the protection of the government for the weaker. *Fourier*, *N. Monde industriel*, 396, who thinks that *le monopole général* is always a *preservatif contre le commerce*. *Bastiat*, *Harmonies économiques*, ch. 10, has a very valuable refutation of these follies. Recently, *Rodbertus*, *Hildebrand's Jahrbücher*, 1865, II, 272, is of opinion that "social individualism" has ever had in history the task of dissolving decaying societies, as, for instance, under the Cæsars.

<sup>584</sup> If all classes were protected against competition, no class would derive any advantage from it, since a "universal privilege" is an absurdity. If only certain classes or individuals are protected, it is done at the cost of all others.

<sup>585</sup> The question should not be formulated thus: "Caprice or rule?" but "Rule of morals, or rule of law?" *Schmoller* against *v. Treitschke* in *Hildebrand's Jahrb.*

<sup>586</sup> Concerning the arguments by which the commercial restrictions of the middle ages were defended, see below. They were, for the most part, well founded for the age in which they were advanced. A judicious education will often be compelled to provide limitations, but always with the intention,

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goods.<sup>587</sup><sup>588</sup> Hence, the greater, more varied, and the better adapted to satisfy wants, production is, the more readily does any product find a remunerative market; more readily in England, for instance, in spite, or rather, because of, the great competition there, than in Greenland or Madagascar. From this it follows that, as a rule, a person is in a better condition to purchase more goods in proportion as he has produced more himself. According to official accounts, the average value of a harvest of wheat and potatoes in Prussia was formerly 332,500,000 thalers. In the year 1850, however, it was only 262,000,000 thalers. As a matter of course, the country people in that year could not purchase from the cities as much as in ordinary years, by a difference of 70,000,000 thalers. This illustrates how every class of people, who live by finding a free market for their products, are interested in the prosperity of all other classes. As Bastiat says: "All legitimate interests are harmonious." The more flourishing a city, the better off are the towns around it, which

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commerce, as when there are not enough shops, steamers etc., to carry on the business of the country. Compare *North.*, Discourses upon Trade, 1691, 11 seq., but especially *J. B. Say's* celebrated theory of Markets, traité I, ch. XV.

by this means, of making possible a really greater independence. Thus the current of commerce may be too weak in a poor and thinly settled country in order that supply and demand should always and everywhere meet and be satisfied. Under such circumstances, their artificial concentration at certain points is among the most efficient means of promoting the economy of the whole people. The policy of freedom of commerce was recommended even in the seventeenth century by *J. Child*, by *North* and *Davenant*. *W. Roscher*, Zur Geschichte der englisch. Volkswirtschaftslehre, 65 ff., 85 ff., 113 ff., 142 ff. And earlier yet, in Holland, by *Salmasius*, De Usurus, 1638, 583 and *de la Court*. Compare *Tübinger Ztschr.*, 330 ff. Thus *Boisguillebert* says: *Il n'y avait qu'à laisser faire la nature et la liberté, qui est le commissionnaire de cette même nature.* (Factum de la France, 1707, ch. 5.) See, also, Dissertation<sup>587</sup> Whoever would sell to others must purchase of them. (*Child.*, Discourse of Trade, 358.) Similarly *Temple*, Works III, 19, and *Becher*, Polit. Discurs, 1547. This view seems to have become the national one first in Holland. Compare also *Quesnay*, 71 and *Mirabeau*, Philosophie rurale, 1763, ch. 2.

<sup>588</sup> We often hear it said: "nothing sells because there is no money." But the real cause here is, in most instances, not a want of money, but a want of other



furnish it with provisions; and the richer these towns, the more flourishing is the industry of the city which ministers to their wants.<sup>589</sup> It is important that this fact should be borne steadily in mind, especially in times of advanced civilization, when the feeling that we all have interests in common, is too apt to grow dormant. Nothing can better serve to awaken it again when it has become so. A nation, says Louis Blanc, in which one portion of the people is oppressed by another, is like a man wounded in the leg. The healthy limb is prevented by the sick one from performing its functions.<sup>590</sup> [299]

### Section XCIX.

## Freedom Of Competition And International Trade.

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goods which might serve as a counter-value. In bad times, for instance, there is many a weaver who would consider himself fortunate, even if he could get no money for his cloth, to obtain instead, meat, bread, wood, raw material etc. If money only were wanting, that might easily be as favorable a symptom in<sup>589</sup> See *Humboldt's* observations as to how, in Spanish America, agriculture in the vicinity of the mines increases and decreases with the wealth of the latter. (N. Espagne, III, 11 ff.) See also *Harrington* (ob. 1677), *On the Prerogative of a Popular Government*, I, ch. 11; *Cantillon*, *Nature du Commerce*, 16. And so *Stein.*, *Lehrbuch*, 122 seq., points out how great enterprises produce especially for the consumption of the small householder without capital, and how, therefore, the flourishing condition of the one determines that of the other.

<sup>590</sup> Those indeed who live by the spoliation of others, as robbers, deceivers etc. are interested in the economic prosperity of the latter only so long as their spoliation of them is not endangered. Only to this extent can it be claimed with *Fr. List* that the nobility of the Middle Ages, in obeying the selfish calculation which led to the oppression of the peasantry, engaged in as bad a speculation as a manufacturer of our day would who should feed his steam-engine with nothing but saw-dust or scraps of old paper. The cities of the middle ages had a much more undoubted economic interest in the emancipation of the peasantry as a class than the nobles or the clergy.

Does the same rule apply to the commercial intercourse of nations? Where the feeling that all mankind constitute one vast family is stronger than that of their political and religious diversity; where the sense of right and the love of peace have extinguished every dangerous spark of ambition for empire and all warlike jealousy; where, especially, their economic interests are rightly understood on both sides, a real conflict between the interests of two nations must always be a phenomenon of rare occurrence, and an exception to the general rule, which should not be admitted until it has been clearly demonstrated to exist.<sup>591</sup> Highly cultivated nations generally look upon the first steps in the civilization of a foreign people with a more favorable eye than they do on the subsequent progress

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Essays, 1752, On the Jealousy of Trade. *Quesnay*, Encyclopédie, v. Grains, 294, ed. Daire; *A. Smith*, Theory of moral Sentiments, 1759, p. 6, sec. 2, ch. 2. *Pinto*, Lettre sur la Jalousie de Commerce, 1771, and *J. Tucker*, Four Tracts on commercial and political Subjects, 1776, 34 ff and 42 ff. "The system of states exercises no influence whatever on the world's commerce." (*Lotz*, Handbuch I, 11.) More recently, *R. Cobden*, in his *Russia*, Edinb., 1836, among others argued, that the conquest of Turkey by the Russians would be useful to England, because then more (?) English products would probably be sold there. Russia would become no stronger thereby, as conquests always injure the conqueror more than they benefit him. The idea of European equilibrium is therefore a chimera, because no state can be prevented from having an internal growth, as great as may be. Thus, in the summer of 1853, we heard the London Times sometimes preach that every cannon-shot fired by the English at the Russians might kill an English debtor or an English customer. The Venetians entertained a similar view at the beginning of the fifteenth century. Compare *M. Sanudo* in *Muratori*, *Scriptores*, XXII, 950 ff. See above, § 12.

Moreover, Malthus had recognized that there were natural rivalries between nations which produced exceptions to Tucker's laws. (*Principles*, Preface.) Similarly *Garve*, in *Cicero's Pflichten* (1783), III, 146 ff.

<sup>591</sup> Such exceptions there certainly are, even if it were not true "that the most godly cannot rest in peace unless he is acceptable to his ungodly neighbor."

which brings such nations nearer to themselves.<sup>592</sup> Yet the realization of the above mentioned conditions on all sides is something so improbable, unpatriotic “philanthropy” something

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Nations that furnish the same products as we do may, indeed, “spoil our market,” just as at home the selfish shoemaker may desire the prosperity of all wearers of shoes, that is of all other industries, but not that of all other producers of shoes. The view that long prevailed, that one man's gain was always some other man's loss (*Th. Morus*, Utopia 79, ed. Colon. 1555; *Baco.*, Sermones fideles, cap. 15; *quid-quis alicubi adiicitur, alibi detrahitur*; *M. Montaigne*, *Essais* I, 21: *les prouffit de l'un est le dommage de l'autre*) prevailed much longer in international affairs where observation is much more difficult than in national affairs; although even here, *P. de la Court*, *Maximes politiques*, 1658, contrasts the economic interest of Holland with that of the rest of the Netherlands and prefers it to theirs. Even *Voltaire* says: “The desire of the greatness of the Fatherland includes the desire of evil to our neighbor. Evidently no country can gain except what another loses.” (*Dict. philosophique*, v. *Patrie*.) Compare, however, the *peut-être* in his *Histoire de la Russie*, I, 1, on the occasion of the English-Russian treaty of commerce. Similarly, *Galiani*, *Della Moneta*, I, 1, IV, 1; *Verri*, *Opuscoli*, 335, and recently *v. Cancrin* who says that “in every-day life, property is acquired only at some other person's expense.” (*Weltreichthum*, 1821, 119. *Oekonomie der menschl. Gesellschaft*, 1845, 23.) The cosmopolitan view (*Xenoph.*, *Cyrop.*, III, 2, 17. *Hier.*, 10) which prevails in Adam Smith's school was introduced by *Hume*,<sup>592</sup> *B. Franklin*, *Works*, vol. III, 49. *Sismondi* claims for all civilized nations

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so suspicious,<sup>593</sup> the greater number of mankind so incapable of development except under the limitations of nationality, that I should observe the total disappearance of national jealousies only with solicitude. Nothing so much contributed to the Macedonian and Roman conquests as the cosmopolitanism of the later Greek philosophers.<sup>594</sup>

As all commerce is based on the mutual dependence of the contracting parties, we need not be surprised to find international commerce so dependent. But this dependence need not, by any means, be equally great on both sides. Rather is the individual or the nation which stands in most urgent need of foreign goods or products the most dependent. Hence, it seems that, in the commercial intercourse between an agricultural and an industrial people, in which the former furnish food and the raw material of manufactures, and the latter manufactured articles, the latter are the more dependent. In case of war, for instance, it is much easier to dispense for a long time with manufactured articles than with most articles of food.<sup>595</sup> However, this condition of things is very much modified, for the better, by all those circumstances on which the dominant active commerce of a nation depends. It is, for instance, much easier for the English, on account of their greater familiarity with, and knowledge of the laws and nature of commerce, on account of their business connections, their capital, credit and means of transportation, but more particularly on account of the greater capacity of circulation of their national resources, to find a new market in the stead of one that has been

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the right of interfering with the governments of other nations with whom they have or might have commercial relations, and of insisting that they shall have a good government under which commerce may freely develop. (N. P. VII, ch. 4.)

<sup>593</sup> As for instance when the *ami des hommes* says that he felt towards an Englishman or a German as he did towards a Frenchman with whom he was not acquainted. *Mirabeau*, Philosophie rurale, ch. 6.

<sup>594</sup> Thus, for instance, the Stoic, Zeno: *Plutarch*. De Alex, fort, 1, 6.

<sup>595</sup> Compare even *Lauderdale*, Inquiry, 274 ff.

closed to them, than it is for the Russians with their much more immoveable system of public economy.<sup>596</sup> It is true, however, [302] that an effective blockade, which excluded both of these nations from all the markets of the world, would be much more injurious to England than to Russia.

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<sup>596</sup> How well, for instance, the English sustained Napoleon's continental blockade, the evils produced by which were intensified by several bad harvests. Its worst time did not, indeed, coincide with that of the struggle with the United States. The ancient Athenians, during their contest with Philip of Macedon, considered the question of the supplies from the Bosphorus etc. as one of life and death. But this can be looked upon only as a cogent proof of the small development which their commercial talents had received at the time. How easily might they not, according to our ideas, have obtained corn from Sicily or Egypt.

## Chapter II.

### Prices.

#### Section C.

#### Prices In General.

The price of a commodity is its value in exchange expressed in the quantum of some other definite commodity, against which it is exchanged or to be exchanged. Hence, it is possible for any commodity to have as many different prices as there are other kinds of commodities with which it may be compared.<sup>597</sup> But whenever price is spoken of, we think only of a comparison of the commodity whose value is to be estimated, with the commodity which, at that time and place, is most current and has the greatest capacity for circulation. (Money.)<sup>598</sup> When two commodities have changed their price-relation to each other, it is not possible, from the simple fact of such change of relation, to determine

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<sup>597</sup> According to the acute analysis of language made by *F. J. Neumann*, *Tübinger Ztschr.*, 1872, 317 ff., the word "price" has reference to an actual purchase or sale, while the expression "value in exchange," generally called simply value, is based upon a valuation, or intimates in a general way that an object possesses value; value in exchange is, so to speak, the average of several price-determinations. Price, according to *Schäffle*, is the external consequence of value in exchange, a means of representing the latter. (*N. Œk.*, III, Aufl., I, 218.) Only through the difference between value in exchange (universal possibility) and price (special reality) is the *laesio enormis* of the jurists possible. (*Schmitthenner*, *Staatswissenschaften*, I, 416.)

<sup>598</sup> By market price, *prix courant*, is meant the money-price of commodities, determined by competition.

on which side the change has taken place. If we find that a commodity A stands to all other commodities, C, D, E etc., in the same relation as to price as before, while commodity B, compared with the same, has changed its place in the scale of prices, we may infer that B, and not A, has left its former position.<sup>599</sup> [304]

The words costly and dear, as contradistinguished from common and cheap, both indicate a high price. We, however, call a commodity costly whose price, compared with that of other similar commodities, is high. On the other hand, we call a commodity dear when we compare it with itself, and with its own average price in other places and at other times.<sup>600</sup>

In individual cases, the price of a commodity is determined most usually, and at the same time most superficially, by custom; people ask and pay for a commodity what others have asked and paid for it. If we go deeper and inquire what originated this customary price and may continually change it, we come to the struggle of interests between buyers and sellers. And if science would analyze the ultimate elements of the incentives to this struggle and the forces engaged in it, it is necessary that it should keep in view the entire economy of the nation, and even all national life.

## Section CI.

### Effect Of The Struggle Of Opposing Interests On Price.

<sup>599</sup> A problem very similar to that of the motion of bodies in space.

<sup>600</sup> *Lotz*, *Handbuch*, 50 ff., calls those commodities costly which are obtained only at a high cost of production, and dear, those whose price is above the cost of production.

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No where in the public economy of a people are the workings of self-interest so apparent as in the determination of prices. When the price of a commodity is once fixed by the conflict of opposing interests,<sup>601</sup> the self-seeking of every individual dictates that he should thereby gain as much as possible of the goods of others, and lose as little as possible of his own. In this struggle, the victory is generally to the stronger, and the price is higher or lower, according to the superiority of the buyer or seller.<sup>602</sup> But who, in such case, is the stronger? Political or physical superiority can turn the balance one way or another only in very barbarous times, and especially in times when legal security is small.<sup>603</sup> As a rule, it is the party in whom the desire of holding on to his own commodities is strongest, and who is least moved by the want of the wares of others. As in every conflict, confidence in self, sometimes even unbounded confidence in self, is an important element of success. A party to a contract of sale or barter, who considers his immediate position decidedly stronger than that of the other party, will scarcely depart from his demands. Hence it is, that in exchange, one party so frequently holds back until the other has expressed his terms.<sup>604</sup> How different is the price

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the most wretched shopkeepers, they were sold enormously dear. (*Gerstücker*, in the *Allg. Zeitg.*, May, 1850.) Thus there were harvested in France, in 1817, 48,000,000 hectolitres of wheat, valued at 2,046,000,000 francs, in 1820, 44,500,000 hectolitres valued at 895,000,000 francs. (*Cordier*.) This vast difference in price existed, because in 1817, the whole world was still trembling under the impression made by the failure of the crops in 1816, while in 1820, the feeling of comfort and security caused by the rich year 1819, still prevailed. Low prices at forced sales under decree etc. See below, § 5. That travelers are so frequently taken advantage of in effecting changes of money is explainable partly by their urgent wants, which are well known to the opposite party, and partly by their supposed ignorance in the matter. And so, at auction sales, out-bidding one another has something very seductive in it for ignorant or hot-headed purchasers.

<sup>601</sup> Compare *Canard*, *Principes d'Economie politique*, ch. 3. Almost simultaneously, *H. Thornton*, 1802, *Paper-Credit of Great Britain*.

<sup>602</sup> See *Jackson's Account of Morocco*, 284, for cases in which, in the Sahara, when the burning winds of the desert had dried up the water in the leathern



of the same pieces of land which a new railroad enterprise is compelled to pay and the prices it would get for them, from the adjoining owners, in case of the dissolution of the company.

But the struggle to raise prices or to lower them, which is always going on, undergoes modifications of every description among all really commercial nations, partly through the influence of the public conscience, which brands as inhuman and blameworthy the spoliation of the opposing party by acts which the laws do not reach. And this consideration by the public conscience is all the more severe in proportion as real competition in the article sold is wanting.<sup>605</sup> But the chief modification in this struggle is produced by the fact, that where civilization has advanced farthest, every commodity is offered for sale by a great

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bottles of the caravan, a drink of water cost from \$10 to \$500.

<sup>603</sup> The North American aborigines very frequently consent, in their exchanges, to take any offer made to them by their equals, however insufficient it may be, because they fear revenge. *Schoolcraft*, Information etc., II, 178. As to the effects of cunning, the Tungusi, when they get a glass of brandy from the Russians, grow almost idiotic, and give away their goods at mock-prices in drink. (v. *Wrangell*, Nachrichten, I, 233.) In the higher stages of civilization, on the other hand, very distinguished people are, by no means, privileged because of their position, in the struggle for prices. In modern times, claims (*reclamen*) have taken the place of greater physical or political power. Compare *E. Hermann*, Leitfaden der Wirthschaftslehre 1870, 91 ff.

<sup>604</sup> Thus *Galiani* says, that before one of the two parties has expressed his want to buy or to sell, the pans of the scales are in equilibrium. The first that speaks breathes on one of them, and it drops. (Dialogue sur le Commerce des Bleds, 1770, No. 6.) This has been verified in a striking manner in California, where the most valuable commodities were often purchased at auction at the lowest prices, while when purchased from merchants and even

<sup>605</sup> It was considered immoral by his contemporaries, when William the Conqueror introduced the custom of farm-letting to the highest bidder. (A. *Thierry*, Conquête de l'Angleterre, II, 116, éd. Bruxelles.) It is repugnant to poetic and delicate minds to think that everything has a price exactly fixed.

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many and wanted by a great many.<sup>606</sup> As soon as several seek the same object, there naturally results a rivalry among them, which induces each to attain the desired end, even by the making of greater sacrifices than others. The greater the supply of a commodity is, as compared with the demand for it, the lower is its price; the greater the demand as compared with the supply, the higher it is. And, indeed, there is question here, not only of the *mass* of things supplied or demanded, but also of the *intensity* of the supply and demand.<sup>607</sup>

If the exchange-force of both contractants be equal, or, in other words, if both, with equal knowledge, are interested in the completion of the exchange, there results from this attitude of the parties toward each other, what is called an equitable, or average price, in which both meet with their deserts. Here each is a gainer, since each has parted with the commodity which was less necessary to him, and received in exchange the commodity

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(§ 2.) I need only refer to the picture of Helen which Zeuxis exhibited for money, which act of his was characterized, by his cotemporaries, as a species of prostitution. *Val. Mac*, III, 7. *Ælian*, V, 4, IV, 12. *Socrates* judgment on the payment of the sophists. *Xenoph.*, *Memor.*, I, 6, 13.

<sup>606</sup> Competition has only a negative influence on prices, inasmuch as it modifies the extreme operation of the other grounds of their determination. *Thornton*, *Paper Credit*. *Lotz*, *Revision*, 1811, I, 74 ff, 241 ff.

<sup>607</sup> The expression, "intensity of demand," in *Malthus*, *Principles*, ch. 2, sec. 2. As early a writer as *Sir J. Stewart* calls attention to the difference between large and high and small and low demand. A high demand will always raise the price, as when, for instance, two wealthy virtuosi compete at an auction. *Paucorum furore pretiosa*, as *Seneca* says. An English penny of the time of *Henry VII*, once sold, on such an occasion, for £600. In 1868, at the *Lafitte* auction, seven bottles of wine sold to *Rothschild* at 235 francs a piece after the *Maison dorée* had offered 233. (*N. freie Presse*, Dec. 17, 1868.) A great demand has frequently no result but to increase the supply, and the price rises only in so far as the demand is too sudden to permit a parallel growth of the supply. (*Principles*, Book II, ch. 2, 10.) The present price of tea could not remain unaffected, if ten different private merchants, competing one with another, or the agent of a privileged commercial society, should send orders to *China* for an equal quantity of tea. (*Verri*, *Meditazioni*, IV, 8 ff.)

which was more necessary to him. Looked at, however, from the stand-point, not simply of a nation's but of the world's economy, the value given and the value received are equal.<sup>608609</sup>

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As a rule, the price-relation of two commodities is determined by this relation of demand and supply,—by the desire to possess and the difficulty of obtaining them. We must, therefore, examine on what deeper relations supply and demand themselves

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*Montanari* (ob. 1687) furnishes us with an excellent theory of prices. (Della Moneta, 64 ff., Custodi.) And a still better one, *Sam. Pufendorf*, *Jus Naturæ et Gentium*, 1672, V. 1, who must be considered the best authority on the laws of prices before *Stewart*. *Boisguillebert*, *Traité des Grains*, II, 1, 10. *Galiani*, *Della Moneta*, I, 2, knows only the factors *utilità*, and *rarietà*, although in his exposition of the latter, he discusses many points which would be called the cost of production in our time. The wisdom of Providence has granted us the most useful things in the greatest abundance to make them cheap. *Stewart*, *Principles* II, 2, 4, rendered a great service to the theory of prices, tracing back supply to the cost of production, demand to want and ability to pay; and his deserves to be called the immediate predecessor of *Hermann's* remarkable theory. (*Hermann*, *Staatsw. Untersuchungen*, 66 ff.) For a peculiar theory of prices, see *Paganini*, *Saggio sopra il giusto Pregio delle Cose*, 189 ff. *Neri*, *Osservazioni*, 1751, 127. *Gust. Menger*, *Grundsätze*, I, 179 ff., has made an interesting attempt to explain the formation of prices in its simplest shape, in the supposition of a monopoly in the seller, and by then going over to the subsequent modifications introduced by the competition of many sellers.

<sup>608</sup> Immense weight laid on the *æqualitas permutationis* (after *Aristot.*, *Eth. Nicom.*, V. 7,) in the ethics and economics of the scholastic middle ages, and in the time of the Reformation. Compare *Melancthon*, in *Corp. Ref.*, XVI, 495

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depend.<sup>610</sup> In the case of the purchaser, the value in use of the commodity and his own ability to pay constitute the maximum limit of its price, which price may, however, be modified by

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the more current commodity appears especially as demanding, that of the less current as offering or supplying, (v. *Mangoldt*.)

ff, XXII, 230.

<sup>609</sup> A very barbarous theory of price in *Xenoph.*, De Vectigg., 4. The ancients made little progress in this respect, although there are not wanting ingenious observations on certain phenomena of prices. (See *Aristot.*, (?) *Oecon.* II; *Cicero*, De Off. III, 12 ff.) *Mariana*, De Rege et Regis Institutione, 1598, III, explains price as the relation of value to quantity. According to *Locke*, the price of a thing is determined by the relation between “quantity” and “vent”: the increase or diminution of its useful qualities influences it only so far as it alters that relation. (Considerations on the Consequences of the Lowering of Interest etc, 1691, Works II, 20 ff.) *Law*, on the contrary, says that the “vent” can never be greater than the “quantity,” but that the “demand” may be. Wherefore, he proposes the formula: quantity in proportion to the demand. (Trade and Commerce considered, 1705, ch. 1.) In chap. 6, *Law* distinguishes three elements in price: quality, quantity and demand. The expression “quantity” is, certainly, very unsatisfactory. How many examples does not *Tooke* (Thoughts and Details, on the high and low Prices of the last thirty Years, 1823, part IV) give to illustrate how, when the supply was smallest, prices were lowest and *vice versa*! It was so almost always after the market was over-filled,

the cost of producing it<sup>611</sup> elsewhere or at another time. In the case of the seller, the cost of production is the minimum limit, which may, however, be extended by the cost of procuring the commodity by the purchaser at another time or place.<sup>612</sup>

## Section CII.

### Demand.

The purchaser in his demand is wont to consider principally the value in use of a commodity, according as it, in a higher or lower degree, ministers to a necessary want, to a decency or to a luxury. The difference of opinion as to which of these categories any given want belongs depends not only on the nature of the country and the customs of its people, but, for the most part, also, on the prejudices of class and on personal individuality.<sup>613</sup>

A reasonable man will employ only the surplus of the first class [310]

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a free country satisfy a want much more urgent than in countries which are not free. And so, *Senior* says that shoes are “necessaries” to all Englishmen, since without them, their health would suffer. To the lower classes of Scotland they are “luxuries.” Custom permits them to go barefoot without hardship or degradation. For the middle classes of the same country, they are “decencies.” Shoes are worn there, not to protect the feet but one's civil position. In Turkey, tobacco is a decency and wine a luxury. The reverse is the case in England. (Outlines, 36 ff.)

when a great many speculators had lost and no one dared to purchase anew.  
<sup>610</sup> “Instead of separating, in the same matter, the points of view of the buyer and seller, we may distinguish the consideration of the thing to be acquired and the thing to be given by one and the same person.” (*Rau.*) The possessor of

<sup>611</sup> This is for free goods=0, for monopolized goods=1/0.

<sup>612</sup> The obvious fact that every price supposes a comparison of two commodities, and that every buyer is, at the same time, a seller, has been overlooked by only too many writers. And hence *Dutot's* opinion, that, as all men buy and few only sell, the state, in case of doubt, should favor the buyer. (*Réflexions sur le Commerce et les Finances*, 1738, 962, éd. Daire.)

in the satisfaction of wants of the second, and again only the surplus of the second in the satisfaction of wants of the third.<sup>614</sup>

If the value in use of a commodity rises or falls, and surrounding circumstances remain unchanged, its price also

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And so the often-mooted question whether universal dearness or cheapness is more useful: the latter advocated, for instance, by *Herbert*, *Police générale des Grains*, 1755; *Verri*, *Meditazioni*, V; the former by *Boisguillebert*, *Traité des Grains*, I, 7, II, 9; and by the Physiocrates. (*Quesnay*, *Maximes générales*, Nr. 18 ff., I, *Problème Économique*; also by *A. Young*, *Polit. Arithmetics*, ch. 8.) The laity in Political Economy understand by dearness only the general cheapness of the medium of circulation or exchange, and *vice versa*.

<sup>613</sup> Thus, even a poor man in Naples sometimes requires a glass of ice-water. The introduction of the extensive use of snow into Sicily improved the condition of the public health. (*Rehfues*, *Gemälde von Neapel*, I, 37 ff.) On the other hand, furs, in the far north, are articles of prime necessity. Newspapers in <sup>614</sup> As to the relativity of the opposites of "temperance" and "excess," every person should attend to the following points: a, not to exceed one's income; b, to provide for one's self and one's family; c, to lay by something for a rainy day; d, to place one's self in a position to care for the poor; e, to indulge in no pleasure injurious to body or mind; f, to give no bad example. (*Tucker*, *Two Sermons*, 29 ff.) *Menger*, *Grundsätze*, I, 92 ff., endeavors to compare the value in use of different commodities from the point of view, that the means of gratification of a less urgent want, when the more urgent wants of the present are satisfied completely, should be preferred to the means of over-gratifying the latter.

rises or falls.<sup>615616</sup>

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### Section CIII.

#### Demand.—Indispensable Goods.

When the supply of articles of luxury diminishes, the price of them, it is true, rises. But as now there is a number of purchasers no longer able to pay for them, the demand for them also decreases, and their price, as a consequence, rises in a less degree than might be inferred from the amount and condition of the supply merely. And so, on the other hand, an increase of the supply which lowers the price is wont, in the case of pleasures capable of a wide extension, such as are ministered to by fine roots, vegetables, etc., to produce an increase of the demand, and this operates to arrest the falling price.

It is quite otherwise, in the case of indispensable goods, as for instance, wheat. When there is a want of such an article,

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<sup>615</sup> Thus the price of many dark articles of apparel rises in a moment of unexpected universal mourning. A very remarkable case in Paris, at the death of Henry II. (*Montanari*, *Delia Moneta*, 85, *Custodi*.) On the other hand, a change of fashion may greatly depress the price of many commodities. Such a change may take place even in the case of precious stones; as, for instance, now in London, a perfect emerald is most highly prized. (*King*, *Precious Stones and Metals*, 1871.) The rise of many drugs in times of cholera, and of leeches, for example, in Paris, 600 per cent. Rise of the price of powder, horses etc. at the outbreak of a war, and of the price of iron caused by extensive railroad building. In Circassia, a good shirt of mail was formerly worth from 10 to 200 oxen: but since it was discovered not to be a protection against cannon balls, its price fell 50 per cent. (*Bell*, *Journal of a Residence in Circassia*, I, 403.)

<sup>616</sup> On "connected" (*connexen*) goods, the use of one of which supposes the use of the other, as, for instance, sugar and coffee, wood and stone used in the construction of buildings, see *Schäffle*, *Nat.-Oek*, II. Aufl., 179.

men prefer to dispense with all other articles, to some extent, rather than to practice frugality in bread; and all the more, as bread is not so much used as consumed rapidly, while clothes and metallic articles last a long time. And even after an over-abundant harvest, leaving voluntary waste out of the question, consumption is increased by a finer separating of the flour, an increase in the amount of corn fed to cattle, and the distillation of spirits. Hence, demand and supply by no means run in parallel lines at every moment; and indispensable articles tend to greater perturbations in price than those which can be dispensed with.<sup>617</sup><sup>618</sup> The price of grain, especially, varies in a ratio very different from the inverse ratio of the amount of the harvest;<sup>619</sup> although a formula therefor expressed in figures, like that of Gregory King, can

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<sup>617</sup> Observed by *Necker*, *Sur la Législation et le Commerce des Grains*, 1776. Compare *Roscher*, *Ueber Kornhandel und Theuerungspolitik*, 1853, 1 ff. In Athens, for instance, the *medimnos* of wheat cost ordinarily five drachmas, but during the siege by Sulla it rose to 1000 drachmas. (*Demosth. adv. Phorm.*, 918. *Plutarch*, Sulla, 13.) Compare II. Kings, 6, 25, 7, 1. In Paris during the siege by Henry IV. it rose to 5000 per cent. of the ordinary price. (*Lauderdale*, *Inquiry*, 60 ff.) During the siege of Breisach, in 1638, a mouse was finally worth 1 florin, the quarter of a dog, 7 florins, a quarter of wheat, 80 thalers. (*Röse*, *Leben H. Bernhards*, M., 11, 269.) Compare *Strabo*, V, 248 seq.

<sup>618</sup> Wheat is still more indispensable than meat. Hence, in the ten principal markets of Prussia, the price of rye rose much more from 1811 to 1860 than the price of beef; the former between 0.32 and 1.03 silver groschens and the latter between 2.32 and 4.94 silver groschens. (*Annalen der preussischen Landwirthschaft*, 1869, No. 9.) And so in the Rhine district, the wine harvests have undergone much greater changes in price than the prices of must, although the years differed very largely in the quality of the yield. Thus the crop of 1830 was only 225, that of 1868, 10,845 pieces, and yet the minimum price between 1831 and 1865 was only from 3 to 58 flr. per ome. (*Engel*, *Preuss. Statist.*, *Ztschr.*, 1871, 168 ff.)

<sup>619</sup> In England, the price of wheat has not unfrequently risen from 100 to 200 per cent. when the harvest was from one-sixth to one-third under the average,



never be applicable universally.<sup>620</sup> Farmers must everywhere and always withhold a certain amount of their harvest for seed, for home use etc., from the market. Only absolute necessity can induce them to draw on the quantity thus laid by. But the ratio of this part to the whole is very different in different countries.<sup>621</sup> In the higher stages of civilization, where payment in money has taken the place of payment in produce, and all other kinds of payment, and where the cultivator of the ground pays the wages of his laborers almost exclusively in money, so that they, like all others, purchase what bread they require in the market; a given deficit in the harvest must be spread over a much larger market supply; and prices, therefore, remain much less affected than in the lower stages of civilization.<sup>622</sup> And so, it is clear that a like bad harvest must affect prices very differently, if there be a large importation or exportation of the means of subsistence, and if several bad harvests, or several harvests yielding more than the average have preceded. [313]

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and when a supply from abroad had modified even this condition of things. (*Tooke*, *History of Prices*, I, 10 ff.) *Tooke* is of opinion that in a country with poor-laws like those of England, a deficit of one-third in the wheat crop, if there were no stores remaining and no importation from abroad, would cause the price of wheat to rise, 500, 600, and even 1000 per cent (p. 15.)

<sup>620</sup> See *Davenant*, *Political and Commercial Works*, London, 1771, II, 224. *Tooke* was somewhat acquainted with *Davenant*. According to this law, a deficit in the harvest of 10 per cent. would raise the price of corn 30 per cent.; one of 20 per cent. would raise the price of corn 80 per cent.; one of 30 per cent. would raise the price of corn 160 per cent.; one of 40 per cent. would raise the price of corn 280 per cent.; one of 50 per cent. would raise the price of corn 450 per cent.

<sup>621</sup> In England, it is 38.8 per cent. of the supply that comes to the market. (*Quart. Review*, XXXVI, 425.) In Belgium 40, and in Saxony at least 50 per cent. (*Engel*, *Jahrb. der Statistik etc. von Sachsen*, I, 276.) In Germany, the farmers consume on an average two-thirds themselves. (v. *Viebahn*, *Zoll.-v-Statist.*, II, 958.) With this *Plato*, *De Legg.*, VIII, agrees remarkably well.

<sup>622</sup> On the difference in this respect between England, Germany and northwestern Norway, see *Hermann*, p. 71.

In another respect yet, the price of indispensable commodities is very sensitive, because here the mere fear of a future want of them has a far deeper and wider influence, than has the fear of want of articles of luxury. No matter how good the wheat crop may have been, if the weather afterwards interferes with its harvesting, the price of wheat, in countries in which the spirit of speculation is on the alert, will certainly rise, because the prospect of the future crop then becomes somewhat doubtful.<sup>623</sup>

#### Section CIV.

### Influence Of Purchaser's Solvability On Prices.

The purchaser, besides the value in use of the goods he desires to buy, considers his own solvability (*Zahlungsfähigkeit* = ability to pay). It is only solvent demand which can influence prices.<sup>624</sup> For instance, among a people made up almost entirely of proletarians, there will be a great many cases of starvation and death after a bad harvest, but the price of corn will undergo only a slight increase.<sup>625</sup> But where the greater number of inhabitants

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<sup>623</sup> Hence it not unfrequently happens that grain grows dear not from any real want of it, but because it is generally supposed that such want exists. For an explanation of why it is that wheat and similar commodities have an almost invariable price, when the average is taken of a long series of years, see *infra* § 129.

<sup>624</sup> Case in Naples in which after a poor harvest the price of corn remained very low, because the oil-harvest had also failed, and the poor could earn nothing in that industry in which they were largely employed, and *vice versa*. (*Galliani*, Della Moneta, II, 2.) Thus *Adam Smith*, Wealth of Nations, I, ch. 7, distinguishes between “effectual” and “absolute” demand. Similarly *J. Stewart*, Principles I, ch. 18. Care should be taken to distinguish in this respect between desire and demand.

<sup>625</sup> Thus, in the famine in Ireland in 1821, during which potatoes rose to fabulous prices, but wheat scarcely at all, and had therefore to be exported.

own property, and where the wealthy come to the help of the poorer classes by means of poor-rates and acts of benevolence, it is scarcely possible to assign limits to the increase of the price of corn. By a necessary connection, when indispensable articles grow dear, the demand for articles that can be dispensed with generally decreases, and *vice versa*.<sup>626</sup> Every merchant, engaged in an extensive business, is interested in knowing in advance the results of the corn crop. The higher the price of a commodity rises, the narrower, of course, grows the circle of those who can pay for it.<sup>627</sup><sup>628</sup>

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## Section CV.

## Supply.

In the case of isolated chance exchanges, the seller, too, takes into consideration, first of all, value in use, and compares the

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<sup>626</sup> In *Tooke*, History of Prices (2d edition of the Thoughts and Details etc.), we meet repeatedly with the assertion that when the price of wheat rises, the price of colonial products and manufactured articles sinks, and *vice versa*. Thus, in England, the price of the evidences of national debt increases from two to three per cent. in fruitful years above what it is after a bad harvest. (*Lauderdale*, Inquiry, 93.) The British nation paid for the cotton it needed for their own consumption in 1845 over £19,500,000; in 1847 only £9,500,000. (*Banfield*, Organization of Industry, 162.)

<sup>627</sup> Hence *J. B. Say* has said that the disposable wealth of a people is like a pyramid, with the scale of prices of the various commodities inscribed on its side. The higher a commodity is in this scale of prices, the smaller is the corresponding section of the pyramid. Compare *Sir W. Temple*, Essay on the Origin and Nature of Government, Works I, 23 ff.

<sup>628</sup> This fact, in connection with the preceding, explains the well known puzzle, why the remnant of a piece of goods is comparatively cheaper than the whole piece, while a small share in the public debt is dearer than a large one. (*Lauderdale*, ch. 1.)

satisfaction which the commodity to be parted with and that to be received are able to afford. It is true that in making this estimate, he is subject in the highest degree to error and deception.<sup>629</sup> In the well ordered trade of a nation whose economy is highly developed, the seller, who had this very trade in view in his production, is wont to consider almost exclusively the value in exchange of his commodity.

### Section CVI.

#### The Cost Of Production.

As no one is willing to lose anything, every seller will consider what his goods have cost him, and the cost of producing or procuring them as the minimum price to be asked for them.<sup>630</sup>

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At the same time, the idea covered by the expression cost of ff., understands by the *prix intrinsique* of a commodity, the amount of land and labor, taking the quality of both also into consideration, necessary to its production.

<sup>629</sup> Rhode Island was, it is said, bought from the Indians in 1638 for a pair of spectacles. (*B. Franklin*, Political ... Pieces, 1707.) According to *Chalmers*, it was bought for 50 threads of coral, 12 hatchets and 12 overcoats. (Political Annals of the U. States.) Compare *Ebeling*, II, 108. Holland cloths and opium were exchanged for a long time at Sumatra for gold dust worth ten times their value. (*Saalfeld*, Geschichte des holl. Kolonialwesens, I, 260.) The Hudson Bay Company realized, it is said, at the beginning of this century, in trading with the Indians, a profit of 2000 per cent. (*Anderson*, Origin of Commerce, a. 1751.) When Altai was discovered, the natives gave as many sable-skins for a Russian kettle or boiler as could be crammed into it. With 10 rubles in iron it was an easy easy matter to gain 500-660 rubles. *Storch*, Gemälde des russ., R., II, 16; *K. Ritter*, Erdkunde, II, 557. Similar cases among the Germans: *Tacit.*, Germ., 5.

<sup>630</sup> A seller not actually engaged in the business of selling for a livelihood, and who has not purchased or produced with the intention of selling, is apt to consider instead of this the market price, towards the determination of which

production, although it always embraces whatever disappears from the resources of the producer to enter into production, varies very much according as it is considered from the point of view of the individual's, the nation's or the world's economy.

An individual who pays taxes to his government, and who has rented land and employed labor and capital to engage in production, must indeed, besides the capital he has used in such production, call all his outlay in interest, wages, rent, and taxes, by the name of cost of production;<sup>631</sup> since, unless they all come back to him in the price of the commodity, the entire enterprise can only injure him.<sup>632</sup> He will, of course, add an equitable profit to remunerate him for his enterprise, since without such profit, he would not be able to live or produce; or else, he would be compelled to consume his capital. The moment the current rates of taxation, interest, wages and rent change in a country, the cost of production is also changed in the case of the individual engaged in production, however unaltered the technic process may remain.<sup>633</sup> But taking the nation, or all mankind [317]

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calculated, see *Hermann*, I ed., 136 ff.

those actually engaged in trade have coöperated. Somewhat inaccurately, the amount of the cost of production is called by *Adam Smith* and *Ricardo*, "natural price," by *J. B. Say*, *prix naturel*, also *prix originaire*, because the commodity at its first entrance into the world cost so much. *Sismondi* and *Storch* call it *prix nécessaire*, and *Lotz*, *Kostenpreis*. *P. Cantillon*, *Nature de Commerce*, 33

<sup>631</sup> The cheapest cotton thread is numbered from 60 to 80. The coarser is dearer on account of the quantity of raw material in it, and the finer because of the greater amount of labor in it. (*Babbage*.) For similar reasons, the Venetian chains cost per *braccio*, No. 0, the finest, 60 francs; No. 1, 40 francs; Nos. 2 and 3, 20 francs; No. 24, coarsest, 60 francs. (*Rau*.)

<sup>632</sup> If a person engaged in production has himself furnished certain of the elements of production; if, for instance, he has worked with his own hands, employed his own capital etc., he is wont to charge as much for these as they would be worth, if he hired himself out or loaned his capital.

<sup>633</sup> The greater number of political economists consider the cost of production only from the standpoint of the individual engaged in production. Thus *Darjes*, *Erste Gründe*, 218 seq.; *Ad. Smith*, *Wealth of Nations*, I, ch. 6. *J. B. Say* calls even production an exchange in which the productive services of natural

into consideration, we must not lose sight of the fact that these three great sources of income, as well as taxation, are not, rightly speaking, sources from which income flows, but rather channels through which the aggregate income of the nation or the world is distributed among individuals.<sup>634</sup> Hence the wages of labor, for instance, which afford the means of living to the greater part of the population, cannot possibly be looked upon simply as a factor in economic production. The people considered in their entirety have the soil gratis. All saving made from rent, interest on capital, or wages, is nothing but a change of the proportion in which the results of production were distributed hitherto among coöperators in production. Such a change may be either advantageous or the reverse; but it is not a diminution of the amount of sacrifice which the people in general must make for purposes of production. Hence, in a politico-economical sense, to the cost of production, belongs only the capital necessarily expended in production, and which has disappeared as a part of the nation's resources, abstraction made of the personal sacrifices in behalf of production.<sup>635</sup> The value of the circulating capital which in the process is entirely used up, must, of course, be entirely restored in the price, that of the fixed capital used only

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forces, of labor and of capital are parted with in order to obtain products. The estimate put upon the value of these services is the cost of production. For some interesting examples as to how the cost of production, in this sense, is

<sup>634</sup> *Jacob* translated by *Say*, 1807, II, 450. *Hufeland*, N. Grundelung, I, 309.  
<sup>635</sup> Compare *L. Lauderdale*, Inquiry, 124, against the Physiocrats. (*Riedel*, Nat.-Oekonomie, 1838, I, 68.) A country which possesses advantages over other countries, in respect to the cost of production of a commodity, can offer it in the market cheapest. Where, for instance, with the employment of the same amount of capital, a specially large quantity of wheat can be produced, whether it be because of the unusual fertility of the soil, or because of the *extensiveness* of agriculture (farming over a large area), wheat will, the demand being the same, be specially cheap, whatever the proportion of the three branches of income may have been. If relatively a great number of workmen have been employed in its cultivation, each will receive smaller wages, and *vice versa*.

to the extent that it has been used.<sup>636</sup>

The risk, which the producer runs until the commodity produced is actually consumed must also be borne in mind.<sup>637</sup> There are things which are a real risk in small enterprises that by the intervention of an insurance company, or where the enterprises are large and insure themselves, become a more or less variable portion of the cost of production. The price of the product, in the latter instance, rises, by this means, very regularly. In the former case, the rise depends partly on the feeling of the people whether their pleasure in gain is greater than their grief over a corresponding loss.<sup>638</sup>

Those enterprises which necessarily produce different products at the same time deserve special consideration.<sup>639</sup> Here we may speak of “*united* costs of production,” and all that is needed is that the aggregate of these costs should be covered by the aggregate price of both products. This complicates to a certain extent the calculations which the seller must make to determine his minimum demand for each product. To ascertain this, he must subtract from the united costs of production the amount of value which he expects with certainty for the other product.<sup>640</sup>

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<sup>636</sup> Copper and steel engraving affords an example of the different kinds of wear of fixed capital, and the influence it may have on prices. *Canard*, Principes, ch. IV, considers that one of the most important elements in the cost of production is the length of time that capital must “stagnate” for the sake of production.

<sup>637</sup> On this risk depends, for instance, the high price of vanilla (*Humboldt*, N. Espagne, IV, 10.), sparkling wines and articles of fashion.

<sup>638</sup> *Mangoldt*, Lehre vom Unternehmergeinn, 1855, 81 ff. Compare v. *Thünen*, Der isolirte Staat, II, 1, 80 ff.

<sup>639</sup> Wool and mutton, brandy and fattened cattle, calves and milk, honey and wax, gas and coke, hens and eggs etc.

<sup>640</sup> *Adam Smith* himself remarked that all artificial lowering of the price of skins or wool must necessarily raise the price of the meat, and *vice versa*. (*Wealth of Nations*, I, ch. 11, 3.) For a very elaborate theory on this subject, see *J. S. Mill*, Principles, III, ch. 16, § 1. Thus Australian wool did not rise as much in price as the production of gold there might have led us to suppose, for

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## Section CVII.

## Equilibrium Of Prices.

Goods whose cost of reproduction,<sup>641</sup> that is, the highest necessary cost of reproduction is the same, have uniformly the same value in exchange. Every deviation from this level immediately sets forces in motion which endeavor to restore the level, just as the water of the sea seeks its level, notwithstanding the mountains and abysses which the winds bring forth from its bosom.<sup>642643</sup>

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Most largely developed in *Ricardo*, Principles, ch. I, 4, 30. *Marx*, Zur Kritik der polit. Ökonomie, 1859, 6, endeavors to improve on this by calling all values in exchange “a determinate quantity of thickly curdled working-time,” meaning by work an averaged *qualitätslose*, social work of production. *Per contra*, compare *Hufeland*, N. Grundlegung, I, 134, 156 ff.; and *Malthus*, Principles, ch. 2, secs. 2, 3, who claims very earnestly that price is not determined by the cost of production, but by the relation existing between demand and supply, the cost of production influencing it only to the extent that it influences this relation. He calls attention to the poor-rates by which the cost of production of labor is raised, but its wages decreased; also to the case of bank notes etc. (*Tooke*, History of Prices, V, 49 ff; *J. S. Mill*, Principles, III, ch. 16, 2.) For a very marked case of reaction against Adam Smith and Ricardo, see *Macleod*, Elements, ch. 2, who, however, is much too one-sided in considering only the amount necessary to the purchaser, and his means. Even *Condillac* had said: *une chose n'a pas une valeur, parcequ'elle coûte, mais elle coûte (du travail ou de l'argent), parcequ'elle a une valeur.* (Commerce et Gouvernement, 16.) *Ricardo's* doctrine is more tenable than appears at first blush. We need only to interline his theory of rent, admit that capital is accumulated labor, subtract all objects constituting a natural monopoly, and not forget that the intrinsic value of labor is one of the causes of the difference of price of different sorts of labor. *Ricardo* does justice to value in use even *en passant*. A strange effort by



## Section CVIII.

## Effect Of A Rise Of Price Much Above Cost.

If the market price rises high above the cost of production, producers make a profit greater than the average profit made in the country. This induces them, by the appropriation of new land and the employment of new labor and capital, to increase their business. Other parties also engage in this profitable department of trade. This competition not only makes the means of production dearer, but must eventually, by increasing the demand, reduce the price of the product to the ordinary level of profit, that

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*McCulloch* to make labor the cause of the non-use of capital. (Principles, III, ch. 6, 2.) *McCulloch* has not unfrequently exaggerated the half-truths of his doctrines to such an extent as to produce unwittingly a *reductio ad absurdum*. According to *Torrens*, before any separation of capitalists from workmen, price depends entirely on the work done, and afterwards on the capital expended, inasmuch as wages, rent etc. are covered by the capital of the person who engages in the enterprise. (Production of Wealth, ch. 1.) the reason that mutton rose to an exceedingly high price.

<sup>641</sup> It is an important and correct remark of *Carey's*, that the price of a commodity depends much more on the cost of producing its like than on its own cost of production, which already belongs to the past.

<sup>642</sup> Compare *J. S. Mill*, III, ch. 3, § 1. A much too high price, caused by speculation, or a much too low one, by depreciation, is regularly followed by an ebb or flow just as much too great. (*Tooke*, History of Prices, III, 55.) And *Law*, Trade and Money, 41, remarks that the price of a commodity always tends to coincide with the "first cost." This fact *Adam Smith* expresses by saying that the cost of production is the center about which the market price always gravitates. (I, ch. 7.) But here there is still the error lurking, that the producer's profit is a part of the cost of production. Compare *Malthus*, Definitions, ch. 6.

<sup>643</sup> The English view, one very characteristic of the people, is that the equilibrium of prices depends on this, that all commodities should have a

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is to an equilibrium with other commodities.<sup>644</sup> Hence, in the beginning, every diminution of the cost of production<sup>645</sup> turns to the advantage of the producer; but afterwards and permanently to that of the consumers: an economic law exceedingly beneficent in its operations, and not unlike the action of positive legislation in the matter of patents. There is no greater stimulus to the making of improvements than the certainty of reward to the person who first introduces one. The moment, however, that the improvement is imitated by all producers, the advantage

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value equal to that of the labor they have cost. (Compare *Aristot.*, *Eth. Nicom.*, V, 5.) The same doctrine is to be found in its germinal state in *Hobbes*, *Leviathan*, 24, 1651, and *Rice Vaughan*, *Discourse of Coin and Coinage*, 1675. More exhaustively in *Petty*, *Treatise of Taxes and Contributions*, 1679, 24, 31, 67. (Compare *Locke*, *Civil government*, II, § 40 ff.; *B. Franklin*, *Inquiry into the Nature and Necessity of a paper Currency*, 1729; *Works*, ed. Sparks, vol. II.) *Adam Smith* admits this to be true only of the first beginnings of society, before the origin of property in land and in capital. (*Wealth of Nations*, I, ch. 5.)<sup>644</sup> *Ce que l' on appelle chereté, c'est l' unique remède à la chereté.* (*Dupont de Nemours*.) Tenders of division in common, in England, increase and decrease according to the higher or lower price of corn during the preceding year. (*Tooke*, *Thoughts and Details*, III, 105 ff.) The cotton famine after 1861 increased the price of flax-yarn in a short time fifty per cent., although the raw material of flax did not rise in price, but only because care was not taken to increase the number of flax-spinners. (*Ausland*, I, 1865.) However, there were in 1864, 490,000 flax-machine spindles in course of erection. (Report of the Chemnitz Chamber of Commerce, 1864, 101.)

<sup>645</sup> By the discovery, for instance, of new natural forces, the invention of machines, improved division of labor, improved roads etc. In France, in consequence of technic improvement, a quintal of saltpeter fell from 100 to 9 francs. See a similar instance in *Chaptal*, *De l' Industrie française*, II, 64, 70,

gained by it becomes the common good of the whole nation.<sup>646</sup> These are, as J. B. Say says, conquests made over the gratuitous productive force of nature. As a consequence, the value in use of a people's resources increases; generally, also, their value in exchange, in so far as the production of the now cheaper goods increases in a degree greater than their cost of production has diminished.<sup>647</sup>

As to the alternative so frequently discussed, whether it is preferable to make a large percentage of profit on the sale of a small quantity of goods, or a small percentage on a large quantity, we find that, in the lower stages of civilization, the former is preferred, and the latter in the higher.<sup>648</sup> And, indeed, the latter is not only more humane, but, in the long run, it is more profitable to the person who adopts it as his rule in business. In the case of commodities, he now runs but little risk from a change of fashion, because the fashions of the masses change much less

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<sup>646</sup> *Hermann*, Staatsw. Untersuchungen, 212.

<sup>647</sup> The highest but unattainable ideal of such progress would consist in this, that all products should be obtained without cost. If this ideal were attainable, every one would be infinitely rich and all wealth would be free, like the air and the sunshine. (Compare *J. B. Say*, *Traité*, II, 2.) The complete victory of mankind over nature would consist in that all men should be free and all the forces of nature the slaves of man. (*Smithemer*.) *Carey* intimates something similar when he says that, with the advance of civilization the tendency is for men to become more and more valuable and commodities to have less of "value."

<sup>648</sup> We might here speak of an aristocratic and democratic principle of the determination of prices. The greater utility of the latter is advocated in the *Discourse of Trade, Coyn and Credit*, London, 1697. *Bacon* has a good word to say for the maxim: "Light gains make heavy purses; for light gains come thick, whereas great come now and then." Similarly, *Gurnay* in *Cliquot de Blervache*, *Considérations sur le Commerce* etc., 1758, 48, 54. As to how *Morrison*, the celebrated merchant, became rich by adhering to the principles: "to sell cheap as well as to buy cheap," and "always tell the truth," see *Chadwick*, in the *Statistical Journal*, 1862, 503. Compare the related opinion of *Adam Smith's* continuator in an ethical direction, *Garve*, zu Cicero's Pflichten,

rapidly than those of the upper circles of society. In the case of indispensable goods, on the other hand, he may now calculate with more certainty on the increase of population, and, therefore, on a future market for his wares. Competition, which in former times, devoted all its efforts to bringing about the exclusion, by law, of all rivals, is now engaged, principally, in devising means of surpassing them by superiority of workmanship, and in thus increasing the power of the real sources of a nation's wealth.

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### Section CIX.

#### Effect Of A Decline Of Price Below Cost.

If the market price sinks below the cost of production, the producer naturally suffers a loss, and diminishes his stock as soon as possible. That whole establishments engaged in industry should forsake a branch of it which is suffering from depression and enter a flourishing one, must ever remain a rare exception.<sup>649</sup>

III, 100. The contrary principle, the cunning of the Judæans, according to *Strabo*, XVII, 800, was followed by the Dutch East India Company, when it, in 1652, caused the greater number of the vegetable roots on the Moluccas to be destroyed. *Saalfeld*, Geschichte des holländischen Kolonialwesens, I, 272. Also, when great quantities of roots were destroyed by burning in the East Indies. (*Huysers* Beschryving der Oostindischen Etablissements, 1789, 22.) For a clever argument against such practice, see *de la Court*, Anwysing der heilsame Gronden, 1663. The principle similar to that of the patent, mentioned in the text, works at the same time democratically and aristocratically, both words understood in their best sense.

<sup>649</sup> This is true, first of all, in those industries which are intimately connected with one another, or of those which are carried on with scarcely any fixed capital; also in lower stages of civilization, where the lights and shades caused by a highly developed division of labor are not very intense. On the numerous difficulties overlooked by Ricardo in every other case, see *Sismondi*, N. P., II, ch. 2. The workman thereby loses his former skill, that is his principal capital, and can certainly not wait until he has acquired other and different skill.

But the discouraged manufacturer may delay renewing his stock on hand,<sup>650</sup> replacing his machinery by new machinery; he may dismiss some of his workmen and diminish the number of days during which the others shall work. Moreover, most industries are operated by means of borrowed capital, capital which must therefore, be returned to the lender. Under certain circumstances, however, the industry may be continued for some time, even at a real loss,<sup>651</sup> so long as the loss of interest etc., which would follow the entire suspension of the work, exceeds the loss produced by the lowering of price, but hardly any longer. If the supply of the commodity the price of which has fallen has been diminished, the subsequent result depends on the causes which, in the first place, brought about the fall in price. If the diminution in price was caused solely by a too great supply, when this superabundant supply is gotten rid of, the price will rise again.<sup>652</sup> If it were produced by a decrease in the value in use of the commodity, the diminution of the supply can restore the former state of things [324]

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<sup>650</sup> When a lowering of prices is expected, demand is less than consumption: "postponed demand;" whereas, an expectation that the price will rise, produces "anticipated demand." *Tooke*, History of Prices, II, 155.

<sup>651</sup> Thus, for instance, if the workmen were exposed to starvation, or were likely to take their departure; if great stores of raw material were in danger of spoiling; if fixed capital of great value were engaged in one industry and could not be easily transferred to another. The first and third causes are frequently met with in mining, and give rise to the mode of carrying on the operation known as *Zubusgruben*, that is, a species of working mines upon shares. In England, after the spring of 1862, cotton yarn was not so much dearer than raw cotton, that the loss caused by the decline could be made up. (*Ausland*, 24 Sept., 1862.)

<sup>652</sup> Besides, in the time immediately following, the price lowered by too great a supply, may produce a species of desperation among producers, which would lead them, in the hope of covering their losses, to increase the supply still more, until many of them were ruined. Generally, when a time of high prices is followed by a time of low prices, we find an interval during which sellers endeavor to defend themselves against the decline, and during which, as a consequence, scarcely any business is transacted, while high prices are nominally continued. And so *vice versa*. *Tooke*, History of Prices, II, 62.

only in so far as at least a part of the purchasers ascribe to the commodity the same value in use as before.<sup>653</sup> Lastly, if the lowering of the price came from a decrease in the number of buyers, or from a decrease in their ability to purchase, the former price will be restored when production has been adapted to a correspondingly smaller circle of consumers.<sup>654</sup> This last is true especially when the price, without having suffered any absolute change, has become relatively too low, on account of an increase in the cost of production.<sup>655</sup>

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## Chapter CX.

### Different Cost Of Production Of The Same Goods.

Most goods are produced at the same time, but under different circumstances, at a very different cost. In order to estimate the

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<sup>653</sup> Thus, for instance, when the change of fashion brought about the disuse of long periwigs in every-day life, their price did not cease to fall until they had entirely disappeared. But, if a person wishes to have one made to-day for a masquerade, for the stage, etc., he would pay as much for it as its former price. On the other hand, the price of whalebone has never been again as high as it was in the time when hooped petticoats were worn.

<sup>654</sup> The great plague in the time of Edward III. caused during the first year, on account of the decreased consumption, an extraordinary cheapness of provisions. In the following year, however, they became alarmingly dear, because there were few producers, especially among the humble classes. A quarter of wheat cost in 1348, 4s. 2d.; in 1349, 5s. 5d.; in 1350, 8s. 3d.; in 1351, 10s. 2d.; while in 1346 and 1347, its average price was 6s. 8-7/8d. *Rogers, History of Agriculture and Prices, I, 232.*

<sup>655</sup> As for instance when new taxes or excises are imposed. Generally when the cost of production has largely increased, purchasers do not wait until a decrease of competition among sellers compels them to exact higher prices, but meet them half way, especially when many greatly desire the commodity, and the increase of the cost is only small. (*Rau, Handbuch, I, § 163.*)

influence of this fact upon price, we must distinguish between those commodities the cheapest manner of the production of which may be extended at pleasure, and those in the production of which it is necessary, in order to satisfy the aggregate want of them, to call in the dearest mode of production to aid the cheapest.

In the former instance, the price of commodities is naturally regulated by the least cost of production. The person who is unable to sustain this competition permanently, would do a great deal better to abandon the industry altogether; for it is not in his power to raise the price by diminishing the supply; more powerful rivals would then only need to correspondingly increase theirs.<sup>656</sup>

If the same law were applicable, in the latter case, producers placed in a less favorable situation would be compelled to immediately abandon the market. The market, in consequence, would no longer be able to provide for the aggregate need; and the price of the commodity would continue to rise until the producers who had been driven from the market returned to it again. Hence, here, price in the long run is determined by the cost of the production of the commodity, produced under the least advantageous conditions, while such production is necessary in [326]

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<sup>656</sup> Under this rule fall, according to § 33, most products of industry properly so called. "If we lose a market for a year, we generally lose it for all time," said an experienced manufacturer before the parliamentary hand-loom weavers' committee, 1840-42. Of course the cost of transportation as far as the market must be estimated as part of the cost of production. In consequence of this, as well as of the difference of taxation duties etc., the superiority of one producer to another may be more than overcome. In the case of colonial commodities, which go into the interior of a country from different sea-ports, the territory supplied from each port is determined for the most part by these data. Thus, in Switzerland, for instance, we find the districts supplied by Havre, Genoa and Rotterdam; in Austria, the districts supplied by Hamburg and Triest contiguous, but the boundary line subject to many changes. (*Rau*, Lehrbuch, I, § 164.) It must be understood that we do not here speak of abnormal expenses made by producers individually, whether in consequence of want of skill or because of accident.

order to satisfy the aggregate need. The person engaged in production under more advantageous conditions receives in the same price of the goods, which are cheaper to him, an excess of profit; one which is greater in proportion as his situation, *vis-a-vis* of production, is superior to that of his less favored competitors.<sup>657</sup><sup>658</sup>

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### Section CXI.

## Different Cost Of Production Of The Same Goods. (Continued.)

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<sup>657</sup> This is true especially of agricultural production, in which, as a rule, beside the most fertile and most advantageously situated land, the worse must be used. What *Whately* calls "surplus-profit" appears here in the form of rent, whereas, in other cases, it takes the shape of unusually high wages, or profit on capital. This is very beautifully and systematically developed by *Schäffle*, N. Œk., II; Aufl., 192 ff. According to *Senior*, Outlines, 15, the price-relation of two commodities to each other depends not on the quantities of them which come to market, but on the relative power of the difficulties which stand in the way of an increase in these quantities. If the same producers can pursue the cheaper mode of production which does not suffice to supply the market, as well as the dearer, we have, generally, a price which is the mean between the two costs of production. The same is true in the case of "smuggled" goods which ought to have paid duty. (*Hermann*, loc. cit., 83, seq.)

<sup>658</sup> To this section belong the secrets of production which may be taken advantage of either *ad libitum* or within certain limits. In agriculture, advantages of production can seldom remain secret. Compare, however, the case mentioned in *Garnier's* translation of *Adam Smith*, V, 119, and that of the orchards which yielded £1,000 yearly for every 32 acres, and which were a result of the recent introduction of the culture of the cherry in Kent, in the reign of Henry VIII. (*Anderson*, Origin of Commerce, a, 1540.) There is therefore, a certain odium attached by agricultural producers to keeping secret a means of agricultural



Hence the price of a commodity and the ratio between its supply and demand mutually condition each other. On the height of the price depends, in great part, how many purchasers shall resolve to make an effectual demand; but, at the same time, to what amount of cost of production, sellers shall extend their supply.<sup>659</sup> We can speak of an equilibrium between supply and demand only when the former corresponds with the *wish* of those who are ready to make good the full cost of production. (*Malthus*.) It has been asked, indeed, whether it were more natural and better

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improvement.

<sup>659</sup> Compare *Boisguillebert*, *Traité des Grains*, II, ch. 2. *John Stuart Mill* speaks of an equation: the price of a commodity in a given market is always high enough to produce a demand corresponding to the present supply, or to an expected supply. The price of such commodities only which may not be increased to any desirable extent depends on supply and demand. In the case of all others, on the other hand, demand and supply depend on the price, and this on the cost of production. Supply and demand always tend to an equilibrium which is never really attained where the price is high enough to cover the cost of production (?). (*Principles*, III, ch. 2, § 4; ch. 3, § 2.) *Schäffle's* theory of prices is topped by the proposition that all competing sellers and all competing buyers, after an economic fashion, do not wish to sell below individual cost-value, nor to rise above individual value in use, in purchasing. Hence, in a throng of competition of supply the costliest productions step out of the field of competition in a descending cost-value series; and in a throng of competition of demand, the most wearied cravings in an ascending value-in-use series; until the quantities offered in supply and asked for cover each other without loss, and have placed each other in quantitative equilibrium. (N. Œk. Aufl., I, 188 ff.; compare 173, 185.) It is, however, to say the least, an instance of baseless solicitude, when *Wade*, *History of the middle and working Classes*, 214, says that one unemployed workman might depress the aggregate wages

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that demand should precede supply or supply demand.<sup>660</sup> But the inquiry is an illogical one, when expressed in so general a manner, since supply and demand are only two sides of the same transaction. But, we may say that in the case of indispensable goods, the want of them (demand) is always felt sooner than the excess of them (supply), and that in the case of goods which may be dispensed with, including, originally, money, the reverse is true. Besides, a person engaging in the production of any kind of goods, can, as a rule, only seldom directly investigate the relation between supply and demand. Generally, he can do no more than compare the market price of the commodity with the cost at which he can produce it. Many mistakes are inevitable here; but the making of them is the necessary sacrifice which must be endured to purchase the more than counterbalancing advantages of free competition.<sup>661</sup>

## Section CXII.

### Exceptions.

The rule that goods which have the same cost of production have also equal value in exchange, is applicable only to the extent that it is possible to transfer the factors of production at will from one branch of production to another. Where this really free competition does not exist, the price depends entirely on the quantity of the supply, compared with the solvability or capacity to pay of the purchaser; and hence, it may sometimes rise far above the cost of production (monopoly-price), and

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of labor, almost *ad infinitum*.

<sup>660</sup> *Hufeland*, N. Grundlegung, I, 78; *Ricardo*, Principles, ch. 31.

<sup>661</sup> *Dunoyer*, Liberté du Travail, VIII, ch. 4; *Rau*, Lehrbuch, I, § 158.

sometimes sink far below it (forced price, or under-price).<sup>662</sup> Such hindrances to competition depend, in part, upon natural causes. Thus, in the case of the works of art of a deceased artist, which cannot be increased in number;<sup>663</sup> or in that of living celebrities who cannot extend their mental activity in the same degree that their reputation has grown. So, also, in the case of precious stones, which are sometimes found free, and therefore cost nothing, but which, at the same time, have a high price.<sup>664</sup> Many valuable agricultural products are, together with their production, limited to a definite and sometimes very small

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<sup>662</sup> For a good classification of monopolies, see *Senior*, Outlines, 103 ff. *Menger*, Grundsätze, I, 195, shows that no monopolist can arbitrarily determine the extent of the market for his monopoly-product when the price is fixed, nor when the extent of the market is known, the height of the price. Moreover, the price may remain longer above than under the cost of production, for the reason that it is easier to abandon a business than to begin one, and that the fear of loss is more frequently an incentive to action than the hope of gain. Hence the price of corn, when everything else is very dear, is more apt to vary from the average price, than in times when everything is very cheap. For instance, the Munich prices from 1750 to 1800 show that its highest price was 147 per cent. above, and its lowest 47 per cent. below the average of twenty years. (*Rau*, Lehrbuch, § 162, 182.)

<sup>663</sup> Chance plays a great part here. Thus, Murillo's Conception which Marshal Soult had offered several times for 150,000 francs, but in vain, was sold in May, 1852, for 586,000 francs. Paul Potter's young bull at the Hague, which cost 625 florins in 1748, was valued before the middle of the nineteenth century at 200,000 florins. (*Dethmar*.)

<sup>664</sup> The purchaser resolves to do so because it would, in all probability, cost him more to go to India or Brazil in search of precious stones. Besides after the working of the Brazilian mines in 1728, and again after the French Revolution, the price of diamonds fell greatly; in the one case, from an increase of the

district.<sup>665</sup> It is to be regarded as a modification of such natural monopolies when substitutes for a kind of goods which diminish, at least in part, the demand for them, are found, at a cheaper price; for instance, ordinary table-wines in the stead of fine wines. The rule applies much more strictly to those goods which, on account of their greater quantity, can replace inferior ones,<sup>666</sup> than it does to those where this is not possible.

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The principal cause of forced or under-prices (*Schleuderpreise*) is the facility with which the product deteriorates, and must, therefore, find a quick sale, especially when its storage or transportation is attended by further difficulties.<sup>667</sup> But, very durable commodities are also subject to under-prices, and especially those which last longest, because the supply of them can be diminished only very slowly. Thus, for instance, houses, in a declining city. Distress-prices are found most usually in the case of such commodities as are produced

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supply, in the other from a decrease of the demand. (*Ritter*, VI, 355, 365.)

<sup>665</sup> Thus, the Champagne and Johannisberg grapes, when transplanted to the Crimea, lost most of their native taste. On China's practical monopoly of tea culture, and Ceylon's, especially in its southwestern part, of cinnamon, at least so far as the peculiar aroma is concerned, compare *Ritter*, *Erdkunde*, VI, 123 ff. The small deer of Angora no sooner leave the little district of Asia Minor to which they belong, than they are in danger of degenerating. (*Revue des deux Mondes*, May 15, 1850.) Indian birds-nests cost no more than 11 per cent. to gather, dry etc., of the market price. (*Crawford*, *East India Archipelago*, III, 432 ff.; *Hogendorp*, *Sur l'Ile de Java*, 201.)

<sup>666</sup> Poor material for fuel, poor day-laborer work—dwellings, medical attendance. (*Menger*, *Grundsätze*, I, 116.)

<sup>667</sup> Thus sea fish, oysters etc. were formerly much cheaper during the summer than during the winter, at Ostend and Scheveningen, because during winter they could be sent to a distance. At Billingsgate market, in the mackerel season, fish cost per hundred 48 to 50 shillings at 5 o'clock in the morning, 36 shillings at 10 o'clock, and 24 shillings in the afternoon. (*H. Schulze*, *Nat-Ökonomische Bilder aus England*, 1853, 241.) In the Rhine country, the price of fruit does not vary so much as in Saxony, because it is customary there to employ the surplus in the manufacture of cider, of preserves etc., thus making it transportable and durable. Frequently, after a very abundant crop

without any intention to produce them, as for instance, rags and excrementitious substances. The more the mere forces of nature preponderate in production, the less can the supply be increased or decreased at pleasure, the more frequently, as a consequence, do we find monopoly-prices and under-prices. (Compare § 131 ff.) Thus the production of wheat is invariably connected with the order of the seasons. Between seed-time and harvest, there are a number of months which neither capital nor skill can shorten to any extent. The cultivation of land, to be very much greater and more lasting, supposes so many conditions precedent, increase of live stock, buildings etc., that it can be attained only after a series of years. Hence it happens that wheat, much more than manufactured products, is subject to oppressively high prices and oppressively low ones, during a long period of time. No matter what the influence of the forces operating in the opposite direction may be, the price of wheat depends most largely on the result of the last crop.<sup>668</sup> [331]

### Section CXIII.

#### Exceptions. (Continued.)

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of grapes or olives, under-prices prevail, sometimes on account of a want of vessels, cellar-room etc.; they must, therefore, be sold rapidly.

<sup>668</sup> Compare *Adam Smith*, *Wealth of Nations*, I, ch. 7.; *Tooke*, *History of Prices*, I, 97. Furs vary very much in price, sometimes 300 per cent. in a year, because, in the case of this entirely natural product, every thing depends on the stores of them, on the temperature etc. (*McCulloch*, *Commerc. Dict.*, s.v.) On the other hand, the price of coffee usually varies only after periods of a number of years, because new plantations produce only after a lapse of years. (*Ibid.*) Pigs vary much more than cattle in price, because the former may be made ready for the slaughter house in one-third of the time required for the latter. (*Thaer*, *Rationelle Landwirtschaft*, IV, 374.)

Other impediments in the way of freedom of competition have their origin in social conditions. The rule governing prices applies only where the vendor and purchaser are equally ready to exchange. But in every case in which the producer carries on his business, not for the sake of free gain, but simply to obtain a means of livelihood, it may be subject to many important exceptions.<sup>669</sup> The richer a seller is, the longer can he wait for a favorable opportunity to sell. Thus, for instance, wheat is somewhat lower in price at times when payments are universally made than at other seasons of the year, because a great many country people are then compelled to sell. Where the country population are universally needy, it sinks after a harvest to an unusually low figure, and in spring rises again very high.

Sometimes price is affected by the agreements of the purchaser or seller, but most readily by those of middlemen between consumer and producer.<sup>670</sup> Customs peculiar to whole classes may exert the same influence, and such customs are especially powerful in the lower stages of business and industrial development. They, even at the present time, take the place,

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<sup>669</sup> Thus the rent of farms, where a numerous proletarian population will live exclusively from agriculture, depends on scarcely anything but the number of people and the extent of the land. (*J. S. Mill*, Principles, III, ch. 2.) In retail trade, where personal want comes in question, prices are much more subject to be modified by small circumstances, than in wholesale trade, where both parties are only intent on "doing business." (*J. S. Mill*, III, ch. 1, § 5. *Tooke*, II, 72 f.)

<sup>670</sup> Hucksters, butchers, dealers in corn, inn-keepers etc. A remarkable case where Parisian dealers in hare-skins attempted to ruin the new fashion in silk hats by distributing a great number of them among the rabble, at mock-prices. (*Hermann*, 1st ed., 91.) The author witnessed a similar but unsuccessful attempt in Berlin in 1838-39, by the tailors against the so-called Macintosh coat. On the conspiracy of the English dealers in second-hand goods against auctions, see *Athæneum*, Dec. 5, 1863. It is one of *McCulloch's* characteristic exaggerations, that he says that conspiracies to raise the price of a commodity by artificial means, are broken just as soon as they begin to obtain their object by the interest of the individual members to profit by the advanced prices. (Edition of *Adam Smith*, Edinb., 1863, p. 59.)

frequently, of freedom of competition in retail business, in the book business, and in the determination of lawyers' and doctors' fees, as well as in the distribution of a nation's income among the three great branches of its general economy,<sup>671</sup> deciding, instead of competition, how much shall go to each. Wherever there are guilds, communities, castes etc. with legal privileges; wherever there are difficulties placed in the way of exportation and importation; wherever preëmption rights or monopolies,<sup>672</sup> in the strict sense of the word, exist, the leveling ebb and flow of the elements of production may be still more seriously interfered with. Legislation<sup>673</sup> of this sort injures the non-privileged portion of the population more than it helps the privileged portion. (See § 97.)<sup>674</sup>

The word *usury*, so arbitrarily used in every-day language, should be admitted in science only to designate a famine-price, fraudulently and intentionally caused or intensified.

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## Section CXIV.

## Prices Fixed By Government.

No power can, of course, fix the price of a commodity in the long run, which cannot at the same time fix the relation of supply and demand. Hence, set prices fixed by governmental

<sup>671</sup> *J. S. Mill*, Principles, II, ch. 4.

<sup>672</sup> Monopolies universally prohibited: L. un. C. De Monopol. (IV, 59.) Police-order of the Empire, 1548, tit. 18.

<sup>673</sup> Privileges which the purchaser voluntarily accords to the seller are wont to be useful to both parties. (*Hermann*, loc. cit. 155, 158.)

<sup>674</sup> Besides, guilds, castes, corporations etc. may, when the vent diminishes, produce under-prices as readily as they may monopoly-prices when the vent is very good. (See *Adam Smith*, Wealth of Nations, I, ch. 7.)

authority can be made to play a part in practice only in so far as they do not establish a price in opposition to the real state of things, only to the extent that they give undoubted expression to it in a manner in harmony with natural conditions. With this restriction, set or fixed prices may, in the absence of real competition, which can always best determine prices, be useful to both parties; otherwise one party would at one time, and the other at another, profit by an unjust advantage; but it would not be long before both would suffer from the perturbation caused thereby in all commercial transactions. How pleasant it is for a traveler in Switzerland, or even in Italy, to find set prices established there.<sup>675</sup> Especially where competition is prevented by state privileges, the establishment of set prices by the state for the protection of the public may be necessary.<sup>676</sup> It is more difficult to fix a set price for a commodity in proportion to its complexity and to its variableness in quality; and where there are different

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was made to ascertain the cost of the production of shoes by shoemakers, see *Joh. Falke*, *Gesch. des Kurf. August in volkswirtschaft. Beziehung*, 1868, 252. There was an enormous extension of governmental fixing of prices under Philip II.; one of the principal causes why Castile was so far behind Aragon economically. (*Townsend*, *Journey through Spain*, II, 221.) Sometimes these measures were adopted to prevent distress-prices; as in Hochheim, in favor of the vintners. (*Becher*, *Polit. Discurs*, II, 1652.) The predilection especially of German authorities for the fixing of prices by governmental power, in the sixteenth and seventeenth centuries is very remarkable. Thus *Luther*, *vom Kaufhandel und Wucher*, 1524; *Calvin*, *Leben Calvins*, by *Henry*, II, Beilage, 3, 23; *Bornitz*, *De Rerum Sufficiencia*, 1625, 246; *Seckendorff*, *Teutscher Fürstenstaat*, 5th ed., 1776, 210; *Becher*, II, 1823 ff.; *Horneck*, *Oesterrich über Alles*, wenn es will, 1684, 123; *Leibniz ed. Dutens*, VI, I, 250; *Thomasius*, *Göttl. Rechtsgelahrtheit*, 1709, 209; even *Frederick the Great*, *Mylius*, N. Corp. Const. March, I, 190. Similarly, *Mariana*, *De Rege et Regis Institutione*, III, c. 9. Compare, however, III, c. 8, and *Bacon*, *Serm.*, 15; *Historia Henrici*, 1037, 1040. On the other hand, *Child*, 1690, and *North*, 1691, reprove all such measures. *Roscher*, *Zur Geschichte der englischen Volkswirtschaftslehre*, 65, 90 f. Earlier yet, *Salmasius*, who would allow the free *fori ratio* to govern. (*De Usuris*, 1638, 583.) For a very rigorous price-tariff in the old Indian laws, by which, *inter alia*, the price of provisions was to be fixed anew every fourteen



grades of quality of the same commodity, and the transition from one grade to another is almost imperceptible, such price is easily

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days, see *Menu*, Laws, VIII, ch. 401 ff.

<sup>675</sup> Thus, for instance, the traveler who wanted to cross a stream, would find himself delivered over to the tender mercies of the ferry-man, without protection of any kind against his demands. But repeated impositions in the matter of prices would have for effect to bring a point into disrepute as a place of crossing, and would induce the public to seek another. Similarly in the case of hackney-coachmen and carriers in large cities, and in that of innkeepers, at hotels and postal termini etc.

<sup>676</sup> Fixed prices by governmental authority were soonest attempted after bad harvests, but, indeed, with a strange ignorance of the natural grounds of the increase in price of bread-stuffs. Thus in the time of Charlemagne. (*Capitul.* a, 805; *Baluz*, I, 423.) Similarly in the case of other articles of universal necessity, when oppressively but necessarily dear. (See § 175.) During the last centuries of the middle ages, with their multitude of actual monopolies, and at the beginning of the modern era, fixed prices became more and more general. The earliest instance in the history of England of a fixed price for bread was in 1202 (*v. Raumer*, Hohenstaufen, V, 372), and in 1266, 51 Henry III. The earliest in Prussia was in 1393. (*Voigt*, Geschichte von Preussen, II, 659.) Many instances of fixed prices in the Rhine provinces of Austria in 1530. In *Mylius*, Corp. Const. March, V, 2, 587 ff., we find an ordinance of 1653 fixing prices in Berlin, and including 72 industries. There is a very complicated system of fixed

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evaded.<sup>677</sup> In the case of every enterprise carried on by many in common, where no competition is possible, it is necessary to supply the defect by means similar to the establishment of fixed prices; as in the case of government, by fees for governmental services, and the coöperation of a chamber of deputies in the imposition of taxes and the determination of official salaries etc.<sup>678</sup>

### Section CXV.

## Influence Of Growing Civilization On Prices.

On the whole, prices become more and more regular as national-economic civilization advances. Progress in civilization tends to bring the parties engaged in the struggle for prices that is buyers and sellers, nearer to one another, in so far as it uniformly decreases the cost of production, and increases the purchaser's

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prices in the police ordinance of the electorate of Saxony of 1612, and in the decree concerning the coin of 1822. As to how, in Saxony in 1578, an attempt<sup>677</sup> Where trade is free, the *filet de boeuf*, for instance, is worth four times as much as the flesh of the ox's neck or throat; but prices fixed by a government can scarcely take cognizance of the difference. How easily might not a fixed price for beer, for instance, be evaded by diluting that beverage with water, or fixed prices for inn-keepers by dealing out portions smaller in quantity or of an inferior quality. Moreover, as early a writer as *De la Court*, Polit. Discoursen, 1662, c. 4, remarks that the establishment of fixed prices by governmental authority raises the average price of all commodities rather than lowers it, for the reason that the few who are sellers by trade can do more to influence the authorities than the many buyers, whose interests are divided among numberless different commodities.

<sup>678</sup> *Schäffle*, Nat.-Ökonomie, II, 384 f.

ability to pay.<sup>679</sup> (See § 101.) The more universal division of labor makes commercial intercourse more necessary to every one, at the same time that it makes it more of a habit to him; and hence exchange ceases more and more to be a matter of caprice or chance. The better means of transportation and communication render it easier, in every way, for supply and demand to meet. With the advance of general enlightenment and education, an acquaintance with commodities also becomes more general, and every purchaser is on a better way to be able to estimate the cost of production which the seller has to bear. Hence, fraudulent prices and prices founded in error become less frequent; and all this is helped forward by the greater accuracy of weights and measures. The increase of population makes competition more active in all branches of trade, while at the same time, with the greater freedom of circulation, a number of causes which previously operated to produce very high prices in one place and very low ones in another are removed.<sup>680</sup> But especially, the growth of a distinct class of merchants leads to a uniformity in price. This class are incited by their own interest to purchase at low prices and sell at high prices. Thus, their competition in the [336]

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<sup>679</sup> *Banfield*, *Organization of Industry*, 120. "Where the economic life of a people is still undeveloped, and the production of one enterprise is not from the first based on the estimated consumption of another, the circulation of goods brings with it great profits and great losses; whereas, profits and losses grow smaller, but at the same time more uniform and regular, in proportion as the circulation of goods increases in rapidity and regularity." (*Stein*, *Lehrbuch*, 212.)

<sup>680</sup> In Belgium, during the last forty years, the price of wheat has become more constant every year, while the price of rye has become more variable; for the reason that rye has gradually ceased to be an article of popular consumption, and therefore to be an important article in trade, and is consumed almost entirely and directly by its producers. (*Horn*, *Statist. Gemälde von B.*, 1853, 185.) *Rodbertus* rightly conjectures that the price of wheat was much more variable in ancient times than it is with us. (*Hildebrand's Jahrb.*, 1870, I, 36.) That it was so may be inferred from the surprisingly large family supplies which were laid in, as appears from *Digest*, XXXIII, *De Penu legato*.

former case raises prices, and lowers them in the latter.<sup>681</sup> In all lower stages of civilization, the custom of making offers and beating down in price plays a great part, while where culture is higher, the system of fixed prices (but not by government) gains ground continually. Here Turgot's principle is applicable, viz.: that the current price of an article is tacitly understood when one asks a merchant the price of his wares.<sup>682</sup>

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This proposition is true in the case of individuals, as well as of

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in the sixteenth century: *mercantur fallacissime et dolosissime nec paucis verbis ... mercatores nonnunquam non uno tantum aut altera mense suspensos detinent, verum ad extremam desperationem perducere solent.* Hence the great variations in prices and commodities. (Rerum Moscov. Commentt., ed. Starzewski, 39 f.) Similarly also, in 1674, according to *Kilburger*: *Büsching's Magazin*, III, 249. But, on the contrary, it is said of the Plescovs, educated by intercourse with the Hanse; *tanta integritas ... in contractibus, ut uno tantum verbo res ipsas indicarent omni verborum in fraudem emptoris omissa.* (*Herberstein*, 52.) In the England of the present day, the custom of marking each piece of goods with its price is very general. Concerning the rapidity and the paucity of words with which prices are settled in that country, where business men do not even salute their customers, nor customers the business man, see *C. G. Simon*, *Observations recueillies en Angleterre*, 1835, I, 129 f. The Athenian laws (?), that fixed prices should be asked, and that sellers should not sit down that that they might sell more rapidly, points to something similar. (*Athen.*, VI, 226 f. *Plato*, *De Legg.*, XI, 916 f.) Athenian law prohibiting mendacity in the markets. (See *Demosth.*, *Lept.*, 459.)

<sup>681</sup> In Würtemberg even officials etc. buy their own wine almost always directly from the vintner. This causes prices there to be exceedingly variable, frequently from hour to hour. (v. *Reden*, *Statist. Zeitschrift*, Nov. 1847, 1008.) How greatly the mere presence of a regular market has contributed to make prices

classes and of whole nations.<sup>683</sup> It is plain, that under a system of fixed prices we can more certainly discover what the equitable price is, than in the heat of higgling which besides consumes a great deal of precious time. Lastly, one of the principal requisites of a well developed scale of prices is national honor, and this, doubtless, increases in the higher stages of civilization, not only because of the greater moral culture which then prevails, but also and especially because that which constitutes a people's real and

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Quakers it has been a rule from the beginning, never to ask more for their wares than they were determined to accept. (*Hume*, History of England, ch. 62.)

more constant, may be seen in the suburbs of Hamburg, where fish offered for sale on the street are sold in the evening for one-third of the price asked for them in the morning. Besides, purchases made with a view to speculation may increase the variations of price, if the speculation is unskillfully conducted, especially when a low rate of interest, and of the profit of the person engaged in it, has produced a blind race among the speculators. Here the price of a commodity rises, not from any natural cause, but because it once rose before, and *vice versa*. (*Senior*, Outlines, 17 ff.; *Hermann*, 90 ff.)

<sup>682</sup> That fixed prices suppose that men are engaged in the production of the commodity in question, as their calling in life, see *Garve*, Zu Cicero's Pflichten, III, 64 ff. Chess-like commerce of colporteurs, and in caravans etc. Concerning the dreadful higgling of the Bedouins, see *Wellsted*, Reise in Arabien, *Rödiger's* translation, I, 147; and the still worse bantering in Cashmere, where the merchant, in the first place, always denies that he possesses the desired commodity, then begins to search for it, in order to discover what value the purchaser puts upon it etc. (*K. Ritter*, Erdkunde, III, 475.) On the practices in Indian fairs, see *Th. Skinner*, Excursion in India, 1832, I, ch. 6; on the bazaars in Asia, *Andree*, Globus XII, 7, 211. *Herberstein* says of the Russians

<sup>683</sup> Thus the German book-trade has fixed prices. Many merchants never make

best interests is better understood.<sup>684</sup> Among declining nations, many of these developments take a retrogressive road. The very great distinction between rich and poor, between educated and uneducated, again produces great fluctuations in price. A proletarian people who have sunk so low as to live on potatoes will suffer much more from variations in price and of the means of subsistence than a people who live on wheat; for the reason that

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an offer to their educated customers who are wont to do so with peasants etc.; because they are aware that the latter purchase only after they have compelled the seller to come down greatly from his first proposed price. Among the  
<sup>684</sup> *Sir William Temple*, Observations upon the Netherlands, Works I, 134, compares honor in trade to discipline in an army. Similarly, *Law, Trade and Money*, 209 f. *Ferguson*, History of Civil Society, III, 4. Where the seller is not obliged to make known the existence of certain defects in his wares to the purchaser before sale, there is always scope for fraud. Compare Digest De Edict. aedilit., XXI, I. On the meaning of the German legal maxims: *Hand muss Hand wahren*, and *Ein Wort, ein Mann*, see *Eisenhart*, Deutsches Recht in Sprüchwörtern, 311 f., 319 f. It is a principle in matters of business, that the person who through malice or carelessness recommends a man of whose probity there is already some doubt, should bear the damage caused by his recommendation. (*Martens*, Grundriss des Handelsrechtes, 24 ff.) Many attempts at dishonesty are prevented by laws which in important contracts, especially in sales of land etc., require the presence of witnesses, and this particularly in the lower stages of civilization. (*Meier* and *Schömann*, Attischer Process, 522; Roman, Emancipatio; *Grimm*, Deutsche Rechtsalterthümer, 608 f.), or even a public proclamation before the assembled community, at least written documents invested with all legal formalities as practiced among civilized peoples. On Greek laws of this nature, see especially, *Theophrast.*, in

it is so difficult to export or to preserve<sup>685</sup> potatoes. Nor can it be doubted, that the greatest possible constancy of prices is the most beneficial condition that the general economy of a people can be in. Where prices change while the cost of production remains the same, one person can only gain what the other has lost. But such unmerited gains and undeserved losses have an invariable tendency to destroy the deepest roots of a people's economic activity; and intentional speculation based upon such change usually assumes an immoral character. (Stock-jobbing.)<sup>686</sup> Even if Macleod be right, that an increase or decrease in prices is to be regarded as a warning of excess, the former of excess of consumption, the latter of production, no one will doubt that it is the interest of every organism to confine pain within the smallest possible limits, even if its consequences are so beneficial to the preservation of the whole body.

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*Stobaeus*, Sermon., XLIV, 22. Very remarkable in Sparta. *Schol. Aristophan.*, Aves, 1284.

<sup>685</sup> Compare *Lotz*, Revision, I, 255 ff. In England the price of wheat scarcely ever varied more than from 1 to 2. In Ireland the price of potatoes varied from 1 to 6. (*McCulloch*, Comm. Dict., v. Potatoes.) Compare *Engel*, Jahrbuch für Sachsen, I, 491 ff. The custom of asking enormous prices with the expectation of being beaten down, is usual in Italy and carried to a frightful extent, and related to the bad custom prevalent there of begging a little after-payment to every little gratuity or drink-money which has been received.

<sup>686</sup> *Storch*, Handbuch, I, 311. *J. B. Say*, Traité I, ch. 16. As to how commerce, when fully developed, is wont to be more moral than when only half developed, see *Garve*, loc. cit., and *Versuche* IV, 149 ff. How fortunate for the public economy of nations that the prices of corn especially have been growing more steady all the time since the middle ages. See *Roscher*, Ueber Kornhandel, 56, 61.

## Chapter III.

### Money In General.

#### Section CXVI.

#### Instrument Of Exchange. Measure Of Value. Barter.

Wherever the division of labor is very highly developed, the continuance of barter, or the direct exchange of one object of consumption for another, presents difficulties well nigh insurmountable. How difficult it would be always to find the person who could supply us with precisely what we wanted, and at the same time have need of what we had a surplus of.<sup>687</sup> But how much less frequently would it happen that one's want and another's surplus would correspond exactly the one to the other in quantity; that, for instance, the manufacturer of

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<sup>687</sup> Trade by barter was very general in several states of the American Union about the close of the eighteenth century. In Vermont, for instance, it was usual for a doctor to exchange his medicines against a horse, and for the printer to buy corn, butter etc. with a newspaper. (*Ebeling*, *Geschichte und Erdbeschreibung*, II, 537.) In Maryland, the Assembly fixed by law the relative proportions at which tobacco, pork, corn and wheat should be exchanged the one against the other. (*Ebeling*, V, 435 ff. *Douglas*, *Summary of the British Settlements in N. America*, 1670, V, 2, 359.) Even as late as 1815, children were wont to run the streets of Corrientes, crying: "Salt for candles, tobacco for bread etc." It was commerce with England that first led to trade by money in the United States. (*Robertson*, *Letters on South America*, 1843, I, 52.) Similarly in Rhokand until the end of the eighteenth century, where the cities, as a consequence, presented the appearance of a fair the whole year round. In the beginning of this century, the khan introduced the use of copper money made from Persian cannons; and much later yet, there were scarcely a million rubles in money to a million men.



nails, desirous of exchanging his nails for a cow, should meet a cattle-dealer who should want exactly as many nails as a cow is worth! Here there is one chief difficulty in the way, viz.: that there are so many commodities which cannot be divided without causing a diminution or even a destruction of their value; and that others cannot be stored away in any quantity without becoming a very heavy burthen to their owner. How useful it would therefore be, if there was one commodity which should be acceptable to every person, at all times, especially if in addition to this, it possessed the qualities of durability, capacity for transportation and for being stored up and preserved. Any person who possessed a proper supply of this one commodity would then be certain of being able to obtain all other exchangeable commodities through its instrumentality; and every seller would be satisfied to exchange what he had to dispose of against this “universal commodity.” If two values are equal to a third, they are equal to each other. It is, therefore, a simple matter to use this most current of all commodities, with which all others are most frequently compared, as a measure of the relative values of all other exchangeable commodities. There is need of such a measure, and it is analogous to the want experienced by the mathematician who has a column of fractions to sum up, and who does it by first reducing them all to a common denominator. (*Storch.*)<sup>688</sup> A person entrusted with the duty of assessing the [342]

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(*Ritter*, *Erdkunde*, VII, 753.) *Basil Hall* found the uncivilized inhabitants of the Loo-Choo Islands ignorant of the use of money. (*Voyage of Discovery*, 1818.) Concerning trade by barter in the Homeric age, see the *Iliad*, VII, 472 ff. A supposed law of *Lycurgus* prohibited the use of money in purchases, and allowed barter only. (*Justin.*, III, 2.) According to *Pausan.*, III, 12, only barter existed in India (?) in his time.

<sup>688</sup> The person who has been used to paying for four pounds of meat with twenty pounds of bread, and is asked to give twenty pounds of bread in exchange for some other article, must of course have some unit of measure in his mind to serve as a means of comparison between the value of that article and that of four pounds of meat. In Denmark, during the rule of the aristocracy, there were fixed prices sanctioned by the tradition of long usage, in accordance

values of two hundred different articles would be obliged, if he had no such measure to use, to burthen his memory with at least 19,900<sup>689</sup> different ratios. With it, he need carry only 199 in his head.

Such a commodity, universally in favor, and which, on that account, is employed as an intermediary in the effecting of exchanges of the most varied nature, in the measuring of all exchange-values and as a value-carrier (*Werthträger*) in time<sup>690691</sup> and space, we call money. (*Merce universale: Berri;*

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with which the prices of all commodities were estimated in relation to a ton of barley or rye—a natural consequence, apparently, of the want of a common measure to govern in the greater number of transactions. *Bergsoe*, Archiv der Polit. Æk., IV, 314; *Graugan's* Icelandic Code contains a remarkable fixed price of this nature in the supplement to the *Kaup-Balkr* or Commercial Code, I, p. 500. Similarly among the ancient Persians. *Reynier*, Economie publique des Perses, 308.

<sup>689</sup> That is,  $(200 \times (200 - 1)) / 2$ . Compare *Rau* in *Storch*, Handbuch, III, 253. The “at least” has reference to the fact, that in barter, the many different kinds of most commodities has to be borne in mind. (*Knies*, Geld und Credit, I, 218.)

<sup>690</sup> This transportation of values supposes an equality of values of the money in two places, while the transportation of goods supposes different values of the same kind of goods in both places. (*Knies*, Geld und Credit, I, 218.)

<sup>691</sup> While the words *pecunia*, *danaro*, *dinero*, and *argent*, are all derived from unessential qualities, the German word for money, *Geld*, corresponds with the essential quality of money, since it denotes that which is of value everywhere (*gilt*). On the other hand, *nummus* and νόμισμα from νόμος, (*Bæckh*. Metrolog. Unters., 310.), *moneta* (the English, money), are from the temple of Juno Moneta, in which the Roman coins were for a long time stamped. In old German, the word for money, *Geld*, means everything that is paid by any one. (*Grimm*, D. Rechtsalterth., 382.) The present meaning of the word is to be met

*produit préféré: Ganilh; marchandise intermédiaire; Bastiat.*)<sup>692</sup> [343]

The more enlightened portions of every business community gradually come to require payment in the commodity which has for the time being the greatest circulating capacity. If to this be added the sanction of the government, and if the government itself recognizes this same “universal commodity” as the means of payment of all debts, or as “legal tender” (*puissance libératoire*), where no other is expressly agreed upon, the “universal commodity” in question then becomes money in [344] [345] [346]

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but says that as soon as the services of circulation of the money-commodity prevailed over its services in consumption, it lost all its importance for the latter purpose, and that all relations dependent thereon ceased. At present, he claims money is only the representative of commodities, but no commodity itself. See, on the other hand, *Roscher's* critical analysis in the *Literarisches Centralblatt*, 1855, December.

The true doctrine was advocated in a classic form by *Nicolaus Oresmius* (ob. 1382). See his *Tractatus de Origine et Jure nec non et Mutationibus Monetarum*, newly edited by *Wolowski*: Paris, 1864. See *Roscher's* essay in the *Comptes rendus* of the *Académie des Sciences morales et politiques*, vol. 62, 435 ff. Based on the latter we have *Gabr. Biel* (ob. 1495), *De Monetarum Potestate simul et Utilitate*, 1542, and *G. Agricola*, *De Re metallica*, 1556, I, 4 ff. This true doctrine was acclimated earliest in England and Holland, and before the mercantile system invaded them. Compare *Hobbes*, *Leviathan*, 24, in which the *concoctio bonorum* is described by means of money, and the full and clear chapter 12 of *Salmasius*, *De Usuris* (1638), who, among other things, shows how Midas, who turned everything into bread, died of thirst. *Petty* shows very clearly that national wealth does not consist exclusively nor mainly in money. Every country, he says, needs a certain quantity of money to carry on trade. It would be a waste to increase the former, the latter remaining the same. But the precious metals, by reason of their durability and universally

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recognized value, possess the character of wealth in a higher degree than other commodities.

On the whole, the use of money in a nation is like the use of fat in the individual. (*Quantulumcunque* concerning Money, 1682.) Compare *Roscher*, z. Geschichte der eng. Volkswirtschaftslehre, 80 f. *Davanzati* and *Hobbes* had compared it to the blood, as has recently *Schmitthenner*, Staatswissenschaften, 1839, I, 459. *North* calls money a commodity of which there may be an excess as well as a want. (*Discourse on Trade*, preface and postscript.) Compare *Locke*, *Considerations on the Lowering of Interest*, 1691, Works II, 13 ff., 19. *Galiani*, 1750, *Della Moneta*, IV, holds a very happy middle place between the alchemists and the philosophic contemners of gold. See, further, *Quesnay*, *éd. Daire*, 64, 75 ff. *Turgot*, *Sur la Formation des Richesses*, § 30 ff, had many clear views on this subject. *Verri*, *Meditazioni*, 1771, II, 1, calls money the universally current commodity. The expressions, measure of value, pledge, representative of all commodities might be true also of all other wares. It cannot, however, be denied that most modern political economists have not borne sufficiently in mind the peculiarities which distinguish money from all other commodities, as is apparent from the doctrine of the balance of trade prevalent in Hume's and Adam Smith's time. To this extent, therefore, the semi-mercantilistic reaction instituted by *Ganilh*, *Théorie de l'Economie politique*, 2822, II, 380 ff., 426; *St. Chamans*, *N. Essai sur la Richesse des Nations*, 1824,

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ch. 3; and *Colton*, *Public Economy for the United States*, 1849, 203 ff., who bring into relief the difference between “money as the subject” and “money as the instrument of trade,” was not wholly unfounded. *Ad. Müller* exaggerates a correct thought, and causes it to degenerate into a species of mystic pleasantries, when he calls every individual in the state and every commodity that possesses value, in exchange or a social character, money.

The highest object of the state is to develop this money-character more and more. (*Elemente der Staatskunst*, II, 194, 199.) The statesman, he says, should be money. (III, 206.) A very valuable monograph on this subject is *M. Chevalier's De la Monnaie*, 1850, constituting the third volume of his *Cours d'Economie politique*. *Knies*, *Geld und Credit*, I, 1873, is here most thorough and acute, especially in keeping separate, by well defined lines of demarcation, the five different functions of money: measure of value (by proper division into parts: price-measure), instrument of exchange, means of transportation of values, and means of storing up and preserving values. with in a very old document of 1327. (*Arnold*, *z. Geschichte des Eigenthums in den deutschen Städten*, 89.)

<sup>692</sup> The wrong definitions of money may be divided into two classes: those which convey the idea that it is more than a commodity, and those which imply that it is less.

This was a point which was contested even among the Greeks. There were

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many who claimed that wealth consisted exclusively in the possession of much money; as we find, for instance, in the pseudo-Platonic dialogue *Eryxias*; while others insisted that money was something purely imaginary (λίρος), and the creation, exclusively, of human laws. (*Aristot.*, *Polit.*, I, 3, 16, Schn.) Νόμισμα σύμβολον τῆς ἀλλαγῆς ἔνεκα. (*Plato*, *De Rep.*, II, 371.) *Anacharsis* compares money to counters. (*Plutarch*, *De Profectu in Virtute*.) *Aristotle*, himself, subscribed to the second opinion, although he saw clearly, that only useful and current things (χρεῖαν εὐμεταχείριστον πρὸς τὸ ζῆν) could be used as money. (*Polit.*, I, 3, 14 ff. *Eth. Nicom.*, V, 5, 6, *Rhet.*, II, 16.) *Xenophon* ascribed properties to money which no other commodity possessed; especially when he said that it could never be too plentiful, and that its price could never fall. (*De Vect. Ath.*, 4.) The finest ancient explanation of the nature of money is that of the juriconsult *Paullus*, L. I; *Digest*, XVIII, 1; and it well deserves the long commentary devoted to it by *P. Neri*, *Osservazioni* etc., in *Custodi*, P.A., VI, 324, ff.

Among the moderns, *Melancthon.*, *Corp. Ref.*, XVI, 498, and *Seb. Frank*, *Chronik.*, 760, consider money as a mere symbol. On the other hand, the over-estimation in which the precious metals were held by the adherents of the Mercantile System was owing, without doubt, to their very superior utility as money; for we very frequently find that the adherents of that school insist that the precious metals must circulate. (See § 9 and § 210.) v. *Schröder*,

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Fürstl. Schatz- und Rentkammer, III f., considers new copper coins as an increase of the national wealth, but not other copper which is merely a commercial commodity. He frequently calls money, the *pendulum commercii*, and expresses ideas concerning it as enthusiastic as they are obscure (p. 86.) *Horneck*, in his *Oesterreich über Alles wenn es will*, 1864, calls gold and silver “our best blood, the very marrow of our strength,” and “the two most indispensable universal instruments of human activity and existence.” (p. 188.) *Th. Mun*, *England's Treasure by forraign Trade*, 1664, (ch. 2) considers cash-money and resources as synonymous in every way. Only, he says (ch. 4) that it is sometimes advisable to allow one's money to remain in foreign countries, and to use bills of exchange, banks etc., at home, as a substitute. *F. Gee*, *Trade and Commerce of Gr. Britain*, edition of 1738, laments the “stiff-necked folly of those who think money a commodity like any other.” It is one of the most common demands of the adherents of the Mercantile System that the home mines of gold and silver should be worked at no matter what sacrifice, since the money employed in working them continues to remain in the country and the newly coined precious metal is clear gain. Compare *Schröder*, loc. cit. 109 ff., 181. *Horneck*, loc. cit. 173. *Broggia*, *Della Monete*, 1743, cap. 33; v. *Fusti*, *Staatswirthschaft*, 1755, I, 246: *Forbonnais*, *Finances de France*, 1758, I, 148. *Ulloa*, *Noticias Americanas*, 1772, ch. 12. We seldom meet with the correct view on this subject in the seventeenth century. *Sully*, of

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whom Henry IV. said that he never found anything to be possessed of beauty which cost double its real value, had it at times. (*Economies royales*, LXXIII.) So had v. *Seckendorff*, *Teutscher Fürstenstaat*, 1655, 5th edition.

It is in accordance with the usual course of human development that the exaggerations of the Mercantile System led to a reaction characterized by an exaggeration in the opposite direction. Even *Davanzati*, *Sulle Monete*, 1588, traces the value of money back to human convention and refuses to find it in nature. A natural calf, he thinks, is *più nobile* than a golden one; although he elsewhere expresses his admiration of the precious metals, calls them *cagioni seconde della vita beata*, and lauds them because they procure us *tutt'essi beni* (20, 21, *Cust.*) *Montanari* (ob., 1687) demonstrates from the use of leather money etc., that the authority of the state is the only power which gives money its character as money. (*Della Moneta*, 35.) *Davenant* (ob., 1714) carries his inclination to call money “the servant of trade, measure of trade,” so far as to compare it to a ticket or counter. (*Works*, I, 355, 444.) Strongly as *Law*, himself, opposes the convention theory (*Trade and Money*, ch. I; *Sur l' Usage des Monnaies*, 1720, p. 1.), his disciple *Dutot*, in his *Réflexions polit. sur le Commerce et les Finances*, 1738, 905, éd. Daire, contrasts not only paper money but also gold and silver as representative wealth, with real wealth. *Berkeley*, *Querist*, 1735, teaches that the real notion of money is not that of a “commodity, standard, measure, pledge, but [No. 23] ticket or counter, entitling



the fullest sense of the idea conveyed by the word.<sup>693</sup>

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## Section CXVII.

### Effect Of The Introduction Of Money.

By the introduction of money, most exchanges are divided into  

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to discharge their liabilities thereby etc., etc. (Tübinger, Zetschrift, 1858, 272.)

In all these cases, barter-economy (*Naturalwirthschaft*) meets with greater and greater difficulties as civilization advances. How, for instance, could 50 days annually of socage-service or labor be redeemed by the achievement at one time of 1,000 days of socage-service or labor? The rich man requires money principally as a means of payment, the poor man as a medium of exchange. The requirement or need of a people of media of payment is much more susceptible of extension or contraction, than that of media of exchange, made especially so by the intervention of claim-rights instead of money. (*Knies*, loc. cit, 200 ff.) *Ravit*, Beitr. z. Lehre vom Gelde, emphasizes this feature of money altogether too much after the manner of a jurist. But he is entirely right in adopting the exclusion of the *rei vindicatio* against the honest possessor as necessary to the completion of the idea of money.

to power and fitted to record and transfer such power.” (441, 475.) Even if the names, *livre*, shilling etc., remain, and the metal is dropped, every article may still as well as before be counted and sold, industry promoted and the course of commerce preserved. (p. 440.) According to *Montesquieu*, *Esprit des Lois*, XXI, 22, gold and silver are a *richesse de fiction ou de signe*. Compare *Lettres persanes*, II, 18. *Benjamin Franklin* also maintains that the value of gold, for instance, is principally a credit-value. Remarks relative to the American Paper-

two halves: purchase and sale.<sup>694</sup> We may also say with Schlözer, that by its means, exchange, for the first time, becomes a sale, and obscure value in exchange, clear and definite price. (*Permatio vicina emtionis*). Were there no money, the party to an exchange, occupying the most advantageous economic position, would possess a much greater superiority over the other than he does now. Many a bread-buyer, especially, would be half starved before he could agree with the seller on the quantity of bread to be received in exchange for the commodity he had to dispose of. The producer of the means of subsistence would here possess an extreme advantage, since the urgent necessity of the exchange for the one party, and the power of the other to postpone it, would make the determination of the price an entirely arbitrary matter.<sup>695</sup> Hence, the development of money as the instrument of trade, keeps pace with the development of individual liberty. Payment of wages in money makes the workman more responsible for his husbandry etc., but at the

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Money, 1765, Works, II, Sparks' edition. *Forbonnais*, Finances de France, I, 86 f., calls money, simply a means to put commodities, which alone have value originally, in circulation. Hence it is, in itself, a matter of indifference whether, for a given quantity of coin, a person gives one thaler, or ten. In the *Elements de Commerce*, I, 11, II, 67 ff., he draws a distinction between *richesses naturelles* (raw material), *artificielles* (manufactured products), and *richesses de convention* (money.) *von Schlözer*, *Aufangsgründe*, 1805, 100, 138, calls money something imagined; and *Th. Smith*, *Essay on the Theory of Money and Exchange*, 1807, asserts, that true money is only an ideal measure of value, of which coins in turn are only the representatives. Compare, however, *Edinb. Review*, Oct., 1808. *Oppenheim*, *Die Natur des Geldes*, 1855, grants that in the beginnings of trade, money possessed the character of a commodity; <sup>693</sup> *Knies* shows how the making of money legal tender by the state, although of only secondary importance, is by no means an irrelevant matter, since persons must then have it, even if they do not want it for purposes of use or exchange, <sup>694</sup> *Sismondi*, N.P., I, 131, very rightly remarks that this has made practice as much easier as it has theory more difficult.

<sup>695</sup> *Law, Trade and Money*, 19. Hence, before the invention of money, scarcely anything but the things most indispensable to existence were produced. Were there no money, there would be very few scholars, artists etc.; for the classes who produce most of the things indispensable to existence make but few

same time, freer, than payment in produce. Now, also, a higher division of labor becomes possible; for the easier it is to obtain everything else for money, the easier it is for each person to devote himself exclusively to one branch of business.<sup>696</sup> Without money, too, only ready commodities could be exchanged one against another. Only when money has become the instrument of trade, is it possible to separate the net from the gross returns, and, therefore, to manage income properly. (*Schäffle*). Now, also, it becomes for the first time really remunerative to produce more than one needs for his own use, and to save. Without money, the owner of any one kind of capital, who could not employ it himself, would be obliged, if he desired to loan it, to find not only a person who was in need of capital, but one who needed the very kind of capital he had. For instance, the person who had one horse too many, would be obliged to look for another who was in need of one etc. And how difficult a task it would be to determine the amount of interest, if it had to be paid in produce or kind, and even to make a return in produce or kind of capital which had been presumably used. (*Storch*). Moveable property or resources can attain importance only after the introduction of good money, since, previous to such introduction, it was by reason of its great variety,<sup>697</sup> and of its perishable nature, immensely inferior to landed property. Hence it is, that money, in a nation's economy, is what the blood is in the life of the animal. It is, so to speak, the common reservoir in which all food is first dissolved, and by which, at a later stage, the elements of nutrition and preservation are distributed to the several organs.<sup>698</sup> There is,

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demands for them. *Büsch*, Geldumlauf, I, 11 ff., 36, II, 54.

<sup>696</sup> *Turgot*, Formation et Distribution, § 48 ff. Commodities which perish rapidly could be produced by persons devoting themselves to their production as a business only after the invention of small coin. (*Lueder*, N. Œk., 1820, 283.)

<sup>697</sup> Compare *Knies*, Geld und Credit, I, 219.

<sup>698</sup> Compare *Schmitthenner*, loc. cit., I, 457. One of the principal advantages of money consists in this, that every producer can discover what there is an

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indeed, no machine which has saved as much labor as money. (*Lauderdale*). It is true that the shadows which wealth is wont to cast, extravagance, avarice and inequality of every kind, may readily grow longer and darker in consequence of the introduction of money.<sup>699</sup> But may not the knife which, in the hands of the surgeon, does so much for life, become an instrument of danger in the hands of a child? The invention of money has been rightly

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over-supply or under-supply of in the nation, by means of the relation of the price in money of his products to the cost of producing them, estimated in money, (v. *Thünen*, *Isolirte Staat*, II, 2, 235.)

<sup>699</sup> Hence it is that so many socialists attack money. *Th. More* assures us that with the simple abolition of money, vice and misery would, for the most part, disappear of themselves. Hence in his *Utopia*, criminals are bound in golden chains and the chamber-pots are made of gold and silver in order to make these metals contemptible. (Ed. 1555, ff., 197 ff.) Similar views among the over-cultured Romans. (Compare §§ 79, 204.) *Auri sacra fames*. *Virgil*, *Æneid*, III, 56. *Pliny*, too, would recall the days of trade by barter. (H. N., XXXIII, 3.) Even in *Boisguillebert*, *Factum de la France*, ch. 4, we find, together with many correct views on the nature of money, passionate declamation against it because of its darker side. *Argent criminel*. (*Détail de la France*, 7. *Dissertation sur la Nature des Richesses* etc.) More recently this darker side has been dwelt upon by *F. Möser*, *Patriot. Phant.*, I, 28; *Ortes*, *Economia nazionale*, II, 17, and the would-be restorer of the middle ages, *Ad. Müller*. While the latter writer lauds the feudal system as a “sublime fusion of person and thing” (*Elemente* I, 221), the present system of wages, because it is a system of compensation, he blames, and prefers the feudal for the opposite reason (?). “The only *merit* which the state recognizes in our day is one of *service*.” (III, 259.) *Kosegarten*, *Geschichtliche systematische, Uebersicht der N. Oek.*, 1856, 146 ff., is no

compared to the invention of writing with letters.<sup>700</sup> We may, however, call the introduction of money as the universal medium of exchange (money-economy),<sup>701</sup> in which goods intended for use are exchanged against money<sup>702</sup>—instead of barter (barter economy), which is a system of public economy (*Schäffle*), in an, as yet, very little developed form, man being there less sociable with his fellow men—one of the greatest and most beneficent advances ever made by the race.<sup>703</sup> [350]

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### Section CXVIII.

## The Different Kinds Of Money.

pursued, and monetary economy and freedom decline, and trade by barter obtains. (Discourses, passim, especially On Interest and on Money.) A similar contrast we find frequently, and as one of his fundamental thoughts, in *J. Stuart*.

As to how the transition from barter-economy to monetary-economy is generally effected, see *F. G. Hoffmann*, *Lehre vom Gelde*, 1838, 176 ff. In the Tyrol, as late as 1820, the greater portion of purely mechanical work, such as that of the smith, the carpenter, and the washerwoman, were purely feudal duties. On the other hand, payment in money was the rule, in the beginning of the fourteenth century. (*F. Beidermann*, *Technische Bildung in Oesterreich*, 3.) Yet, for a long time after, the functions of a measure of value were performed by pieces of land, and those of an instrument of exchange by cattle and natural products. (*Arnold*, *Gesch. des Eigenth.*, 207.) In France, money-economy, i.e., trade by money, had grown to importance earlier. (*Nitsch*, *Ministerialität und Bürgerthum*, im 11. und 12. Jahr., 143.) Even in the time of Mary Stuart, the Scotch estimated the rent of land in “cauldrons of victuals.” (*Moryson*, *Itinerary*, 1617, III, 155.) In ancient Italy, during the first three centuries of Rome, there was, with the exception of the Greek colonies, only trade by barter. *Mommsen*, *Römische Gesch.*, I, 293, shows that the oldest ases were not money in the higher sense of the word, but belonged rather to the stage of barter-economy. On the other hand, we find in the time of the classic jurists,

Very different kinds of commodities have, according to circumstances, been used as money; but uniformly only such

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much as slavery had limited the sphere of action of money, the principle: *pecuniæ nomine non solum numerata pecunia, sed omnes res, tam soli quam mobiles, et tam corpora quam jura continentur.* (L. 222, Digest L. 16; compare 4, 5, 178.) Similarly in *Cicero*, Top. 6. De Invent, II, 21. De Legg, II, 19, 21; III, 3. Compare *Dionys. Hal.*, N.R. IV, 15.

friend to the economic system to which money gives a distinctive character. *Per contra*, compare *Bastiat*, Maudit Argent, 1849.

<sup>700</sup> *Mirabeau*, Philosophie rurale, 1763, ch. 2, adds as the third great invention the *tableau économique* of the Physiocrats. For a comparison of money and language, see *Hamann*, Werke, II, 135 ff., 509. *Hehn*, Kulturpflanzen und Haustiere, finds it characteristic of the race, that wine, writing with letters, and money, all owe their origin to the monotheistic stem of the Semitic people.

<sup>701</sup> Where every man becomes a merchant, and the society itself a commercial society. *Ad. Smith*, Wealth of Nations, I, ch. 4.

<sup>702</sup> Just as descriptive is the German word *billig* (*equitable*) for cheap. Here it is plain that language takes sides with the possessor of money!

<sup>703</sup> The contrast between barter-economy and money-economy is of great and fundamental importance. It repeats itself with so much regularity in the history of every highly developed nation, that political economists gifted with perception for the historical, could not possibly overlook it. Thus, *Aristotle*, for instance, establishes with the utmost care and accuracy the difference between

as possess a universally recognized economic value.<sup>704</sup> On the whole, people in a low stage of civilization are wont to employ, mainly, only ordinary commodities, such as are calculated to satisfy a vulgar and urgent want, as an instrument of exchange. As they advance in civilization, they, at each step, choose a more and more costly object, for this purpose,<sup>705</sup> and one which ministers to the more elevated wants.

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A. Races of hunters, at least in non-tropical countries, usually use skins as money; that is the almost exclusive product of their labor, one which can be preserved for a long period of time, which constitutes their principal article of clothing and their

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harbor the hope of being able to dispose of it again as money. Hence, such an acceptance always supposes the existence of a certain amount of commercial confidence. The savage Goahiros, between Rio de la Hacha and Maracaibo, are too "distrustful" to take anything in trade but commodities fit for the most immediate use. (*Depons, Voyage dans la Terrefirme, I, 314.*) Similarly in the twelfth century, the heathen Laplanders. (*Arndt, Liefl. Chronik, II, 3.*) Commodities which barbarians can consume immediately are objects of the first necessity, whereas more civilized people, who are in a condition to undergo greater expense, look more to the technic qualities of money, such as divisibility, capacity for transportation and durability. *v. Scheel* shows in a very happy manner how, as commerce increases, money comes to be, as it were, subjected to a process resembling that of distillation: first mere increase of stores for use, next preponderating values in exchange, lastly mere orders for the same possessing no independent value. *Hildebrand's Jahrb., 1866, I, 16.*

οἰκονομικὴ καὶ χρηματιστικὴ, that is, between natural economy and artificial economy, corresponding to the difference between value in use and value in exchange. (*Polit., I, 3, Schn.*) Similarly *D. Hume*, who allows a period of luxury, culture, industry, of trade and manufactures, of freedom and circulation of money, to be preceded by one in which the feeling of wants is not awakened,

principal export in the more highly developed regions.<sup>706</sup>

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in which coarseness and idleness prevail, one in which agriculture is alone  
<sup>704</sup> Were money nothing but a measure of values in exchange, it should on that account, if on no other, have value in exchange itself, as a measure of length must necessarily have length itself. (We measure time on a clock by means of the revolution of the hands on the dial.) Again, value in exchange supposes value in use. The so-called “money of account,” such as the East Indian *lac de roupies*, the Portuguese *reis*, and the earlier English *pound sterling* are no imaginary magnitudes, which would disappear with the figures of our system of counting (see *Hufeland*, N. Grundlegung, II, 33, in reply to *Struensee*, Abh., III, 501); but real coin-values which can not be represented by only single pieces of coin, units of value for the most part no longer recognized by the state, but which the people still retain. See *M. Park's* (Travels, 27) refutation of the fable circulated by *Montesquieu*, *Esprit des Lois*, XXII, 8, that the regular standard money of the Mandingo negroes was a mere imaginary standard. *Hobbes*, *Leviathan*, 24, exhibits a very good knowledge of this subject.

<sup>705</sup> Compare *P. Neri*, *Osservazioni*, 1751, VI, 1. *Lord Liverpool*, *Treatise on the Coins of the Realm*, 1805. The person who takes money as such must always

<sup>706</sup> The last circumstance continues to be one of great importance for a long period of time in the frigid zones. Thus, the beaver-skin continues still to be the unit of measure of trade in much of the territory of the Hudson Bay Company. Three martens are estimated to be equal in value to one beaver,



B. Nomadic races and the lower agricultural races,<sup>707</sup> pass, by a natural gradation, to the use of cattle as money; which supposes rich pasturages at the disposal of all. If it were otherwise, there would be a great many to whom payments of this kind had been made, who would not know what to do with the cattle given [353]

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become obscured. (*Ravit*, Beiträge, 3.)

one white fox to two beavers, one black fox or a bear to four beavers, a rifle to fifteen beavers. (Ausland, 1846, No. 21.) The Esthonian word, *raha*, money, means in the related language of the Laplanders, fur. (*Krug*, Zur Münzkunde Russlands, 1805.) Concerning skin-money in the middle age of Russia, see *Nestor*, *Schlözer's* translation, III, 90. The old word *kung*, money, means marten. By degrees it came to pass that instead of whole skins, only two "snouts" were given or other pieces of leather about a square inch in size, which were probably stamped by the government and redeemed in whole skins at the government magazines. Hence, there is here supposed a species of assignats, and of disturbances of credit. The Mongolian conquerors would not recognize them, and they therefore became suddenly valueless. In Novgorod and Pskow, the system continued some time longer, for the reason that these places had little trade with the Mongols. In the rest of the kingdom it now became necessary to introduce silver money, and in the north to return to real squirrel and beaver skins. *Karamsin*, Russ. Gesch., I, 203, 385; I, 96, 191 f. Voyage de Rubruquis, in *Bergeron*, Voyages I, 91. *Herberstein*, Rer. moscov. Commentt, 58 ff. Even in 1610, a Russian military chest was captured by the enemy, and in it were found 5450 silver rubles, and 7000 fur rubles. (*Karamsin*, XI, 183.)

<sup>707</sup> When the Danes progressed so far as to practice agriculture, they used grain

them, on account of the charges for their maintenance.<sup>708</sup>

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## Section CXIX.

### The Metals As Money.

C. That metals were used for the purpose of money much later than the commodities above mentioned, and the precious metals in turn later than the non-precious metals, cannot by any means be shown to be universally true. Rather is gold in some countries to be obtained by the exercise of so little skill, and both gold and

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(*Geijer*, Schw. Gesch., I, 100), just as now, in Icelandic, *fe*=property. In Berne, the German *vieh*, cattle, is used to express commodities. Among really nomadic races this is, of course, still more the case. Thus the Kirghises use horses and sheep as money, and wolf-skins and lamb-skins for small change. (*Pallas*, Reise durch Russland, 1771, I, 390.) Among some of the Tartar tribes, everything is stipulated for in cows. (v. *Haxthausen*, Studien, II, 371.) Among the Persian nomads, sheep are used as money; or when they are held in subjection in the cities, corn, straw and wool. (*Ritter*, Erdkunde, VIII, 386.) Oxen in use as money among the Tscherkessens. (*Klemm*, Kulturgeschichte, IX, 16.) *W. B. Hermann* doubts, however, whether cattle were ever used as a medium of exchange. He thinks rather they were employed only as a measure of price. (Münchener Gel. Anz., 580.)

instead of cattle, in quantities corresponding to the value of one cow or one sheep, for money, to the end that their idea of a unit of measure might not  
<sup>708</sup> Homeric determination of prices in oxen. Iliad, II, 449; VI, 236; XXI, 79; XXIII, 703 ff; Odys., I, 431. Compare, however, II, VII, 473 ff. In Draco's time, money-fines were imposed in cattle (*Pollux*, IX, 60 ff.), and in Athens, before Solon's time, even the metal coins were, for the most part, stamped with the figure of an ox. *Plutarch*, Theseus, 25. *Böckh.*, Metr. Uuntersuch., 121 ff. Among the most ancient Romans (*Cicero*, de Rep., II, 35) the imposition of fines in property, the coins first stamped by Servius, *boum*

silver satisfy a want<sup>709</sup> so live and general, and one so early felt, that they are to be met with as an instrument of exchange in very early times.<sup>710</sup> In the case of isolated races, much depends on the nature of the metals with which the geologic constitution of the country has furnished them.<sup>711</sup> In general, however, the above law is found to prevail here. The higher the development of a people becomes, the more frequent is the occurrence of large payments; and to effect these, the more costly a metal is, the better, of course, it is adapted to effect such payments. Besides, only rich nations are able to possess the costly metals in a quantity [355]

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maintained. Compare, however, *St. John*, The Hellenes, III, 260 ff. The first copper coins were stamped a short time before Philip, father of Alexander the Great. (*Eckhel*, Doctr. Numm, I, XXX ff.) On the other hand, Italy, partly because it had mines of its own, and partly because of its intercourse with Carthage (Cyprus), had become, at a very distant period, so rich in copper that the circulation of copper, or to speak more accurately, of bronze, was naturally introduced. Compare *Niebuhr*, Röm. Gesch., I, 475 ff. (*Aes alienum, obæratum, ærarium, æstimare*.) Copper was all the more adapted to this end the more frequently it was found unmixed. It was generally used in preference to iron because of the greater facility of working it. (*Hesiod.*, Opp., 150 f.; *Lucret.*, V, 1285 f.) In modern nations copper money seems to have been employed only after silver money. Thus, it was not stamped in England before the time of James I. (*Adam Smith*, I, ch. 5), nor in Sweden before 1625. (*Geijer*, Schwed., Gesch., III, 56.) Money was struck from the metal of molten bells during the French Revolution!

*oviumque effigie* (*Plin.*, H. N., XVIII, 3, *Cassiodor.*, Var., VII, 32), and the words *pecunia, peculium, peculatus*, derived from *pecus*, point to something analogous. (*Varro*, De L. L., V, 19; De Re rust., II, 1; *Cicero*, De Rep., II, 9; *Ovid*, Fast., V, 281; *Plutarch*, Publicola, 11.) Old German fines in cattle, in *Tacitus*, Germ., 12, 21; Lex Ripuar, 36, 11; Lex Saxonum, 19. *Ulfilas* translates ἀργύριον δοῦναι (*Mark*, 14, 11), *faihu giban*. Very old German documents,

absolutely great.<sup>712</sup> Among the Jews, gold as money, dates only from the time of David.<sup>713</sup> King Pheidon, of Argos, it is said, introduced silver money into Greece, about the middle of the eighth century before Christ. Gold came into use at a much later

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of the seventh and eighth centuries, name horses as purchase-price. (*Grimm*, Deutsche Rechtsalterth., 586 f.) Otho the Great imposed cattle-fines. (*Widuk Corb.*, II, 6.) Similarly, in King Stephen's laws of Hungary (*Wachsmuth*, Europäische Sitturgesch., II), in the old Irish Brehon laws (*Leland*; History of Ireland, 36 ff.), as well as in the Scotch collection of laws, *Regiam Majestatem*, of 1330. (*Honard*, II, 263 f, 537.) *Viva pecunia* of the Anglo-Saxons in the laws of William I. In ancient Sweden, all property was estimated in *fä*=cattle

<sup>709</sup> That of vanity which presents itself among some people sooner than that of clothing.

<sup>710</sup> In Genesis, 1, 24, gold appears only as a valuable ornament. Abraham paid for his purchases in silver.

<sup>711</sup> For this reason, zinc-money is just as natural with the Malays and Chinese as iron-money with the Senegambians. (*Mungo Park*, Travels, 27.) And so *Plutarch*, Lysand., 17, may be right when he calls iron the earliest universal means of payment. In Sparta, too, where industrious efforts were made to maintain the lower stage of culture, this medium of payment was longest

<sup>712</sup> In Russia, between 1763 and 1788, there were 76 million rubles of gold and silver coins struck, against 54 million of copper rubles. (*Hermann*). On the other hand, in France, between 1727 and 1796, there were struck only 40 million francs of copper, 10 million of *billon* or base coin, and 3967 million of gold and silver.

<sup>713</sup> *Michaelis*, De Pretiis Rerum apud veteres Hebræos, 183.

period.<sup>714</sup> The Romans struck silver money, for the first time, in 209 before Christ, and, in 207, the first gold coins.<sup>715</sup> Among modern nations, Venice (1285) and Florence seem to have been the first to have coined gold in any quantity.<sup>716</sup> Henry III. of England (ob. 1272), was the first to coin gold, but with so little success, that for a long time after, Edward III. (ob. 1377) was regarded as the first English monarch who had coined gold.<sup>717</sup> How little a barbarous people are in a condition to make use of very costly material as money, is proved by the account which Tacitus gives of the ancient Germans, who preferred silver to gold in trade.<sup>718</sup> England presents us with an instance of the other extreme. Since 1816, silver, in that country, has been used only as a species of change, and the circulation of gold governs [356]

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<sup>714</sup> *Strabo*, VIII, 358. Hiero, tyrant of Syracuse, found it exceedingly difficult to obtain gold. When the Spartans wished to make an offering of gold at Delphi they were obliged to have recourse to Cræsus. (*Herodot.*, I, 69; *Theopomp.*, in *Athen.*, VI, 231 ff.) *Aristoph.*, *Ranae*, 720, calls gold "new" in contradistinction to the "old money," that is, silver.

<sup>715</sup> *Plin.*, H. N., XXXIII, 13. Compare, however, *Dureau de la Malle*, *Economie polit. des Romains*, I, 69, after *Varro*, apud Charisium, I, 81. (*Putsch.*) It is certain, however, that when Italy was conquered, the Romans had introduced a circulating medium of silver, and that it was the prevailing medium; but in the time of Cæsar and Augustus, a gold circulation was the prevalent one. Yet the state treasure was deposited in gold during the period of silver circulation, because gold was, without question, better adapted to storing up and transportation.

<sup>716</sup> *Muratori*, *Antiquitt.*, IV, Diss., 28.

<sup>717</sup> Henry was obliged to issue an order to the mayor and sheriffs of London, to get his gold into circulation; but he soon saw himself compelled to desist from executing his design. Edward III. was able only after a voluntary circulation of them had continued for a long time, to prohibit any one's refusing the rose-nobles. (*L. Liverpool*, loc. cit.)

<sup>718</sup> *German.*, 5. Still more striking is the example cited by *Herbelot*, *Bibliothèque Orientale* (1697), 485. *Rubruquis*, *Voyage*, ch. 13. In the

in almost all commercial transactions.<sup>719</sup>

D. The local usage of some countries has raised many other commodities to the dignity of instruments of exchange, especially where the population are poor and the metals which might be used as money have not existed in sufficient quantities or in the requisite proportion. But people have always limited themselves in the material of their money to such commodities as are universally acceptable, as uniform as may be, and current as articles of export or import.<sup>720</sup>

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## Section CXX.

### Money—The Precious Metals.

Icelanders was, on account of its great commercial importance as an article of export, an advance upon the use of the *Vadhmâl*. Among the Caffirs, besides *cauris*, mats, javelins, glass corals, but particularly brass rings, are used as money. From three to four hundred of these rings are strung together, and two such strings are equal in value to one cow. (*Klemm*, Kulturgeschichte, III, 308, 320 f.) Ivory used as money in the neighborhood of the Portuguese colonies in Africa. (*Martius*, Reise, II, 670.) In Logone, *Denham* (1822) ff., had met with pieces of iron as a medium of circulation; but on the other hand, *Barth* (1849), with small strips of cotton from 2 to 3 inches in breadth, and shirts for larger sums. (A. R., III, 274, 297, 538.) In colonies, money of this nature is continued for a long time. Thus cod-fish used in Newfoundland, sugar in the English West Indies (*Adam Smith*, I, ch. 4), tobacco in Maryland and Virginia. (*Douglas*, V, 2, 389; *Ebeling*, V, 435 ff.) The last was related to the inspection and storage of the tobacco intended for exportation. Payment was made in orders on the stored and inspected tobacco, even as late as the end of the eighteenth century. In 1618, the forced circulation of tobacco was decreed in Virginia, and under severe penalties. (*Gouge*, History of Paper-Money and Banking in the United States, ch. 1.)

time of Nadir-shah, the Kurds gave, without the slightest hesitation, a pound of gold for a pound of silver or copper. (*Ritter*, Erdkunde, VIII, 395.)

<sup>719</sup> Recommended even by *Adam Smith*, ch. 5, and for Germany by *F. G.*

That the precious metals are uniformly preferred in highly

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*Hoffmann*, Drei Aufsätze über das Münzwesen, 1832. In Egypt, also, for a long time the wealthiest country of the middle ages, the circulation of gold prevailed until the twelfth century. (*Macrisi*, *Historia Monetæ Arab.*, cap. 3 ed., *Tychsen*.) Harun Alraschid's income was estimated at about 7,500 cwt. of gold. (*Ritter*, *Erdkunde*, X, 235.) Something similar related of the Carnatic, "the land of ancient emporiums." *Ritter*, *Erdkunde*, V, 564, after *Ferishtha*.

<sup>720</sup> The use of the *cauris* (*Cypræa moneta*) in India this side and beyond the Ganges, in upper Asia, and in southern Africa depends on their employment for purposes of ornament, on their greater uniformity, and on the rarity of copper which would otherwise be better suited to purposes of change. In Calcutta, 1280 *cauris* are equivalent to about half a shilling. (*McCulloch*.) Compare *K. Ritter*, *Africa*, 149, 324, 422, 1038; *Asien*, I, 964; II, 120; III, 233, 739; IV, 53, 420; *Salin*, III, 62; *Botz*, in the *Tübinger Ztschr.* Similarly among the fishing population of Northwestern America. (*Stein-Wappäus*, *Handbuch* I, 352.) Salt as money on the Chinese-Birman boundary (*Marco Polo*, 38), but especially in the interior of Africa, where nature does not at all produce it, but into which it is brought by caravans from the deserts, where salt is found in great quantities. *M. Polo*, *Travels*, 305, found the current price of a salt-tablet, two and a half feet long, one foot, two inches broad, and two inches thick, to be equal to the value of two pounds sterling among the Mandingos. In Abyssinia, the salt-bars are generally six inches long, three inches broad, one and a half inches thick,

cultivated nations<sup>721</sup> as the instrument of exchange, depends on the greatness and uniformity of their value in exchange, but especially on their durability and pliancy as to form.

This value in exchange is great, because their beauty, which

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and they are bound with an iron ring to protect them against fracture. Sixty of them are worth one thaler. (Ausland, 1846, No. 35.) Slaves used as money: *Barth*, Reise, III, 338, 344. Tea-blocks in upper Asia and Siberia; and they are given by the Chinese to the Mongols as pay for troops. (*Ritter*, Asien, III, 252.) In Keachta, a tea-block is equal in price to one paper ruble. (Ausland, 1846, No. 20. *Timkowski*, Reise nach China, 143.) Date-money in the Sivah oasis. (*Hornemann*, Reise, 21.) Also in the Persian date-country, where, formerly, the lowest silver piece of money was coined in the form of a date (*Ritter*, Asien, VIII, 752, 819.)

The ancient Mexicans used as money cocoa-nuts, in bags of 24,000 pieces, cotton-stuffs, small pieces of copper, and gold dust in quills. (*Humboldt*, N. Espagne, IV, 11.) Cocoa-beans are still used as small change there. (*Ibidem*, IV, 10.) On the Amazon, wax-cakes weighing one pound are used. (*Smyth*, Journey from Lima to Para, 1836.) Among the ancient inhabitants of Rügen, linen (*Helmold*, I, 39); and still among the Icelanders, the so-called *Vadhmâl*. During the middle ages, 120 ells of *Vadhmâl* were equal in value to one milch cow or six milch sheep, or two and a half ounces of silver. (*Leo* in *Raumer's* histor. Taschenbuch, 1835, 515.) That the ancient northern mode of valuation, by the *Vadhmâl* and in cows is older than by the *mark* is shown by *Wilda*, Gesch. des deutschen Strafrechts, I, 331. The cod-fish money used by the<sup>721</sup> When the caravans no longer touched at the oasis Agades, gold and silver



consists in their luster and their sonorous ring,<sup>722</sup> gives them great value in use; and because, at the same time, their rarity in nature makes the supply of them relatively small,<sup>723</sup> and not

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money fell into disuse, and grain, stuffs etc. did service as instruments of circulation. (*Barth*, *Reisen und Entdeckungen*, I, 144.)

<sup>722</sup> *Ad. Müller* says very pertinently, but in a very mystical vein, that the precious metals combine in a very high degree and yet in a very simple manner, the principal qualities in which man's greatness finds expression: rarity, flexibility, uniformity, mobility, durability and beauty. (*Elemente*, II, 266.) In another place, he says, the highest ideal good is God, the highest material good, gold! (III, 65.) The mysticism of gold was most highly developed among the alchemists of the sixteenth and seventeenth centuries.

<sup>723</sup> Iron beds are worked only when they contain at least 18 per cent. of metal. Generally it is estimated that the furnace should yield 30 per cent. In the copper mines of Mansfield, Norway, Agordo and Venice, it goes as low as from one to three per cent. On the other hand, silver mines which yield 0.17 per cent. of metal are considered worth working. Lastly, gold is so rare that generally it can be extracted only from time to time by the ordinary mining processes. As a rule, men are content to gather it where nature has charged itself with its refining. The extreme limit of the working of gold appears, according to *Plattner* and *Hausmann*, at Goslar, to be reached when in 5,200,000 parts of mineral earth there is one of gold. Spite of this, however, by reason of their great ductility, the precious metals have been able to penetrate even into the meanest huts in one form or another. It has been estimated that a silver leaf

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susceptible of increase at pleasure.<sup>724</sup> As they contain so large a value in so small a volume, they are adapted to transportation from one place to another, with but little difficulty—a matter of the greatest importance in an instrument of exchange.<sup>725</sup> Hence, it is much easier to keep the demand for them and the supply of them at a level all over the world, than it is the demand and supply of most other commodities. And this all the more as there are not different kinds of gold and silver, but only different qualities

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may be attenuated by beating to a thickness of only 0.00001 of an inch, and a gold leaf to 0.000035 of an inch. An ounce of gold spread on a silver thread may attain a length of 13,000 English miles. (*McCulloch*.)

<sup>724</sup> How easily, for instance, could leather-money, such as was used by the ancient Galls (*Cassiodor*, *Varia*, II, 32,) be increased to any desired quantity, and thus its price brought down.

<sup>725</sup> *Engel*, at the usual tariff for land and railroad freight (10 and 5 *pfennigs* per mile and hundredths of a mile) estimates the enhancement of the price of the following commodities, for one mile of transportation of a custom-hundred-weight (*Zollcentner*) at the following percentage of their average value:

Gold, value 47610 German *Reichsthaler* per cwt., 0.000007 by land, 0.0000035 by railroad.

Silver, value 3000, 0.00111 by land, 0.00055 by railroad.

Cotton, value 45, 0.074 by land, 0.037 by railroad.

Tin, value 24, 0.1389 by land, 0.0694 by railroad.

Lead, value 8, 0.416 by land, 0.208 by railroad.

Iron, value 2.5, 1.333 by land, 0.666 by railroad.

Rye, value 2, 1.666 by land, 0.833 by railroad.

Potatoes, value 0.6, 5.555 by land, 2.777 by railroad.

Coal, value 0.12, 27.777 by land, 13.888 by railroad.

of their fineness.<sup>726</sup> It also contributes to the uniformity of their value in exchange, that they minister mainly only to wants of luxury. The most indispensable commodities are subject to the greatest variations in price (see § 103), whereas, in the case of the precious metals, the diversity of uses to which they may be turned contributes greatly to render their value, as instruments of exchange, more equable. If the supply of them be small, gold and silver vessels are less in demand; a part of the old ones are melted down, and *vice versa*. [360]

In durability, the precious metals surpass almost all other commodities. They are not at all affected by air or water, and they can be corroded only by very few fluids. Fire may, indeed, change their form, but scarcely in any degree the value of the material of gold, and that of silver very little, and then only when it is subjected to a very powerful blast or draught of air.<sup>727728</sup> Hence, while by laying them by, they suffer virtually nothing at all (a most valuable article is an article to deposit savings in), their wear and tear from use may be very much decreased by an

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Their great specific gravity, also, makes the precious metals easy of transportation. Thus *Cazeau* calculates that a given value of gold is 17,222 times as easy to transport as the same value in wheat. But as, where the weight is the same, the labor of transportation is inversely as the volume, this number must be multiplied by 26, and we therefore have 447,772 times. In the case of silver, the relation to wheat is as 1:15,554. Concerning copper, see *Storch*, *Handbuch* I, 488. *Chevalier*, *Cours*, III, 17 ff.

<sup>726</sup> This, at bottom, is also true, of the various kinds of copper; only, here, complete refining is impracticable on account of the relation between the cost of production and the product-price.

<sup>727</sup> On the other hand, copper, and still more zinc, tin and lead lose much of their value in the fire. Pearls may lose their entire value by fire, and diamonds more than half of it.

<sup>728</sup> *Aqua-regia*, a mixture of nitric and muriatic acid, dissolves gold. Chlorine and bromine attack it. It has been noticed to vaporize at a very high temperature. A gold thread vaporizes when a strong electric current is passed through it. A small ball of gold gives off a great deal of vapor if placed between two carbon points and subjected to the action of a powerful galvanic pile. (*K. F. Naumann*.)

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admixture with other metals in the proper proportion.<sup>729</sup> This durability contributes largely to keep the price of the precious metals more uniform. By the time that the wheat crop is rightly harvested, the great bulk of the previously stored wheat is, as a rule, consumed; and, therefore, the supply of wheat depends almost entirely on the yield of the last crop. On the other hand, it is probable that there is many a piece of money, the raw material of which was dug from Thracian gold mines in the time of King Philip or from the silver mines of Spain during the reign of Hannibal, in circulation to-day. Compared with the immeasurable stores of gold and silver which have gone on accumulating for thousands of years, the new yield of them, in any one year, is lost like a drop in a bucket. Hence, only when the yield of the mines has continued for a very long time, or when it is exceedingly great or remarkably small, can the price of their products change to any great extent.<sup>730</sup> Even during the revolution in prices, between 1492 and 1560, the yearly decline in their prices was only one-half of one per cent. per annum.

Their great pliability of form has, too, very important advantages for our purpose: first, that they can be divided very accurately into very small parts, and that the volume of every part corresponds exactly to the value of the part;<sup>731</sup> and

<sup>729</sup> Compare *Hatchett*, Experiments and Observations of the various Alloys, On the specific Gravity and comparative Weight of Gold, 1863. The French five-franc pieces wear away, on an average, in a year, 0.00016; the English crown, 0.00018; the half crown, about 0.00173; and the shilling, about 0.00456. (*L. Liverpool*, Treatise on the Coins. 204; *M. Chevalier*, Cours, III, 128 ff.) The wear from use of the south German gulden is 0.292 per 1,000. (*Rau*, in the Archiv. N.F.X, 256.) According to *Jacob*, the average wear of coin is 2.38 per 1,000. (Historical Inquiry into the Production and Consumption of the Precious Metals, ch. 23.)

<sup>730</sup> *Adam Smith*, Wealth of Nations, I, ch. II, Digr.

<sup>731</sup> *Solera*, Sur les Valueurs, 1785, 271 ff.; *Custodi*. Half an ox, for instance, is worth half the value of a whole one only for a few well defined purposes. As to how much the value of the diamond varies with the size etc., see *Dufrénoy*, Traité de Minéralogie, II, 77 f. On the other hand, the separated parts of a piece

secondly, that they take an impression at very little cost, an impression which is an authoritative and trustworthy expression of their weight and quality, thus saving the commercial public the perilous trouble of weighing and testing them every time they are used.<sup>732733734</sup> This duty the state, as a rule, assumes. (Coinage.) [362]  
 When its authority, however, is not recognized, as is generally the case in international trade, gold and silver bars are even now

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metals, but easily distinguished from silver by a fine bluish color, which has been compared to that of tin; by its small specific gravity, from 2.5 to 2.67, and its ring like that of iron. Hence it is very doubtful whether aluminum can be made to play the part of a substitute for silver, and still more so whether it can be used for coining.

of metal are very readily reduced to a whole.

<sup>732</sup> In the case of the ox, it is impossible to imagine a mark which might not be eluded by its losing flesh.

<sup>733</sup> The cost of coinage since 1849 has been  $\frac{3}{4}$  of 1 per cent. in the case of silver, and in that of gold not quite 2 per 1,000. (*M. Chevalier*, Cours, III, 110.)

<sup>734</sup> Platinum possesses many of the properties necessary to an instrument of exchange in as high a degree as gold and silver,—great value in exchange, great specific gravity and great durability. On the other hand, its pliability as to form is very small, and therefore the cost of coining it would be high. The conversion of platinum coins into utensils, and of utensils into coin, which would contribute to the supply of money when needed, and to a diminution of that supply when the demand decreased, would be much more difficult on this account; and also because of the small degree of beauty possessed by that metal, which renders it little adapted to purposes of luxury. Under these circumstances, the rarity in nature of the metal is a great drawback; for the discovery of a new mine would create a great perturbation in prices. For this

used, and have, therefore, to be weighed and tested.<sup>735736</sup>

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## Section CXXI.

### Value In Use And Value In Exchange Of Money.

The original value in use of the precious metals, to satisfy certain wants of luxury in the most aesthetic and the most substantial manner, continues still; but with the advance of civilization, the employment of gold and silver for this purpose has fallen farther and farther behind the more recent employment of these metals as the best material for money. And since now the services rendered by money may be divided into two classes: storing up

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of money than the precious metals (185)! *Galliani*, Della Moneta, 1750, I, 3, 4, and *P. Neri*, Osservazioni, 1751 ff, Cust., have very correct ideas on this subject.

reason, the Russian platinum coins have been generally very much undervalued since 1828 in the commercial world, and the whole experiment was given up in 1845-46. Compare *J. Schòn*, National Œconomie, 128 ff. Aluminum, discovered by Wöhler, and which can be prepared from argillaceous earth, is capable of manipulation in a very high degree (*malléable et ductile à peu près sans limite, excessivement fusible*), almost as indestructible as the precious<sup>735</sup> *Lingot, bullion*. In India, beyond the Ganges, and in China, bars are very much used. (*Sycee*.) In the latter country, besides these bars, there is no coinage except that of a mixture of copper and lead, for small change. (*Th. Smith*, An attempt to define some of the first Principles of Political Economy, 31. *Timkowski*, Reise nach China, III, 366.) Concerning Brazilian trade by bars, see *Spix und Martius*, Reise, I, 346 f. They are stamped with the national coat of arms, the sign of the mint, the number by which registered, that of the year and of the degree of fineness. Concerning the Persian bars, the *laries*, see *Noback*, Handbuch der Munzverrh., III, Taf. 29.

<sup>736</sup> Concerning the utility of the precious metals for purposes of money, see *Pliny*, A.N. XXXIII, 3; *Oresmius*, De Mutatione Monetarium, ch. 2; *Law*, Sur l' Usage des Monnaies, 683 f. *Daire*, where we read that before the invention of

or preservation, and the transmission (division, concentration) of values,<sup>737</sup> the former always plays a greater part in the earlier states of the development of trade by money; and the latter plays the larger part in the later stages of the same development. We may best compare money to the other machines or instruments of commerce.<sup>738</sup>

The person who, in times when there is a dearth of goods, and especially of capital, complains of a want of money, commits the same error as if he ascribed a scarcity or absence of grain, when it exists, to a too small number of wagons to carry it, or to the narrowness of country highways. The inference may, indeed, be sometimes well-founded, but certainly only by way of exception; and yet it is generally the first which politico-economical quacks think of in practice.<sup>739</sup> Like all tools or instruments, money constitutes a part of an individual's or a nation's, or of the world's capital. Considered from the point of view of private business [364]

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money, silver had served all kinds of useful purposes, but that now it served its most important purpose, namely the making of the best material for money on many accounts. Yet *Law's* book, *Money and Trade considered* (1705) is based mainly on the idea that pieces of land are much better adapted for purposes<sup>737</sup> *North*, *Discourses upon Trade*, 16. The capacity of money to act as a storer of wealth has been as much over-estimated by the so called Mercantile System, as its capacity to transfer wealth has been by the so called currency-school.

<sup>738</sup> *Adam Smith* compares money to a large wheel, by means of which a due share of the means of subsistence and of enjoyment is distributed to each member of society. Elsewhere he compares its utility to streets and roads. (*Wealth of Nations*, II, ch. 2.) *Hume*, *On Money*, Pr., prefers to compare it to the oil with which the wheels of circulation are greased. *Sismondi* compares money to porters. (*N. Principes*, II, ch. 2.) "Money is to commerce what railways are to locomotion, a contrivance to diminish friction." (*J. S. Mill.*) According to *Schmitthenner*, 455, it bears the same relation to other commodities that the written language of a people's literature does to their dialects.

<sup>739</sup> *Law's* views on money are, in part, excellent. Thus, for instance, he says that the debasement of the coin from financial necessity is as great a folly as it would be to try to enlarge a piece of goods too small for the purpose for which it was intended, by diminishing the length of the yard-stick. (*Sur l'Usage des Monnaies*, 697.) A country entirely isolated from all others could

or economy, money is circulating capital, but from the point of view of the world's economy, it is fixed capital.<sup>740</sup>

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## Section CXXII.

### Value In Exchange Of Money.

The value in exchange of money is said to be high when all other commodities estimated in money are cheap; and low in the opposite case. We have here to do with the application of the most general of all laws of price; therefore, with the demand and supply of money. The demand for it depends on the wants and the means of payment of its purchasers. Therefore, if a country has little

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unproductive, but that, when employed as a commodity, it is productive. (View of the Progress of Political Economy, since the sixteenth Century, 1847.) Besides it is not a peculiarity of money alone, that, after it has served the purposes of production, it comes out of the product unaltered. The same is true of quicksilver employed in amalgamation. (*Hermann*, 2nd edition, 302.) get along as well with one hundred pounds sterling as with a million. (Money and Trade, p. 88.) Elsewhere, he confounds money and capital to such a degree that he considers every increase of the amount of money in a country as an enrichment of the people, a means to give employment to the poor, to carry on manufactures etc. (Money and Trade, 23, 26 ff., 168.) A given quantity of money is capable of giving employment at most only to a certain number of men. (21.) A nation's power and wealth depend on the population and its stores of goods, these on commerce, and commerce in turn on the amount of money. (Pp. 110, 220.) The advice given, in 1848, to the National Assembly of France, but which it had the good sense to reject, to overflow all France with the so-called *bons hypothécaires*, is akin to Law's practical propositions. *M. Chevalier*, Cours, III, 8, rightly ridicules the literal construction of the words: *l'argent est abondant*, when merchants find it easy to obtain credit, and considers it as well grounded as it would be to infer from the maxim: *l'argent est le nerf de la guerre*, that rifles and bullets were made of silver.

<sup>740</sup> *Adam Smith* was not entirely clear, in his own mind, on this point. Thus



trade, it will, on this account, need only few instruments of trade, that is, of little money to effect exchanges. If it be poor in other goods, it will get little money in exchange. In the former respect, there is a beneficent principle of equalization or compensation which decreases the price-variations of money, no matter of what kind, in the necessity, when the number of business transactions remains the same and money becomes cheaper, to use more of it, and less when it becomes dearer.<sup>741</sup> The supply of money is, in the long run, dependent chiefly on the cost of production. But since the cost of production in different mines is very different, the value in exchange of the precious metals is determined by the cost of producing them from the poorest mines which must be worked in order to supply the aggregate want of them. (See § 110.)<sup>742</sup> The more unfavorable the conditions of their production are, the greater is the quantity of commodities which must be given for a pound of gold, silver etc.; that producers may not be deterred from the prosecution of their work. The extremes

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proportion is only 1/100 per 1,000, mines are still considered worth working. But then, what workmen there are there! In Peru, the burdensome height of the mines above the level of the sea and the want of combustible material more than counterbalance many favorable advantages, while in Norway the cheapness of wood compensates for a great many disadvantages. Another thing which contributes towards the uniformity of the price of the precious metals is the circumstance that the great amount of fixed capital required in the greater number of mining enterprises, postpones for a long time the working of good mines as well as the abandonment of poor ones.

inconsistently enough, he calls money unproductive—"dead stock," for the reason that it leaves no material traces behind it of the goods which it has transferred from one hand to another. (II, ch. 2.) Is not the same true of trade itself? And yet Adam Smith calls trade productive. His error is doubtless a remnant of the Physiocratic doctrine, to which Smith still held. Compare *Quesnay*, 94, éd. Daire. Even *Twiss* says that money employed as money is<sup>741</sup> *Senior*, *Three Lectures on the Value of Money*, 1840, is, in so far, not wrong when he says that the value in exchange of the precious metals is still ultimately determined by the want of such commodities as are luxuries. This last determines to what extent the production shall be extended by the working of the poorest mines, whereas the wants of circulation can be met as well by

of the value in exchange of money are dependent on the use for which it is intended. That value cannot rise higher than to the point at which single pieces of money become inconvenient on account of their smallness, nor sink lower than the point at which a similar inconvenience is produced by their too great size. In both instances, it would become necessary to have recourse to other instruments of exchange.

### Section CXXIII.

#### The Quantity Of Money A Nation Needs.

How great the amount of money needed in the entire economy of any state is, cannot be always rightly determined, either by the amount of the national resources, or by the number of the population.<sup>743</sup> It is a very easy thing to refute the opinion, that the aggregate amount of cash money in a country constitutes an equivalent of the aggregate amount of all other commodities to be found there at any time, in such a way that the two

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small as large quantities of the metals.

<sup>742</sup> The good or bad result of this production depends on many different elements which may compensate on another. In California and Australia gold is to be found in large quantities, and is easily mined; but the workmen make large demands which the nature of the country renders it difficult to meet. In the Harz mines, where the cost is scarcely covered, (*Lehzen*, Hannover's Staatshaushalt, 1853, I, 139), the shafts are sometimes 175-½ fathoms deep, but this is made up for in a measure by the moderate demands of the workmen and their skill in mining. Among the Mandingos, the auriferous material is so rich that ■ per 1,000 of the weight of the sand is washed out into pure gold in ten minutes (*M. Park*, Journal, 53 ff., addenda, XIX), while in Europe, where the <sup>743</sup> Older writers have estimated the amount of money necessary in a country at 1/5, 1/10 (*Petty*), 1/15, and even 1/30 of the yearly income of a people (*Adam Smith*, II, ch. 2.) According to *Cantillon*, Sur la Nature du Commerce, p. 73, it is from 1/6 to 1/10 of the annual gross production of a nation.

pans of this great scales (*Locke*) hang always in a state of equilibrium, and that an increase of the amount of money, the amount of all other commodities remaining the same, must be productive of an exactly corresponding decrease in the value of each piece of money.<sup>744</sup> Think only of the great many commodities which are obtained and consumed without any exchange whatever! Rather does the amount of money necessary to keep the value in exchange of the money employed in a people's [368]

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directed especially against the Mercantilistic essay, *Britannia languens*; 1680, by *Mélon*, *Essai politique sur le Commerce*, ch. 22; *Genovesi*, *Economia civile*, 1764, II, 1, 15; *Steuart*, *Principles*, II, ch. 28; *Verri*, *Meditazioni*, XVII, 3 ff.; *Büsch*, *Gedumlauf*, II, 40. The simple taking of an inventory of most private resources which possess so much greater value in other commodities than in money is enough to demonstrate the error of *Davanzati's* doctrine. Thus, in France, in Necker's time, the cash money in the kingdom was estimated at 2,200,000,000 livres, and the average value of the wheat crop alone at 1,000,000,000. *Necker*, *Législation et Commerce des Grains*, 1776, I, 215. Recently, *Michel Chevalier*, estimated the amount of money in France at from 3-½ to 4 milliards, while the official estimate of its immovable property alone was over 83 milliards.

<sup>744</sup> *Davanzati*, *Lezione sulle Moneta*, 1588, 32 ff., Cust., thinks that all terrestrial things which serve to satisfy the wants of men are, by virtue of agreement, equal in value to all the gold, silver and copper; and that the parts comport themselves as the whole. The price of a commodity is based on this, that men find in it as much of their *beatitudine* as is afforded them by a given quantum of gold etc. Similarly, *Montanari*, who adds as a limitation the quantity of money *spendibile in commercio*. (*Della Moneta*, 45, 64, Cust.) The same opinion leads *Locke* to the singular conclusion, that, as there is now in the world, ten times as much silver as there was previous to the discovery

public economy unaltered,<sup>745</sup> depend on the cooperation of the following conditions:

A. *The number and extent of such commercial transactions as are effected by means of money;*<sup>746</sup> a relation which, evidently, increases (see § 56, ff.) with every advance in the division of labor. Hence the transition from serfdom and socage service to free labor, from domestic-servant labor to day-labor and piece-work, from feudal military service to that of paid and standing armies, from land-privileges and allowances in produce, such as fire-bote etc., to the payment of officials in money, from dues in produce to taxes in money, and regular lease-hold interests, from requisitions to loans of money; in a word, from the barter-economy (*Naturalwirthschaft*) of the middle ages to the trade by means of money in the higher stages of civilization, that is, from the “feudal” to the “commercial” system must, of itself, increase the money-need (*Geldbedarf*) of a people.

B. *The rapidity of the circulation of money;* because, in most commercial transactions, one dollar which circulates ten times a year really performs the same service as ten dollars which go from hand to hand once in a year; just as the economic use

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of America, each single piece of silver, separately considered, and taken in relation to such commodities as have not varied, is worth only one-tenth of what it was then. *Locke*, here, starts out with the gross assumption, shared even by *Ganilh*, *Théorie*, II, 386 ff., that in the case of money the demand is always, relatively speaking, equally strong and just as great as the supply, or as the amount in the market. (Works, II, 23 ff.) Further, *Montesquieu*, *Esprit des Lois*, XXII, 7, 8. Per contra, however, see *Montesquieu*, *ibid.* XXII, 5, 6, and *Hume*, *On Money and on the Balance of Commerce*, *Essays* II, 1752.

Hume knew perfectly well, that only circulating money and circulating commodities operated on price, but failed to take the rapidity of circulation into account. Similarly, *Forbonnais*, *Eléments du Commerce*, II, 212; even *Canard*, *Principes*, ch. 6; *Fichte*, *Geschloss. Handelstaat*, 93 ff., and *Stein*, *Lehrbuch*, 58. Contested by *Law*, *Trade and Money considered*, 140, a work

<sup>745</sup> When money becomes dearer, less of it is of course needed; and when cheaper, more, for the same purpose.

<sup>746</sup> In contradistinction to presents, acts of spoliation, but especially to barter.

of a ship employed in the transportation of commodities does not depend on its commodiousness alone but on its rapidity also.<sup>747</sup> The economic use of money does not depend on its amount simply. Says *Sismondi*: “The amount of the medium of circulation in a state must be equal to the sum of the payments made in it in a given time, divided by the sum of the times the former has, on an average, changed owners within that time.”<sup>748</sup> Under given economic circumstances, the rapidity of the medium of circulation is, taken all in all, not by any means an arbitrary matter. It will happen very seldom that one man will purchase or consume a commodity in order that another may not want money.<sup>749</sup> Were the greater number of money-earners (and in nations with a healthy economic life this number is always made up of men noted for the good management of their own affairs) inclined to pay out the money which they had taken in, rapidly, a very active production would prevail everywhere; and this, in turn, supposes general commercial freedom and great legal security. The less these conditions are developed, the more difficult it becomes, not only to lay out the money received to-day productively to-morrow, but the more imperatively does a proper foresight demand, that a reserve-fund should be maintained for

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<sup>747</sup> The discoverer of this truth is supposed by many to be *Bandini*, *Discorso economico*, 1737, 141 f., *Cust. Berkely*, however, in the *Querist*, 1735, 477 f, writes: “A sixpence twice paid is as good as a shilling once paid.” Much earlier yet, in 1797, *Boisguillebert*, *Détail de la France*, II, 19, had the germ of this doctrine, but he confounds circulation with consumption. And *Locke*, *Considerations*, II, 13 ff., presented it in 1691 with great clearness, although he did not always remain true to his theory. Compare *Quesnay*, éd. Daire, 64; *Cantillon*, 159 ff., 382.

<sup>748</sup> If the number of annual exchanges effected by 1 dollar =  $u$ ; the total number of dollars in the store of money =  $m$ ; the rapidity of circulation, that is the number of exchanges effected on an average by each dollar in a year, =  $s$ : then is  $u = m s$ ,  $s = u/m$ ,  $m = u/s$ .

<sup>749</sup> Since good money is so easily stored away and preserved, no one is in haste to get rid of it. *St. Chamans*, *N. Essai sur la Richesse des Nations*, 122 ff.

times of necessity. (See § 43.)<sup>750</sup> Even in the same age and among the same people, money moves most slowly under the influences of troublesome and critical epochs; for the dangers of war and sedition, of impending burdensome taxation, commercial gluts and numerous cases of bankruptcy uniformly operate to make the possessors of money hold anxiously to their present supply.<sup>751</sup>

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In less civilized countries, the same condition of things leads the people even to bury their money-treasures. In large cities, the circulation of money is generally more rapid than in the country districts; in a thickly populated than in a thinly populated country; and in trade than in agriculture.<sup>752</sup> Every improvement in the means of intercommunication tends to facilitate it. The rich man possesses, as a rule, less money, relatively speaking, than the poorer man. Hence, a more equitable division of a nation's resources among the people would increase the amount of money needed.<sup>753</sup> While the concentration, as to time, of circulation into few great terms of payment is calculated of itself to cause a large sum of money to remain idle in the interval,<sup>754</sup> its concentration in

<sup>750</sup> Among the Kurds, all the money in their camps is used for head-ornaments for their women. (*K. Ritter*, *Erdkunde*, X, 887.)

<sup>751</sup> Thus, *Sir David North*, *Discourse on Trade*, 1691, Postscr.

<sup>752</sup> *Lotz*, *Handbuch*, 377, is of opinion that even in England £100,000 employed in trade in land can scarcely effect exchanges to the amount of £1,000,000 in a year. The same sum employed for the same purpose in London, in stocks and in the trade in commodities, will effect exchanges to the amount of £160,000,000.

<sup>753</sup> *Cernuschi*, *Mécanique de l'Échange*, 1865, 132 ff.

<sup>754</sup> Thus *Petty* (ob. 1687) is of opinion that England needed as much money as  $\frac{1}{2}$  of all its ground-rents amounted to, as the  $\frac{1}{4}$  of all house-rents, and  $\frac{1}{52}$  of all the wages of labor for a year; for the reason that ground-rents are paid semi-annually, house-rents quarterly, and wages weekly. (*Several Essays*, 179; *Political Anatomy of Ireland*, 116.) *Locke*, on the other hand, assumes  $\frac{1}{50}$  of the wages of labor,  $\frac{1}{4}$  of all the revenue of land owners, and  $\frac{1}{20}$  of the amount cash money taken in in a year by merchants. Of these amounts, there should be always, at least, one-half in ready money on hand, if commerce would not be brought to a stand-still. If leases were to be paid for on short terms, a great saving of money would be possible. (*Works*, II, 13 ff.) *Pinto*, *Traité du Crédit et de la Circulation*, 34, calls special attention to the case of Tournay, in which

space in large commercial cities must dispense with the necessity of a great number of instruments of exchange. In England, it is customary for every man in comfortable circumstances, as soon as he receives any money, to deposit with a banker, and to make all his payments by means of checks upon the latter. Cash money is now employed by Londoners only in payment of wages, and in trade between retail dealers and consumers. The banker is there the common cashier of a great number of private individuals, and is in a condition to make their payments for them with a much smaller amount of money, especially when they are to be made by one of his depositors to another.<sup>755</sup> This “union of money-chests” (*Kassenvereinigung*) has been effected also on a larger scale; inasmuch as bankers, in greater or smaller numbers, are wont to have one bank as a center; and the country banks, in turn, to be in constant relation with the great moneyed institutions of London, subject to a species of general superintendence by the Bank of England. These great monetary institutions have, so to speak, a common rendezvous at the Clearing-House, where the greater part of their payments are made by a mere off-setting of debits and credits;<sup>756</sup> and this bank is, as it were, the cashier-in-

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the commandant, during the siege of 1745, made 7,000 florins serve him for seven weeks to pay the garrison; by borrowing that sum anew every week from the inn-keepers etc.; which they, again, had received from the soldiers.

<sup>755</sup> If all were to commit their payments to the care of the same banker, it would be possible to do with almost no money. But even now, if 100 separate merchants were obliged to keep each 3,000 dollars in their money-chests for unforeseen contingencies, a banker might accomplish the same for them with 50,000 dollars, because it is not probable that the unforeseen contingencies in question would occur to all at the same time.

<sup>756</sup> In the London Clearing-House, in 1839, £954,401,600 were paid by means of the use of £66,275,600 as a circulating medium, for the most part notes of the Bank of England. (*Tooke*, *Inquiry into the Currency Principle*, 27.) From May, 1868, until May, 1869, £7,068,078,000. (*Statist. Journal*, 1869, 229.) The New York Clearing House, in 1867, effected payments to the amount of £5,735,031,900 (*Ibid.*, 1867, 577), and in 1868, \$30,880,000,000. (*Hildebrand's Jahrb.*, 1869, II, 168.)

[372] chief of the nation, and in possession of almost the entire cash stores of the English people.<sup>757</sup>

C. *The quantity and rapidity of circulation of the representatives of money.* These, in so far as they are worthy of the name here given them, depend on the credit of those who issue them; that is, on the certainty that they shall, at the time fixed, be redeemed in money. To this category belong the paper money of the state which bears no interest, and the treasury-notes of the state which do bear interest, bank notes, bills of exchange, promissory notes, book-credits of private persons, sometimes even certificates of the storage of goods in public stores. It is estimated, that, at the present time, nine-tenths of all the payments made in Great Britain are effected without the aid of money, or even of bank-notes.<sup>758</sup> The capacity of a person to make purchases does not depend simply on the amount of money he possesses, but on his credit likewise. The person who buys on

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as a basis of the circulating medium, was much earlier developed. (*Child*, Discourse on Trade, 65, 264 f.) In Great Britain, the aggregate amount of bills of exchange put in circulation was, in 1839, £528,000,000, which sum has been increased annually at the rate of about £24,000,000. (*Tooke*, Inquiry into the Currency Principle, 26.) Between 1828 and 1847, there circulated at the same moment, on an average, £79,127,000 in bills of exchange in England, and in Scotland, £17,380,000 (*Athenæum*, 1850, No. 175), and in Great Britain and Ireland, from £180,000,000 to £200,000,000. (*Tooke*, History of Prices, VI, 588.) According to *Macleod*, the bills of exchange and promissory notes together amounted to £500,000,000; bills of exchange, bank-notes and bank-credits, to over £600,000,000. (*Elements*, 12, 325.) *Macleod* calls the currency the sum total of all debts due by every individual in the country. (*Elements*, 43.)

<sup>757</sup> This system began in the middle of the seventeenth century. (*A Discourse of Trade Coyn and Paper Credit*, 64.) As early a writer as *Sir J. Child*, N. Discourse on Trade, 46, says, that for some time, every man who had from £50 to £100 in money, sent it to his banker, and that since that time, all the money flowed towards London and the country was deprived of it. (127 ff.) As a rule, the goldsmiths were also bankers. One such smith had at the time of the Great Fire of 1666, emitted £1,200,000 in notes. (*A Discourse etc.*, 67.) The Bank of England, as a money center, dates from 1694. The London



credit, contributes as much to raise the price of commodities as the person who buys for cash; with this exception, however, that when the former eventually fails to redeem his promise to pay, the price raised by him quickly falls again.<sup>759</sup> And, indeed, all the various forms of credit, mentioned above, agree essentially in this, however they may differ from one another in costliness and rapidity of circulation.

#### Section CXXIV.

### The Quantity Of Money A Nation Needs. (Continued.)

Of the three conditions above mentioned, it is evident that the first operates on the amount of money needed, in a direction opposite

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banks developed into intermediaries principally before the time of the French Revolution. (*Thornton*, Paper-Credit of Great Britain, 1802.) This remarkable institution had grown to vast dimensions even in Thornton's time, although it has been much enlarged since 1825. (*Tooke*, History of Prices, 152 f.) Similar conditions among almost all highly civilized peoples. Thus in Greece, compare *Becker*, Charicles, I, 294. Concerning a person who had 14 talents' worth of resources, 26 minæ, and therefore three per cent. in cash, see Lysias, adv. Diog., 6. In Rome, compare *Polyb.*, XXXII, 13. *Cicero*, pro Font., I, 1. For Italian analogous cases, part of which may be traced back as far as the twelfth century, see *Lobero*, Memorie storiche della Banca de S. Georgio, 1832; or the Dutch "cassiere" Richesse de Hollande, I, 376, ff. In France an ever increasing centralization of the money-trade is to be noticed in Paris (*M. Chevalier*, Cours., III, 418); and now of the money-trade of Germany in Berlin.<sup>758</sup> Compare *Fullarton*, On the Regulation of Currencies, 1845. Among the Dutch, the custom of using all commercial commodities as much as possible,<sup>759</sup> A case in England, in 1857, in which a house with £10,000 capital failed with liabilities amounting to £900,000. (Report of the select Committee on the Bank Act, 1858, XV.) Or where a speculator with £1,200 made purchases on credit to the amount of £80,000, and then failed with a deficit of £16,000. (*Fawcett*, Manual, 442 f.)

to that of the other two. The usual course of development is this: among an advancing people, the number of money transactions increases at first; later, when education has become general, and the people have grown habituated to the giving and receiving of credit, the circulation of money is accelerated, and an increase of the substitutes for money effected. Hence, it is perfectly natural that the money-need of a people whose public economy is only half developed, should, in proportion to the number of inhabitants, be greater, not only than that of a people whose economy is wholly undeveloped, but also, than that of a people whose public economy has been carried to the highest point of perfection.<sup>760761</sup>

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#### Section CXXV.

mentions £12,000,000 as the amount; and *Anderson*, *Origin of Commerce*, a., 1659, £16,000,000 in 1762. The circulation of gold, shortly before 1797, was estimated by *Rose* at, at least, £40,000,000; by Lord *Liverpool*, at £30,000,000; by *Tooke*, at only £22,500,000. (*History of Prices*, V, 130 ff.) *Moreau de Jonnés*, 1837, assumed £43,500,000 (*Statistique*, I, 329), and *Helferich* (*Schwankungen der edlen Met.*, 1843, 147), £45,000,000. *Sir Robert Peel*, estimated the amount in 1845 at £59,000,000, to which was to be added an average of £28,000,000 in bank notes, after deduction made of the metallic reserve. According to *Jevons*, the amount of British money is now £80,000,000 in gold, £14,000,000 in silver, £1,000,000 in copper; the sum total, including bullion and bank notes, after the deduction of their metallic representatives, £134,000,000. (*Economist*, December, 1868, July, 1869.) In France, *Vauban*, *Dîme royale*, 104 (Daire), estimated the cash money at about 500,000,000 livres, over 750,000,000 francs, with which *Voltaire*, *Siècle de Louis, XIV.*, ch. 30, agrees so far as the year 1683 is concerned. In 1730, *Voltaire*, assumes the amount to be 1,200,000,000 of the coins of that time. *Necker*, *Administration des Finances*, III, 66, estimated it, in 1784, at 2,200,000,000 livres; *Mollien*, about 1806, at 2,300,000,000. The valuations in Louis Philippe's time varied from 2,400,000,000 to 2,500,000,000 (*Chamber of Deputies*, April, 13, 1847), and 4,000,000,000. (*Blanqui*.) The valuations of 1870 were, according to *Wolowski*, 4 milliards; and to *Bonnet*, from 5 to 6 milliards. Compare

## Uniformity Of The Value In Exchange Of The Precious Metals.

The peculiar properties of the precious metals described above (§ 120), explains satisfactorily enough, why, at the same time, but in different countries, they have more nearly the same value in exchange than any other commodity whatever. Like a fluid in tubes which communicate with one another, the precious metals [375]

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Betracht. über den Nationalwohlstand des preuss. St., I, 244.) The annual amount of production in the former country was, 7,036,000,000 francs; in the latter it was estimated at 261,000,000 thalers, so that in Prussia the relation of money to national income was, as 1:2.9; in France, as 1:4.69.

<sup>761</sup> It is scarcely possible to determine exactly the amount of money in a country; for the reason that, outside of the suppositions of bankers etc., there is no authority which can be safely relied on, unless it be the reports concerning the coinage, and of the emission of paper money. The information, no less necessary, to be derived from the statistics of the importation and exportation of money, the melting down of coin by gold smelters etc., can never be exactly obtained. In England, at the end of the sixteenth century, the circulating medium was estimated at £4,000,000 (*Hume*, History of England, ch. 44, App.); under Charles II., at £6,000,000, when the population was 6,000,000. (*Petty*, Several Essays, 179.) About 1711, *Davenant*, New Dialogues, 11 ff., *Wolowski*, L'Or et l'Argent, 383 ff., *Euquête*, 42. The German Zollverein is said to have had, at the beginning of 1870 (*Soetbeer*) 480,000,000 or 520,000,000 thalers (*Weibezahn*) cash money.

In Wirtemberg, *Memminger*, 1840, estimated the resources of the country at 1,600,000,000 guldens, of which 36,000,000 were cash; and the yearly gross income at 179,000,000 guldens; so that the money was 20 per cent. of the latter and 2¼ per cent. of the former. The annual sales = 226,000,000. Therefore

seek the one same level of value the whole world over.<sup>762</sup> Only, it must not be supposed that every absolute or relative increase of the amount of money in a country must produce immediately a corresponding diminution of the value of money; and in addition to this cause an exportation of money.<sup>763</sup> If the number of trade-transactions increases in the same proportion as the amount of

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the coin currency must have circulated on an average between six and seven times in a year. In the electorate of Hesse, there were *per capita* 4 thalers, 18 sgrs., 9 hellers, metallic money, and 3 thalers, 9 sgrs., 4 hellers, paper-money. (*B. Hildebrand*, *Statist. Mitth.*, 1853, 185.) The amount of money in Naples, in 1840, was estimated at 42,000,000 ducats. (*Scialoja*.) It has been estimated that, in 1830, Spain possessed 1,725,000,000 francs. (*Barrego von Rottenkamp*, 330.)

<sup>760</sup> Remarkd by as early a writer as *Davenant*, *Works*, IV, 106 ff. Compare, however, II, 238. *Quesnay*, éd. Daire, 75 ff. *Lord King*, *Thoughts on the Effects of the Bank Restriction*, 1804, 17 ff. Exhaustively treated by *Chevalier*, *Cours.*, III, 397 ff. He very much laments the fact that the customs of France cause it to need from 3½ to 4 milliards of cash money, while England does a much larger trade with 1,200 millions. (I, 207 ff.) In France, it is said that the amount of money, in 1812, was 1,500,000,000 francs(?). (*Peuchet*, *Statistique élémentaire*, 473.) In Prussia, in 1805, it was 90,000,000 thalers. (*Krug*,  
<sup>762</sup> *Montanari*, *Della Moneta*, 52 ff.

<sup>763</sup> *David Hume's* very influential essay on the balance of trade does not give expression to this error, but he certainly was the occasion of making a great many of his disciples advocate it. It is related to the error mentioned in § 123. *Quesnay*, 101 (Daire) saw this point in a much clearer light. So did *Graumann*,

money, the value of money remains entirely unaffected.<sup>764</sup> The same thing occurs when the increased influx of money, instead of overflowing the channels of circulation, only swells the volume in the ready-money reservoirs. By means of these stores of ready money, very large payments may be made by one nation to another, without changing the circulation, or, therefore, the value of money, in the slightest degree, on either side.<sup>765</sup> If, indeed, such payments should continue for a long time to flow in the same direction, they would certainly influence the circulation, and then produce a current in the opposite direction. [376]

However, it may happen, that the value of money in different countries may be permanently different, when there are lasting difficulties in the way of the leveling influence of the incoming or outgoing current of money. Thus, the precious metals maintain a high value in those countries especially which can obtain them only by giving commodities difficult of transportation for them.

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Gesammelte Briefe vom Gelde (1762), 12 ff.; 73 ff.

<sup>764</sup> This is seen, for instance, when paper money is issued, in times when trade is thriving, and is withdrawn when this conjuncture ceases.

<sup>765</sup> Very well elaborated by *Fullarton*, On the Regulation of Currencies, 71 ff., 139 ff. Compare, however, *Becaria*, *Economica publica*, IV, 4, 27. When England on the occasion of the removal of the bank restriction in 1821 and 1822, caused £9,520,759 and £5,356,788 to be stamped, this powerful demand scarcely affected the gold-agio in Paris. (*M. Chevalier*, *Cours*, III, 157.) And, on the other hand, the system of assignats, developed during the first French Revolution, on so large a scale, had no influence on the price of silver in the rest of Europe. (*Lord King*, *Thoughts on the Bank Restriction*, 1804.) And so, *Tooke*, *History of Prices*, I, 205, describes a very large increase of the medium of circulation, after which the prices of commodities remained unchanged, corn fell, colonial products rose in price, both as they had done before, and from causes inherent in the commodities themselves. During the first years of the bank restriction, 1799-1801, grain rose very rapidly in price, while all trans-Atlantic products sank. (*Tooke*, I, 232 ff.) The unusually large importation of wheat from January 1, 1846, to January 14, 1847, was paid in France by a decrease of the bank metallic reserve (*encaisse*) to the extent of 172,000,000 francs. (*M. Chevalier*, *Cours*, III, 470.) An experienced practitioner in England is of opinion that an increase of bank notes to the

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If, for instance, an Englishman, anxious to take advantage of the high value of money in Poland, should cause Polish articles, such as wheat, wood, wool etc., to be imported into England, they would reach their destination very much increased in price, because of the great cost of transportation. Whether Poland or England would have to bear this cost depends on the relations of supply and demand. Certain it is, however, that the migration of money is hereby rendered exceedingly difficult, forbidden even within the limits of certain value-differences, especially where the means of communication are universally bad. And so, the smaller the number of countries which minister to the want of commodities of precious-metal districts, the more must other nations obtain the money they need only at second and third hand; by means of which, naturally, money itself is made dearer each time. Now, it is, as a rule, nations in a low stage of civilization, that engage in the exportation of raw material, and they are the worst adapted to engaging directly in the carrying on of trade. When, therefore, they do not possess gold or silver mines themselves, money-value is, as a rule, highest with them; especially as the absence of legal security and protection, which generally obtains there, makes the value in use of the precious

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amount of about £5,000,000 would not raise prices nor increase the tendency to speculation, but only enlarge the deposits of the bankers. But, if on the other hand, £5,000,000, by any sudden contingency, were to be put into the hands of the working classes, this money would, for the most part, enter immediately into circulation; the price of commodities would, therefore, rise and continue to rise until that amount had come into closer fists, as it would after some time. (*Tooke*, III, 156 ff., II, 323.)

metals one of great urgency to them.<sup>766767</sup>

Direct legislative or governmental provisions may operate in the same direction; as, for instance, the Japanese embargo laws which, not long since, limited all foreign trade to two foreign nations.<sup>768</sup> I intend to treat of the influence of taxation on the value of money, in a future work to be written by me, on the Political Economy of the State. [378]

### Section CXXVI.

## Uniformity Of The Value In Exchange Of The Precious Metals. (Continued.)

Most nations can satisfy their want of the precious metals, only through the medium of foreign trade. Hence they very naturally

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<sup>766</sup> This explains the high price of gold in Farther Asia, which was formerly separated from America, the principal source of supply of the precious metals, by a journey around the earth, the then usual course of the world's trade.

The precious metals are generally higher in country places than in large cities, and in the interior than on the sea-coast. Since the public highways etc. in Germany have been so much improved, the difference in the value of money in upper and lower Germany has almost disappeared. (*Rau*, in the *Archiv der polit. Oek.*, III, 338.)

<sup>767</sup> Happy beginning of this doctrine in *Hume*, On the Balance of Trade. Further, *Thornton*, The Paper Credit of Great Britain, ch. 11. *Adam Smith*, on the other hand, claims that gold and silver, because they are costly superfluities are uniformly paid most dearly for, in the richest countries. (*Wealth of Nations*, I, ch. 11, 3: Digr.)

<sup>768</sup> Similarly in China, and even in Upper Egypt, the China, so to speak, of antiquity! Compare *Herodot.*, II, 112 ff; *Homer*, *Od.*, IV, 354 ff. The religion of the Egyptians prescribed to them a mode of life which was scarcely practicable in foreign parts. They were systematically inspired with a horror for everything foreign. They had a strong antipathy for salt, fish and pilots. In Egyptian mythology, Osiris represents the Nile, Typhon the desert and the sea! (*Plutarch*, *De Iside*, 32.)

look upon the cost of production of the articles of export by the exchange of which they obtain the precious metals either directly or indirectly, as the cost of production of these metals themselves. But, the rule that all commodities of equal cost of production have equal value in exchange is applicable only within the limits of the same economic territory (§ 107), for it is frequently physically impossible, and still more frequently rendered difficult, by laws, customs and states of mind to transfer factors of production from one country to another simply on account of the more advantageous market they would there find. Thus, for instance, when England exchanges its cotton and woollen goods, and steel instruments for Mexican silver, the cost of production of the two equivalents may be very different, and the one party in this trade may permanently make a larger profit than the other.<sup>769</sup> According to § 101, that party will be most favored in whom the desire of holding to his own commodities is farthest from being out-weighed by his desire to obtain the other. But, at bottom, silver is no very indispensable article. Especially in highly civilized commercial communities, it is easiest to obtain substitutes for it, while the principal articles of English export are, for the most part, objects with which to satisfy wants rather urgent in their nature, very general, and of rapid growth; and which, besides, are not, to any extent, difficult of transportation. It is not a matter of surprise, therefore, that English commodities, in silver countries, are generally sold above the mean price between the English cost of production and the Mexican, for instance, or the cost of procuring them elsewhere; and that silver, on the other hand, is sold in England, under the same. But this lowers the price of the precious metals of the latter country in general. Hence a change in the channels of international trade, which in most countries is the only source of gold and silver, may make the price of the precious metals dearer in one place and

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<sup>769</sup> The other party, of course, makes a profit also. He is in a better condition than if he wished to produce the desired commodity in his own country.



cheaper in another, even when the conditions of the production of mines remain entirely unaltered.<sup>770</sup> In an isolated country, any amount of gold and silver whatever would, finally, as soon as the people had grown accustomed to it, suffice for all the wants of circulation. But, in commerce with the rest of the world, the greater quantity and greater cheapness of the precious metals, that is of those commodities which are most current and are possessed of the greatest amount of economic energy, must, without fail, be of the greatest advantage to a country; and this irrespective of the fact that they are under certain circumstances the symptom of an especially highly developed public economy. If we suppose two nations, A and B, equal in every other point, but that A has twice as much money as B, and that prices are twice as high there as in B; yet, with the same effort or sacrifice, A could levy twice as many taxes as B. In case of a war between them, A might pay in ready money for the necessities of an [380]

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Obscurely surmised by *Beccaria*, E.P., 3, 18, and even by *Galiani*, *Della Moneta*, II, 2. *Senior's* admirable work, *Three Lectures on the Cost of Obtaining Money*, 1830, follows up the thought that every country obtains indigenous and foreign products at a cost which grows smaller in the same proportion as the productiveness of its people's labor is large. This would, certainly, explain why it is that perhaps one hundred English days' work in cotton manufactures will exchange against as much silver as is produced by two hundred days' work in Mexican mines and foundries. This would not, by any means, produce a lowering of the price of the precious metals relatively to other English commodities, but the influence would be felt equally by all the products of English national industry.

<sup>770</sup> The first clear germ of this doctrine, which is one of the most important theoretical principles of international-trade politics, is to be found in *David Hume*, *On Interest*; *Cantillon*, *Nature du Commerce*, 226, 369 ff. *Ricardo*, *Principles*, ch. 7. "Gold and silver having been chosen for the general medium of circulation, they are, by the competition of commerce, distributed in such proportions amongst the different countries of the world, as to accommodate themselves to the natural traffic which would take place if no such metals existed, and the trade between countries were purely a trade of barter." *Rebenius*, *Oeff. Credit*, I, 29 ff. Still further developed, especially by *John Stuart Mill*, *Elements*, 1821, III, 4, 13 f.; *Torrens*, *The Budget*, 1844. *John*

army which had invaded B, with one-fourth the sacrifice which B would have to make to support its army in A, if we reverse the case, and suppose that B had invaded A.<sup>771</sup>

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*Stuart Mill*, Essays on some unsettled Principles of Political Economy, 1844, No. 1, and Principles, III, ch. 19, § 3, 5th ed.: “The opening of a new branch of export trade from England; an increase in the foreign demand for English products, either by the natural course of events or by the abrogation of duties; a check to the demand in England for foreign commodities, by the laying on of import duties in England, or of export duties elsewhere; these and all other events of similar tendency, should make the imports of England, bullion and other things taken together, no longer an equivalent for the exports; and the countries which take her exports would be obliged to offer their commodities, and bullion among the rest, on cheaper terms, in order to re-establish the equation of demand; and thus England would obtain money cheaper, and would acquire a generally higher range of prices.”

<sup>771</sup> To be found in germ in *Cantillon*, Nature du Commerce, 1755, 249 ff. 307. *Büsch*, Geldumlauf, 14. *Kaufmann*, Untersuchungen, I, 75 ff. Many of the doctrines of the so-called Mercantile System, of which I shall treat in my projected work on the Political Economy of Commerce, have given expression to this truth in an inexact and exaggerated way; but they were not entirely erroneous, as is supposed by the adherents of Hume and Smith. However, *J. S. Mill*, Principles II, ch. 19, § 2, does not fully admit the degree of the cheapness of money in England usually assumed. According to him it is wants of luxury (luxury-wants) become such through habit, that produce “the dearness of living

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in England.”

## Chapter IV.

### History Of Prices.

#### Section CXXVII.

#### Measure Of Prices,—Constant Measure.

If we had a measure of prices with the same universality of application and the same unchangeableness as the measure of length, which is determined by astronomical calculation, we should be able, not only to clearly understand all the data relating to value, that is to say, a not unimportant portion of historical science, but we should, moreover, have a practical means to condition and fix even perpetual annuities, in such a way, that they would always afford the same economic and purchasing power to the person receiving them. No wonder, therefore, that political economists since Petty's time have zealously labored to find a *constant* measure of prices.<sup>772</sup> If by this we understand a species of goods such that it should always maintain equal exchange-power, as compared with all other commodities, the

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<sup>772</sup> *Petty* considers the search for a measure which could be applied both to land and labor as one of the principal problems of Political Economy. (Political Anatomy of Ireland, 62 ff.) *Sir J. Steuart*, Principles, III, ch. I, took the matter very easy by considering the so-called "coin of account," for instance, "bank-money," as an invariable value-magnitude. Compare *Jacob*, Grundsätze der National Œkonomie, II, 441 ff. *Cazaux*, Economie politique et privée, 1825, 16 ff., has a not uninteresting study on this subject; but he goes, throughout his argument, on the assumption that the rate of interest is the price of money! If the rate of interest in two countries = I and i, the prices of the same commodity = P and p, the true thing-values, V and v; then we have v: V:: i p: I P!

idea of a “constant” measure of prices is unthinkable. We would have to suppose here, that not a single kind of goods varied in its price; since, otherwise, at least as compared with those that varied in price, the measure of prices would itself be variable.<sup>773</sup> But we may, indeed, search for a kind of goods such that its inherent elements and the elements peculiar to it, so far as it is itself concerned, and which go to determine price, should exert the same uniform influence at all times. If there be such a kind of goods, and its value in exchange as compared with other kinds of goods were to vary, we should be certain, at least, that the cause of the change was not in it, but in them; that *it* had not grown dearer or cheaper, but that they had grown cheaper or dearer. Such a kind of goods would have these two characteristics: A. A given amount of it would, under all circumstances, have the same value in use for the same number of persons. B. It would require, under all circumstances, the same cost to produce it, and therefore the supply might always keep pace exactly with the number of those who demanded it.<sup>774</sup> In this way the supply and demand of this kind of goods, abstraction made of the quantity of counter-values, would preserve forever the same invariable relation.

### Section CXXVIII.

#### Value In Exchange Estimated In Labor.

<sup>773</sup> *Law*, Trade and Money, 181. Before him, and quite correctly, *Montanari*, *Della Moneta*, I, p. 84 ff., compares the means employed of measuring one commodity by another, to the means used to estimate time in terms of space, as when it is measured by the revolutions of the hands of a clock, and again, space in terms of time.

<sup>774</sup> The solvability or capacity to pay of buyers cannot be taken into consideration here, because it is synonymous with the amount of counter-values which are to be measured.

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Adam Smith is of opinion that different kinds of goods, no matter how far removed from one another they may be in time or space, have equal value in exchange, when an equal quantum of human labor may be purchased by their means. He adopts, because of the great differences in work, the average work of the common manual laborer. One work-day, and the sacrifice of “rest, freedom and happiness” therewith connected, are, under all circumstances, attended with the same inconvenience (value). If at one time this day's labor will exchange for more, and at another for less, of any kind of goods, it is only because the price of the latter has fallen or risen.<sup>775</sup>

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But we may ask whether the same sacrifice of liberty is as great a hardship to a Russian as to a Bedouin; or whether the sacrifice of an equal amount of rest is as hard for the New Englander as it is for a Turk, or as difficult to endure on a hot day in July as in the cold of winter. Besides, we have here to do

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*Owen* endeavored to base the value of the paper money in circulation in his Utopian commonwealth, not on any metal of a certain weight or stamp, but on hours of labor as the unit. (*Reybaud*, *Réformateurs Contemporains*, I, 255.)

<sup>775</sup> *Adam Smith*, *Wealth of Nations*, I, ch. 5. Similarly *Luther*, vom Kaufhandel: Werke, ed. *Walch*, X, 1098 f. *B. Franklin* considered the labor employed in the production of wheat as the best measure of prices. (Letter to Ld. Kames: Works, ed. *Sparks*, VII.) As *Adam Smith*, so also *Sismondi*, *Richesse commerciale*, I, 371 f.; *Kraus*, *Staatswirthschaft*, I, 84.; v. *Schlözer*, *Anfangsgründe*, I, 41. Also *Malthus*, in the second and succeeding editions of his *Principles*, ch. I, 6, and *Definitions*, ch. 8, 9. *The Measure of Value*, 1823. *Zachariä*, *Vierzig Bücher*, VII, 53 f., maintains that, at least within the limits of every separate nation, the average labor-power of one man is invariable. Assuming this principle, therefore, to be true, the means of subsistence necessary to support a laborer for one work-day constitutes, indirectly, a measure of prices. *Tooke*, *History of Prices*, I, 56, says that the amount of a day's wages is always a better measure of the price of the precious metals than the price of wheat. Even in 1750, *Galiani*, *Della Moneta*, II, 2, had denied the impossibility of an entirely invariable measure of price in this world of change, but he considered man himself the least variable of measures, and in a country where slavery prevailed, slaves. He thought that the *macuta* of the negroes were a part of the average price of slaves. Practically, *Adam Smith's* proposed measure was used in the French

primarily only with value in exchange; and that value in the case of day-laborers' work is subject to very great fluctuations.

The elements on which the demand and supply of labor depend are not, in themselves, invariable, nor do their variations usually compensate for one another. In progressive nations, the value in use of day-laborers' work increases as well as the capacity of their employers to pay them; but, at the same time, as a rule, and at least relatively speaking, the supply of labor diminishes on account of the increase in the cost of production of workmen. Precisely the reverse of this happens in nations in their decline, and in overpopulated nations. The workman is subjected to the necessity of accepting distress-prices for his work, and especially of accepting them for a long space of time.<sup>776</sup> How often it happens that, if only transitorily, when wages are declining, work improves, and *vice versa*.<sup>777</sup>

Ricardo's school employs, as the measure of the price of various kinds of goods, the quantity of work by which the goods

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constitution of 1791, in as much as it provided that participation in primary assemblies should depend on the participant's paying an annual tax equal to the wages of three days' work, and eligibility as an *électeur*, on the possession of an income equal in value to the wages paid for two hundred days' day-labor.<sup>776</sup> The wretched condition, until within a short time since, of the Irish working class, is well known; how they dwelt in mud cabins without windows, board-floors or chimneys etc., in the same apartment with their pigs; how they lived almost exclusively on potatoes, and went about in rags. These same Irish, *coelum, non animum mutant*, received in North America for the coarsest kind of labor, 50 to 75 cents wages, besides wheat bread and meat three times a day, coffee and sugar twice a day, butter once, and seven or eight glasses of whiskey or brandy. (*M. Chevalier*, *Lettres sur l'Amérique du Nord*, I, 159.)

<sup>777</sup> Thus in Mauritius, the immigration of the coolies has produced a decrease of negro wages, but an increase of negro industry. In the Barbadoes, the negroes are more industrious and their wages lower than in Jamaica. The wages of good workmen, as for instance during the commercial crisis in Manchester, often sink, while the wages of bad workmen rise; as, for example, in a village through which a railroad is made to pass. Compare *Lauderdale Inquiry*, ch. 1; *Sartorius*, *Abhandlungen*, 1806, I, 16 ff.; *Lotz*, *Revision*, I, 99 ff.; *M. Chevalier*, *Cours*, III, 88 f.

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themselves are produced.<sup>778</sup> It is evident that the same amount of common labor produces very different results, according as it is well or badly conducted. Hence Ricardo must have used the word labor in the sense of labor ideally adapted to its end. But in this way it would be impossible to reduce all the different kinds of labor to a common denominator.<sup>779</sup> Nor could the peculiar effects of capitalization, or the influence of the natural or artificial limitations of competition be estimated in terms of such a measure. (See §§ 47, 107, 189.)<sup>780</sup>

### Section CXXIX.

#### The Precious Metals The Best Measure Of Prices.

It is no more possible to find a constant measure of prices than it is to square the circle. (*J. B. Say.*) If the two magnitudes to be compared are separated from each other in space but not in time, the precious metals constitute not only the best measure of their prices, but also a very good one. But the precious metals are subject to very sensible and accidental variations in price in long

<sup>778</sup> Besides the passages cited in § 107, compare also *Harris*, On Money and Coins, II, 1757 f.; *Jacob* also preceded *Ricardo*. See the German translation of *Say*, II, 435, 507.

<sup>779</sup> The introduction of the words “the socially necessary time of labor” into the formulæ does not make the measure any more practical for political economists or for socialists.

<sup>780</sup> *Cantillon*, who reduces all the cost of production to land and labor, considers the “at par” between these two to be this: that the labor of the meanest slave corresponds to the quantity of land which the owner is obliged to employ for his support, and the support of the slave and of the children who are to take his place. (*Nature du Commerce*, 42.) The Physiocrats thought that the internal (*innere*) value of two commodities stood in the same relation to each other as the area of land directly or indirectly necessary to their production. *Schlettwein*, *Grundfeste der Staaten*, 1792, 230.



periods of time. If, therefore, we would compare sums of money belonging to different times with one another, we must first construct a price-current list of all the more important articles of commerce for the time in question, and in the quantities they are needed in every day life. We would next have to calculate the average of these mean prices, and thus to determine the relative value of the amounts to be estimated.<sup>781</sup> The person who should limit his comparison to a few species of commodities, says von Mangoldt, would lose in exactness what he gained in comprehensibility. [386]

In every such list, the wages of a day would occupy a very important place. The desire of exerting an influence over the lives and actions of other men, and the desire of relatively greater social distinction as compared with the social distinction of others, is very general; and there is scarcely any better evidence that it has been attained than the possession of the power of

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<sup>781</sup> The so-called *Sachwerth* (thing-value, real-value) of *Hermann*, St. Untersuchungen, 101 ff. Thus *Poulett Scrope* recommended a "tabular standard," to be officially established and renewed from time to time, to serve as an anchor to those persons who wished permanently to fix their money in such a manner as to make it exchangeable for an equal value in *things*. (*Principles of Political Economy*, 1833, 406.) Something of this kind was tried for 50 commodities, between 1833 and 1837, by *Porter*, *Progress of the Nation*, 1st ed., II, 236 ff., then for 40 commodities by *Jevons* in the *Statistical Journal*, 1865. Of course, all commodities of a given price are not equally important in this respect. Thus, for instance, a fluctuation in the price of diamonds would have no effect on the thing-value or real-value of a day's wages, but it certainly would on the thing-value of a princely income. There are some excellent remarks on this very important subject in *Lowe's* work, *On the Actual Condition of England*, chs. 8 and 9. The controversy carried on between *Jevons*, *A serious Fall in the Value of Gold, and its social Effects*, 1863; *Statist. Journal*, 1865; and *Laspeyres*, *Hildebrand's Jahrb.*, 1864, 81 ff.; 1871, I, 296 ff; in which the former recommends the geometric mean of the relative prices of separate commodities at different points of time, in order to calculate the average relative price: and the latter, as usual, the arithmetical mean, is very thoroughly reviewed and criticised by *Drobisch*, who shows that neither of these methods is sufficient, but that the quantity of every separate

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controlling a large number of days' work. The man who can keep one thousand day laborers is certainly, in a politico-economical sense, an important personage. Besides, the height of day-wages has the most direct influence on the price of many other commodities.<sup>782</sup>

No less important is the price of wheat, or rather of the principal article of food of the people, for the time being, with which the price of inland raw material—in so far as it can be produced from the same soil alternately with wheat—and, in the long run, also the wages of labor, are so essentially connected.<sup>783</sup> The same indispensable necessity of wheat which causes its price to fluctuate so largely from year to year, and from month to month, promotes the uniformity of its average price,<sup>784</sup> when

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commodity must also be taken into account, for which he furnishes practical formulæ. (Math. phys. Berichte der K. Sächs. Gesellsch., 1871, I, 143 ff, 416 ff.) It is certain that a fixed income in money could maintain its real value or thing-value (*Sachwerth*) just as little if the cwt. of bread rose by as many dollars as the cwt. of pepper had fallen; as if the increasing price of bread depended on a decreasing price of pepper.

<sup>782</sup> *Senior*, *Outlines*, 187. In addition to this, we may draw from the thing-value of a day's wages a right conclusion as to the economic condition of the majority of the people; and assuming the customary division of the national wealth, also as to the degree, to which the people have subjected the forces of nature to their service.

<sup>783</sup> *Ricardo*, ch. 22, refuted, indeed, only the view that an increase in the wages of labor produced by the higher prices of corn, would necessarily make all goods or products of labor, correspondingly dearer.

<sup>784</sup> Compare § 103. In Paris, in 1817, the *setier* of wheat cost March 5, 55½ francs; April 2, 57 fr.; April 23, 60 fr.; May 14, 63 fr.; May 21, 66 fr.; May 28, 75 fr.; June 4, 82 fr.; June 11, 92 fr. (*Tooke*, *History of Prices*, II, 17.)

many years are taken into the account.<sup>785786</sup> (*Malthus.*) If, by [388]  
 reason of great progress made in the art of agriculture, the cost  
 of the production of wheat should fall to one-half of what it was,  
 a large increase of population would certainly not be delayed  
 long. And so, on the other hand, there would be a decrease of  
 population if, by the destruction of artificial means of irrigation,  
 or other steps in the direction of a retrogressive civilization, the  
 cost of the production of wheat were to be permanently increased.

But even the average price of wheat, during a long series of  
 years, is not entirely invariable. The increasing consumption  
 compels the nation, as a whole, to provide for its requirement  
 of wheat from less fertile sources, which increases its price  
 generally. It is true that the progress of the science of agriculture  
 and of the corn-trade counteract this tendency, retard the advance  
 of the price of wheat, and may, for a time, produce an opposite  
 tendency. It is true, also, that the people are induced by their most  
 general and vital interests to take advantage of this possibility.

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<sup>785</sup> *Locke*, 98. When *Condillac* asserts that wheat is the best measure of prices, he adds, when free trade in wheat obtains. (*Commerce et Gouvernement*, 1, 23.) *Fichte*, on the other hand, while advocating the despotic guidance of all trade by the state, would employ wheat as the fundamental measure of prices. (*Geschl. Handelstaat*, 47 ff.) That grain does not afford a good measure of prices in very highly cultivated nations nor in barbaric ones, see *Hermann*, II, Aufl., 451.

<sup>786</sup> The average price must be based on the prices of a great many years, since crops vary not only from year to year in price, but from decade to decade. See *Roscher*, *Nationalökonomik des Ackerbaues*, § 152, and *Roscher*, *Kornhandel und Theuerungspolitik*, 47 ff. Great wars are wont to disturb agriculture in such a manner that the price of corn is very much increased by them. Hence, it is not unfrequently possible to use the prices of grain as a species of barometer to determine the real pressure of a war upon the economic life of a people. Judging by this standard, England suffered much less from the War of the Roses in the fifteenth century, than from the civil wars in the seventeenth; and less than France from the religious wars of the sixteenth. The war year 1631-2, in which Gustavus Adolphus and the emperors had to spare the country, must have been far less oppressive for Saxony than the later Swedish campaigns. *Roscher*, in the *Tübinger Zeitschrift*, 1857, 471.

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But spite of the frequency of exceptions to it, the rule remains.<sup>787</sup> If, therefore, we wished to so fix a perpetual annuity that it should always be worth as much money as a certain quantity of wheat had cost, on an average, during the three preceding decades, the thing-value of this annuity would, on the whole, rise with an advance in civilization.<sup>788</sup> To obtain something that would remain the same, it would be necessary to combine wheat with at least one chief commodity, the intrinsic basis of the price of which had a development independent of the price of grain; but the whole to be made payable in money. The precious metals are, in many respects, so diametrically opposed in properties to wheat, in their dispensableness, transportable character and durability, for instance, that these two classes of commodities

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<sup>787</sup> Most countries go through these successive periods in their corn trade: in the first, exportation preponderates; in the second, there is an equilibrium; in the third, importation preponderates. (*M. Chevalier*, III, 74 ff.) Compare *Tacit.*, Ann., XII, 43. Omitting the two dearest and the two cheapest years, the Prussian provinces were circumstanced as follows:

In The Whole Kingdom, the price of Rye, 1816 to 1837, was 40. silver groschens. The population per square mile, 2,776

In Prussia, 32.2 silver groschens, and 1,827

In Posen, 34.3 silver groschens, and 2,180

In Brandeburg, Pomerania, 38.4 silver groschens, and 2,093

In Saxony, 40.3 silver groschens, and 2,366

In Silesia, 38.0 silver groschens, and 3,612

In Westphalia, 47.7 silver groschens, and 3,600

In Rhine Province, 49.4 silver groschens, and 5,078

*Rau*, Lehrbuch, I, § 183. As to when it may be assumed that the price of corn has remained unchanged, see *Hermann*, loc. cit., 125 ff.

<sup>788</sup> *Petty* recommended the average daily food necessarily required by one man as the measure of price, estimated on the basis of the cheapest means of subsistence. (*Polit. Anatomy of Ireland*, 62 ff.) *Thaer* used as such a measure the smallest day's wages; as he supposed, expressed in rye, that is, 1/9 of the Prussian *scheffel*. Similarly, *Malthus*, in his first edition, and *Buquoy*,

are best adapted to act as counter-balances to each other.<sup>789</sup>

### Section CXXX.

## History Of The Prices Of The Chief Wants Of Life.

The higher civilization advances, the dearer all those commodities in the production of which the factor nature with value in exchange predominates are apt to become; and the cheaper, on the other hand, all those in which labor and capital play the principal productive part.<sup>790</sup> This is accounted for, not only by the almost unlimited capacity of labor and capital to be increased, while the natural forces which have value in exchange are susceptible of increase to so small an extent; but also, and especially, because new additions of labor and capital are wont to

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Theorie der Nationalwirthschaft, 240. But this is simply to substitute for wheat an arbitrarily determined quantity and quality of the same as a measure of prices. For practical experiments of this kind, made by the depreciation of paper money during the French Revolution, see *M. Chevalier*, Cours, III, 98; and Constitution de 1795, V, 68, VI, 173. *Count Soden*, Nat. Œk., II, 338 f., demands that all taxes, salaries of state officials etc., should be regulated in accordance with the price of corn. This same view has been suggested recently in many German States.

<sup>789</sup> Recognized generally by *Locke*, Considerations 24. Further, *Galliani*, Della Moneta, II, 2; *Adam Smith*, I, ch. 5. *Schäffle*, N. Œk., II, Aufl., 127, maintains that a constant measure of price, such as would enable a person to stipulate for a salary for instance that would be always of the same value, is impossible. Similarly, *Hildebrand's Jahrb.*, 1871, 315 ff.

<sup>790</sup> Compare *J. Tucker*, Four Tracts on political and commercial Subjects, 28 ff., who maintains that it is a rule, almost without exception, that “operose or complicated manufactures” are cheapest in rich countries; “raw materials,” in poor ones. Thus, for instance, corn (?), garden products in the former; cattle, wool, milk, skins, flesh-meat, in the latter. Ships and movable property are cheaper in the former, whereas wood may be said to be almost the free product of nature here. See especially *Adam Smith*, Wealth of Nations, ch. 11, Digr.

cause relatively smaller results in the production of raw material, and relatively larger ones in industry and commerce. (§ 33, ff).<sup>791</sup>

Hence, from the relations the prices of the different classes of commodities bear to one another, we may draw important conclusions as to the degree of civilization which a country has attained. The above law also affords an explanation of the fact, that a young nation, which has made no great strides in the way of development, and in which, of course, the production of raw material preponderates, draw their commercial and manufactured necessities, by way of preference, from precisely the most highly civilized foreign nations. The latter are in a condition, and accustomed, to give the largest quantity and the best quality of manufactured articles for a required quantity of raw material; and, of course, *vice versa*. Hence, in this intercourse of nations, the most urgent want, and the completest and easiest possibility of satisfying it, meet.<sup>792</sup> Only very highly civilized mother-countries can hold fast to colonial possessions in our day.

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<sup>791</sup> *Senior*, Outlines 119 f., makes the following calculation: Of the 15d. which a loaf of bread costs in England, 10d. goes to buy the wheat, the other 5d. to the miller, baker etc. If now, we suppose, that in consequence of an increased demand, and therefore of increased production under more unfavorable circumstances, the price of wheat should rise to 20d., the cost of production would possibly, because of an improved division of labor, come down to 3- $\frac{3}{4}$ d., and hence the price of the loaf of bread would be increased to 23- $\frac{3}{4}$ d. It is quite the reverse in the case of lace, because here a piece of raw material worth only 2 shillings may, by reason of the labor expended on it, become worth as much as £105. If the consumption of lace should increase so that the value of the raw material rose to 4 shillings, the simultaneous decrease of the cost of manufacture to the extent of one-quarter of the aggregate price, would leave the price of the manufactured article £78, 19s.

<sup>792</sup> When, for instance, the inhabitants of the Baltic coasts, by way of preference, kept up their relations with the Hanseatic cities, the Dutch and English, that is with the most important industrial and commercial nations in their own sphere, they in all this pursued only their own interest. As to how this intercourse between "old" and "new" countries is susceptible of the very highest development, see *Torrens*, The Budget: On Commercial and Colonial Policy, 1844, and earlier, *Wakefield*, England and America, II, 1823.

## Section CXXXI.

History Of The Prices Of The Chief Wants Of Life.  
(Continued.)

A. In the case of a great many raw materials, we repeatedly find the following to be the course of development. In the lower stages of civilization, they grow of themselves, and in such quantities that a small amount of labor, and that only the labor of occupation, more than suffices to satisfy the small demand for them. Here, naturally enough, the price of raw materials is very low. After this, it rises with every advance made in civilization, for two reasons: first, because the demand becomes greater and greater; and then, because the naturally free sources of production, called into requisition by other wants, now flow less and less abundantly.<sup>793</sup> This rise in price continues until the point is reached at which it becomes customary, instead of the mere occupation of the free gifts of nature, to bring forth the commodities in question by the more laborious process of production proper. From this time forward, the usual seeking of prices for a level requires that our commodity should, like all others which suppose an equal sacrifice of the means of production, claim an equal value in exchange. If from any peculiar causes, the production of this commodity is not at all possible, or if it is capable of no great extension, its price, which would under the circumstances, be limited only by the purchasing power of the buyer, might attain the utmost extreme reached in prices under the spur of vanity or of the mere love of the commodity itself. The latter is true especially in the

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<sup>793</sup> The clearing up of primeval forests, the cultivation of natural meadows, etc.

case of venison;<sup>794</sup> the former, in the case of the tame cattle,<sup>795</sup>

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<sup>794</sup> In Hungary, during the sixteenth century, the choicest venison was consumed by plebeians and nobles alike. *Herberstein*, *Rer. Moscov. Comm.*, 97. In Russia, even the lowest classes not unfrequently partake of roast hare and duck etc. *Kohl*, *Reise in Russland*, II, 386. Still, in St. Petersburg, wild-fowl game rose between the time of Peter the Great and Alexander I. 600 per cent. in price. (*Storch*, *Handbuch*, I, 368.) In Pittsburg, in 1807, mutton, beef and veal cost from 4 to 6 cents a pound, and game only from 3 to 4-½ cents a pound. (*Melish*, *Travels through the United States*, II, 57.) The more the game laws are enforced, the longer does the low price of game continue, especially when it is not easy for the poor to procure them. The moderns have seldom thought of raising game artificially; among the Romans, artificial raising was confined to the hare and fieldfare. (*Varro*, *R.R.*, III, 12 ff.; *Columella*, *R.R.*, VIII, 10.) Hence, the enormous prices paid for game, of which *Pliny*, *H. N.* X., 43, relates an example from the time of the emperors. On the other hand, *Polybius* assures us that, in his time, game was to be had as good as gratis in Lusitania. XXXIV, 8, 7.

<sup>795</sup> In Buenos Ayres, in the nineteenth century, beggars on horseback were to be seen. (*Robertson*, *Letters on South America*, II, 294.) In Krasnojarsk, in 1770, 1-½ rubles was the price of an ox, 1 ruble of a cow, from 2 to 3 of a horse, from 0.3 to 0.5 of a sheep; 0.15 of a deer. (*Pallas*, *Sibirische Reise*, III, 5, II 12.) According to the Tables of Prices in *Sir F. M. Eden*, *State of the*



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Poor, Append. I, and *Rogers*, History of Agriculture and Prices (1866), I, 245, 361, the following prices obtained in England;

(On an average.)

in 1125-26, one ox, 1 shilling; one quarter of wheat, 20 shillings;  
 in 1260-1400, one ox, 13 shillings 1-¼d; one quarter of wheat, 5 shillings 10-¾d;  
 in 1406, one ox, 9-½ shillings; one quarter of wheat, 4-½ shillings;  
 in 1463, one ox, 10-20 shillings; one quarter of wheat, 1-■-4-■ shillings.

Compare *Hume*, History of England, a. 1327. Under Henry VIII. veal, beef, mutton and pork were food for the poor in England, and cost on an average 1-½d per pound; while wheat cost from 7 to 8 shillings a quarter. (24 Henry VII, c. 3. *Price*, Observations, II, 148 f.) The same appears from the "reasonable prices" which Charles I, in 1663, had established by sworn juries viz.: that the different kinds of meat were much cheaper comparatively than corn in our days. (*Rymer*, Foedera, XIX, 511. *Anderson*, Origin of Commerce, a. 1633.) In many places in the highlands of Scotland, in the middle of the seventeenth century, one pound of oat-bread cost as much or more than one pound of the best meat. The union of Scotland with more highly civilized England soon changed the relation, so that in *Adam Smith's* time, good meat, in nearly all parts of Great Britain was worth from 2 to 4 times as much as the same weight of wheat bread. (*Wealth of Nations*, I, ch. 11, 1.) The Thomas

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Hospital in London paid, on an average, for good beef per stone weight:

1701-1710: 1s. 7.9d.

1764-1773: 1s. 3.7d.

1794-1803: 1s. 5.d.

1804-1821: 1s. 10.9d.

1822-1842: 1s. 1.5d.

(*Porter*, Progress of the Nation, III, 112.) Among the most certain proofs of the high degree of economic civilization attained in upper Italy about the close of the medieval times is the fact, that the price of cattle, compared with that of wheat in the thirteenth and fourteenth centuries, varies very little from what it is to-day. (*Cibrario*, Economia politica del medio Evo, III, 335-383.) Compare *Rau*, Lehrbuch I, § 185. In Athens, the cost of a *medimnos* of wheat was as great as that of a sheep in Solon's time. In the age of Demosthenes, it cost only half as much. (*Böckh*, Staatshaushalt der Athener, I, 107, 132.) It is obvious, however, that the price of meat compared with that of corn, was lowered by the great extension of the artificial cultivation of meadows; for, when the former has reached its maximum, it becomes a great spur to the promotion of the latter. Thus, in England, the price of meat, at the beginning of the sixteenth century, was on an average, higher than in *Adam Smith's* time. (loc. cit.) To the same cause is to be ascribed the state of things in Prussia mentioned by *v. Podewils*, *Wirthschaftserfahrungen*, II, 15.

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As a common basis for such calculations, the following may be accepted. It is plain that meadows, pasturages and forage-fields must yield as much in meat, as corn-fields of the same dimensions of equal goodness, and situated as favorably, in corn. According to *Block*, a Prussian acre (*Morgen*) of the best quality, used as a meadow, produces a hay-value equal to 1,000 pounds, a clover-value equal to 2,420; as a vegetable field, a beet or potato-value equal to 6,050-6,930 pounds, *v. Lengerke's* estimate is that 110 pounds of cattle-fodder expressed in terms of hay, produces on an average 40 pounds of milk, and from 3-½ to 4 pounds of meat. This would, at most, give 36, 88 and 220-252 pounds of meat. The yield of wheat, *v. Lengerke* estimates, on the best soil, and on an average, at 14 Prussian *scheffels* (at 80 pounds, i.e. 1,120 pounds) yearly per acre (*Morgen*). The three periods in the history of the prices of cattle were clearly recognized by *Thaer*, *Landw. Gewerblehre*, 1815, 100.

fresh-water fish,<sup>796</sup> and wood.<sup>797</sup><sup>798</sup>

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<sup>796</sup> It is a very characteristic fact, in relation to the river fisheries, that the fable that servants formerly stipulated not to eat salmon except twice a week is to be found in so many places. Thus on the Elbe and the Rhine. Compare *Thaarup*, *Dänische Statistik*, I, 112. In Scotland, about the end of the seventeenth century, the story in places ran, that it was five times a week. (*Walter Scott*, *Old Mortality*, ch. 8.) In England, fish seems to have been a tid-bit among the poorer classes in the fourteenth century. (*Rogers*, I, 606.) It was dearer especially during Lent. (*Statist. Journ.*, 1861, 544 ff.) The artificial production of sea-fish seems to have been tried only by the ancient Romans. On the whole, *Adam Smith's* law that a ten-fold demand can, as a rule, be met only by a greater than ten-fold labor, applies here. (I, 370, ed. Basil.) But this relation is obscured to a certain extent, from the fact that the source of the production of sea-fish, the ocean, which may be claimed at any time by occupation, is, practically, boundless. Here, therefore, the improvements made in nautical science, and the progress of geographical knowledge, may yet for a long time compensate for the exhaustion of the nearer seas, and even more than counterbalance it.

<sup>797</sup> Among a great many nations in a low stage of civilization, agriculture consists in the burning down of the forest. In 1594, the Lauenförder forest produced 1,110 thalers' worth of food for hogs, and wood to the amount of 44 thalers. (v. *Berg*, *Staatsforstwirthsch.*, 213.) The Harzgerode woods, at the ducal line of Anhalt-Bernburg, were estimated at 6,000 thalers. A hundred

## Section CXXXII.

## History Of The Prices Of The Chief Wants Of Life. (Continued.)

B. The rise in prices is observed earliest in that class of goods in question which by reason of their small volume and their comparatively great value, and by reason of the greater capacity to be kept in a state of preservation for a longer time, are best adapted to seeking a more favorable market. This applies particularly to the skins, fleece, hair, feathers, teeth, horns, etc., of animals, in which, in the breeding of stock, etc. people in a

kings the fleece was worth 40 per cent. of the value of the whole sheep, (*David Hume*.) And so *W. Macann*, Two Thousand Miles Ride through the Argentine Provinces, 1853, I, 151, says that in the interior of Buenos Ayres, he purchased 8,000 sheep at 18 pence a dozen, and after a march of 200 English miles, sold the skins for sixty pence a dozen. In Goya, formerly, a live horse cost 3 pence, its skin on the coast 12 pence; and the slaughtering of the beast cost 3 pence, the removal and cleaning of the skin 3 pence; and 3 pence were paid for transportation. (*Robertson*.)

In Ireland, in 1763, it not unfrequently happened that the skin and tallow of an ox cost as much in a commercial city as the whole ox had cost in the nearest market town. (*Temple*, Works III, 13.) In England, from 1260 to 1400, the average price of a whole cow was 9s. 9d.; of the hide 1s. 8d., and cows were cheapest in the first decade, i.e., 6s. 2d., and the hides dearer than they were generally afterwards, i.e., by from 1-9-¼d. (*Rogers*, I, 361, 451.) In Saxony, according to *Engel* (1853), the average price of horned cattle was about 46 thalers; of their hide, 4 thalers and 21 silver groschens. Russia exported, 1842-1847, 72,636,166 silver rubles worth of tallow, 1,832,137 silver rubles worth of horse hair, 10,811,735 worth of bristles (*Borsten*), 7,387,140 of uncured skins, 36,159,452 of sheep's wool, but flesh-meat only to the amount of 370,362 rubles, and entire animals to the value of 6,853,241 rubles. (*P. Storch*, Der Bauernstand Russlands, 289 ff.) Tallow is there ten times dearer than the

low stage of civilization are much more apt to speculate than in their meat. Here it is considered, and rightly so, to be much more profitable to raise many animals which are badly cared for, than a few, that are well cared for; for the care bestowed on animals has, as a rule, much more influence on the body itself than on their covering.<sup>799</sup> In fisheries, caviar, sturgeon-bladders, oil and [396]

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same volume of wheat. (*Steinhaus*, Russlands industrielle und commercielle Verhältnisse, 294 ff.); while in Saxony, according to *Engel* (1821), a pound of wheat cost on an average 7.8 *pfennigs*, and a pound of tallow 30 *p*. However, Russia's recent progress in civilization has had for effect: that the exportation of tallow (1833 = 4-½ million *puds*; 1869 = 2-¼ mill.) has greatly fallen off; while that of butter and live stock has increased. (v. *Lengefeld*, R. im 19. Jahrh., 220 ff.)

In England, during the fourteenth century, a pound of meat cost, on an average, ¼d.; of lard, from 1-½ to 2. (*Rogers*, I, 411.) On the other hand, from 1848 to 1856, the average January price of beef from America was 110 shillings; of tallow from St. Petersburg, 48s. 11d. per cwt. (*Newmarch*.) And so, in the time of *Pallas*, the Cossacks chased the deer of their steppes only for the sake of its skin and horns. (*Pallas*, Reise, III, 524.) While the Greeks got horn from Macedonia and Thrace (*Herodot.*, VII, 156), it is a striking proof of high civilization that at Athens (?), about the time of the hundredth Olympiad, an ox-hide was worth only 3 drachmas, and the whole ox 77 drachmas. (*Böckh*, Staatshaushalt, I, 105 ff.)

As the ox is primarily serviceable as an object of food and an instrument of labor, and the sheep on the other hand, only an instrument to produce wool, it is easy to understand why, with the further advance of civilization, the price of oxen rises comparatively much more than the price of sheep. In Athens,

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during the time of Solon, an ox was equal in value to five sheep. (*Plutarch*, Solon, 23.) So also in countries with a low civilization in the time of Polybius. (*Polyb.*, XXXIV, 8; *Gell.*, XI, 1.) Why the same was the case in Rome at the beginning of the Republic? (*Plut.*, Popl., 11). In England the proportion between the price of an ox and that of a sheep was,

in 927 as 6:1 (*Henry.*)

in 1125 as 3:1

in 1182 as 6.3:1

in 1197 as 9:1

in 1229 as 8:1 (*Eden.*)

in 1260-1492 (av.) as 9.2:1 (*Rog.*)

in 1497 as 10:1

in 1500 as 11.6:1

in 1511 as 8:1

in 1528 as 10:1

in 1529 as 12.8:1

in 1531 as 9.4:1

in 1551 as 10.6:1

in 1597 as 8.2:1 (*Eden.*)

At present the proportion may be from 10 to 20:1. In Saxony, it is as 48 thalers to 5.27. (*Engel.*) years later, they brought in yearly 70,000 thalers, although, in the meantime,

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whalebone;<sup>800</sup> and in forest-culture, pitch, tar, potash and, to

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had undergone a great change even in 1850. At present, there are 64 per cent. of sturgeon bladders, 27 of caviar, and 7 of whole fish. (*Steinhaus*, *Russland's industrielle und commercielle Verhältnisse*, 102, 368.) Yet the Astrakan fishermen still throw the greater number of the sturgeon they catch back into the water. (*Pallas*, *Reise im süd. Russland*, I, 189; *Steinhaus*, 99.) Salt fish are adapted for transportation to a distance not only because they can be preserved, but also because they may be caught and prepared on the great highway of the water. Athens got from the Black Sea besides wood, tar, wool, hides, cordage, honey, wax and slaves, also salt fish. (*Wolf*, *z. Demosth. Leptin.*, 252; *Bockh*, *Staatshaush.* I, 51.) The latter from Sardinia, Egypt and Spain. (*Pollux*, VI, 48.)

very little progress was made in the science of cultivating them, (*v. Justi*, *Staatswirthschaft*, II, 211.) We may form a notion of the relativity of the idea of the dearness of wood from the fact that in Bavaria, for instance, in 1840, there was a great deal of complaint, that in the district of Isark the price rose from 6 to 9 florins; in the districts of Regen and the lower Maine, from 11 to 14 florins to from 15 to 18; in the Rhine district, from 20 to 26 florins per cord (*Klafter*). (*Rau*, *Lehrbuch*, III, § 150, a.) Besides, the price of wood in the forest rises, with an advance in civilization, much more rapidly than it does in the market; in which last, labor and capital play a greater part. (*Rau*, I, § 385.)

<sup>798</sup> Plan for the artificial production of pearl oysters. (*Novara-Reise*, I, 303.)



some extent, building material etc., play the same part.<sup>801</sup>

Conversely, the price of those portions which are most difficult of transportation, by reason of their volume or of the difficulty of preserving them, rises latest. To this category belongs milk, the production of which in a fresh state can be made an object of economic speculation, only where civilization is at its very highest, and especially in the vicinity of large cities.<sup>802</sup> It is indeed possible by its transformation into butter or cheese to preserve milk and make it capable of transportation. But to carry on such a business for the purposes of trade, a care and a cleanliness are needed which are national characteristics only of a highly civilized people (§ 229), and the preparation of a superior quality of cheese, which is always a very long process, is conditioned by the employment of capital long in advance of a return, and which no poor nation is in a condition to [398]

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10,000,000 thalers, their meat to over 2,000,000, and the labor performed by them in various ways to 3,000,000. In Silesia, in the last decade of the eighteenth century, a quart of milk was estimated to be worth 2 *pfennigs* (Festschrift der deutschen Landwirtschaftsversammlung, 1869, 343), whereas as now it is sold almost everywhere for 12 *pfennigs*. (*Schmoller*.) In the rather high state of civilization which Saxony had reached at the end of the sixteenth century, when game was already dear, and the prices of other meat were almost as high as in 1800, a *sheffel* of rye was worth 44 measures (*Mass.*) of milk, and recently 82-■measures. (*Schmoller*, *Tübinger Ztschr.*, 1871. 336 ff.)

Ostriches seem now to be ceasing to be objects of mere occupation, and to be becoming objects of breeding. (*Ausland*, 1869, § 13.)

<sup>799</sup> Thus Wolff's experiments made at Möckern have shown that in the case of sheep fed with hay, the wool becomes much heavier and the flesh leaner than those of sheep fed with a more concentrated food. While it is estimated in England, at the present time, that the wool of South-Down sheep is worth scarcely one-tenth what their flesh is (*Jacob*, *On Corn Trade*, 166), mutton, from the year 1260 to 1400, was, on an average, worth 17 pence; and this even at a time when prices were gradually rising; but the wool of one animal (1 lb., 7-<sup>3</sup>/<sub>4</sub> ounces), 5-<sup>1</sup>/<sub>4</sub> pence. (*Rogers*, I, 362, 395.) Even under Anglo-Saxon

<sup>800</sup> About 1793, Russia exported 10,000 rubles worth of fish, 452,000 of

make.<sup>803</sup> Cows are primarily milk-producing animals.<sup>804</sup> Hence their price, as a rule, rises later than that of oxen, but, in the higher stages of civilization, it rises much more surprisingly. Something analogous is true of those products which result from what remains after the production of other goods or commodities. As long as this alone supplies the demand, the cost of production of the former commodity is almost nothing, and hence its price is very low. For this reason hogs are relatively cheap in two very different periods of a people's national economy, in a very low stage of civilization where forests are plentiful and they are fattened on acorns and the nuts of the beech, and also when they may be considered as a collateral product of some great industry, such as distilleries and dairy-farming; and when raised by a numerous, especially a rural population of small means and laborers, in order to turn to advantage, in the former instance, the remains of production, and in the latter of consumption.<sup>805</sup>

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sturgeon bladders, 188,000 of caviar. (*Storch*, Russland, II, 184.) But this

<sup>801</sup> The principal countries that produce potash are Russia and North America. It is estimated that a cwt. of potash requires, on an average, 480 cwt. of wood. (*Pfeil*, Grundsätze der Forstwirthsch. in Bezug. auf National-Oekon. etc., I, 128.) From 1800 to 1840, wood for fuel in Würtemberg trebled its price; for building material the price increased 1.6 times. (*Deutsche Vierteljahrsschrift*, 1847, No. 4, 104.)

<sup>802</sup> Whereas barbarous nations take little trouble to turn the milk from their cows to account (*Roscher*, Ideen z. Politik und Statistik der Ackerbausysteme, Archiv. der politische (Economie, neue Folge, III, 202), *Reuning*, in 1844, calculated that the milk from all the cows in Saxony amounts to a value of

<sup>803</sup> The principal cheese-producing countries and cities are Holland, Limburg, Switzerland, Gloucester, Chester, Ayrshire etc. Compare *Roscher*, loc. cit., 195 ff.

<sup>804</sup> In England, in the year 1000, a cow was worth only as much as two sheep. (*Anderson*, Origin of Commerce, a., 979.) The best butter was worth only 1d. per pound in 1550, while pork was worth 1-1/8, veal and mutton, 1-1/2, and beef, 2-1/4d. The price of butter was exceedingly variable in the sixteenth century. (*Eden*.)

<sup>805</sup> During the middle ages, pork constituted the most usual animal food even of the best classes. (*Büsching*, Ritterzeit und Ritterwesen, I, 164.) Immense

Where neither of these two reasons obtains, the price of hogs is [399]

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the districts where agricultural proletarians abound—Ireland and Yorkshire. It is a consequence of the same law that, among the South Sea Islanders, the hog was the principal domestic animal, as it still is among the Chinese. Similarly in the whole of Asia, beyond the Ganges (*Ritter*, *Erdkunde*, IV, 938, 1101); in semi-barbarous upper Italy in the time of *Polybios* (II, 15); in Gall itself, in the time of Augustus. (*Strabo*, IV, 192, 197.) The America of the ancient Greeks, Sicily, exported hogs, mainly, in the time of Hermippos. (*Athen.*, I, 27.) And even among the Romans, the consumption of pork was much greater than the consumption of beef. (*Marquard-Becker*, *Handbuch*, V, 2, 39.) importance attached to pork by the *Lex Salica*. (Tit., II, XIV; Emendatt. *Caroli Magni*, II, 1 ff.) The archbishop of Cologne used every day 24 large and 8 medium-sized hogs, and four more on the three great festivals. The abbot of Corvey used daily five fat and one lean hog, besides two young ones. (*Kindlingen*, *Münsterische Beitr.*, *Urkunden*, 147, 126.) In 1345, at the court of Dauphiny, there were used annually for 30 persons, 30 salt and 52 fresh hogs; whereas, in modern Paris, with 800,000 inhabitants, only 32,000 hogs are consumed yearly. (*Roquefort*, *De la Vie privée des Fr.*, I, 310 f.) Compare herewith the place occupied by the swine-herds in the Odyssey in Greece's age of chivalry. In England, in the time of William I., woods were taxed according to the number of hogs they might feed. At present, there is an enormous production of hogs in Servia, which, in many places, constitutes the

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only source of ready money to the agricultural population.

And about the end of the eighteenth century, it is said that Serbia received from Austria alone 1,300,000 florins yearly for hogs. (*Ranke*, *Serb. Revolution*, 95.) In 1864, Serbia's total exports amounted to 62,500,000 piasters, of which 28,162,260 were for hogs, 7,043,000 for wool, 7,662,000 for the skins of sheep and deer, 5,732,000 for cattle, 1,222,400 for tallow. (*Kanitz*, *Serbien*, 598 ff.) Great production of hogs also in the Moldau and in Wallachia, in the United States and Mexico, where, instead of butter, only lard and suet are used; also in Lombardy, the Prussian Rhine province, Belgium, the English milk-producing districts, Gloucester, Wilt, Dumfries, Galloway and

wont to increase largely with an advance in civilization.<sup>806807808</sup>

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<sup>806</sup> In the cities of Prussia subject to a tax for the privilege of maintaining slaughter houses, a pound of beef cost on an average, in 1846, from 2 silver groschens, 5 *pfennigs*, to 3 s. gr. 4 pf.; pork, from 3 s. gr. 2 pf. to 4 s. gr. 4 pf. (*Dieterici*.) In Moscow, also, the latter is dearer at present. Before the time of Peter the Great, it was cheaper. (*Storch*, Handbuch I, 364.) It was a sign of high civilization, too, that in Florence, in the fifteenth century, veal cost, on an average, 2-½ soldi; mutton, 2-■ soldi; but pork, 4 soldi. (*Pagnini*, Saggio sopra il giusto Pregio delle Cose, 325 f., Cust.) It is especially the lower middle class who ask for fat meats. The very fat English sheep are taken not to London, but into the manufacturing districts. (*Lauderdale*, Inquiry, 322 f.) As to whether the relatively high price of pork, and the fact that in the later times of Rome, the wild boar was the most fashionable dish, compare *Becker*, Gallus, II, 186.

<sup>807</sup> The production of fowl is similar in this, that they are frequently fed from remains of consumption; only their production is not adapted to uncivilized countries, because it is difficult to protect them there. In Texas, it is said, it costs more to raise ten chickens than to bring up ten children. (*Kennedy*, Czarnkowski's translation, 1846, 115.) The independent breeding of fowl is advisable only where there are a great many rich consumers; for the reason that they are naturally a delicacy. Enormous production of pigeons in Cambridge, Huntington etc. (*McCulloch*, Statistical Account, I, 189.) In Paris

(See Roscher, Nationalökonomik des Ackerbaues, §§ 177 ff.)

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### Section CXXXIII.

## History Of The Prices Of The Chief Wants Of Life. (Continued.)

C. Those raw materials which, from the very first, have been obtained by the means of production properly so called, maintain a much greater uniformity in price. In the lower stages of civilization, they are never found permanently in excess; and as the economy of a people advances, the growing dearth of natural forces may be more or less counterbalanced by the greater

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the consumption of pork and fowl has gained somewhat since the Revolution. (*M'Chevalier*, Cours. I, 113.)

<sup>808</sup> According to *Schuckburg*, Philosophical Transactions of 1798, and *Kraus*, Vermischte Schriften, I, tab. I, the prices of the following species of animals rose in England between 1550 and 1795: horses, 904 per cent.; oxen, 896 per cent.; sheep, 876 per cent.; cows, 2050 per cent.; hogs, 1964 per cent.; geese, 300 per cent.; butter rose from 5d. per pound to 11- $\frac{1}{2}$ d.; beer from 1d. per gallon to 2- $\frac{3}{4}$ d.; agricultural day wages from  $\frac{1}{2}$ s. to 1s. 5- $\frac{1}{4}$ d.; wheat 326 per cent. Compare, however, *Edinburg Review*, III, 246 ff. In Germany also, cows and hogs have increased much more in price than horses and sheep. (*Tübinger Ztschr.*, 1871, 342.) *Dutot*, *Réflexions*, 946 ff., éd. Daire, says that the value of the precious metals in France decreased in value between the times of Louis XII. and Louis XV. in the ratio of 3-79/91:1. On the other hand, the prices of different commodities rise in very different degrees:

- Fat sheep, from 7 sous to 10 livres.
- Lean sheep, from 5 sous to 5 livres 10 sous.
- Hogs, from 10 sous to 25-35 livres.
- Capons, from 1 sou to 12 sous.
- Hens, from 1- $\frac{1}{2}$  sous to 6 sous.
- Pigeons, from 1- $\frac{1}{2}$  sous to 3 sous.
- Deer, from 1- $\frac{1}{2}$  sous to 15 sous.

cheapness of capital and labor. This is true, especially of wheat. (See § 129, and Roscher, *Nationalökonomik des Ackerbaues*, p. 43.)<sup>809</sup>

D. In the case also of those raw materials which are objects of occupation, and never of real production, as, for instance, minerals, a progressive public economy, by altering the different elements of price in an opposite direction, may leave their price on the whole unchanged. Here, indeed, the discovery of new and especially of rich natural stores may exert an incalculable influence; but such “accidents” underlie the laws of human development only to the extent that those ages which are intellectually most active are those also which are most industrious and fortunate in the discovery of their natural

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<sup>809</sup> Thus, in Thuringia, the average price in silver of corn from the sixteenth century until the period 1848-61 increased in the ratio of from 1 to 3-4; the price of the different kinds of animals, on the other hand, from 1 to 5-10. (*Knies*, in *Hildebrand's Jahrb.*, 1863, 78.) The price of the different kinds of corn as compared with one another may, however, be modified by many different circumstances. Thus the *Capitulare Saxoniae* of 797, c., II, estimated the prices of rye, barley and oats to be to one another as 30:30:15; while the Magdeburg Chamber of 1804 estimated them to be as 17:14:8. In the kingdom of Saxony, in 1841-9, the average prices of wheat, rye, barley and oats stood to one another in the ratio of 144:100:75:47 (*Engel*); while, in the middle ages, wheat, rye and oats were as 9:6:3 (*Gersdorf*, *Cod. Depl. Sax.*, II, p. XXXIV); under Prince August, corn, barley and oats were as 24:22:12. Assuming the price of rye to be equal to 100, the cost was:

At Brussels, in the 16th century, wheat 126.7, barley 80, oats 50  
 At Brussels, in the 17th century, wheat 138.8, barley 82.9, oats 51.9  
 At Brussels, in the 18th century, wheat 147, barley 86.7, oats 55.2  
 At Brussels, 1815-1844, wheat 156  
 At Brussels, 1841-1850, wheat 153, barley 82.7, oats 51  
 At Berlin, 1789-1818, wheat 135, barley 74.8, oats 54  
 At Berlin, 1819-1832, wheat 143.5, barley 74.9, oats 52

(*Rau*, *Lehrbuch*, I, § 183.) To understand this, it is necessary to bear in

resources.<sup>810</sup>

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#### Section CXXXIV.

### History Of The Prices Of The Chief Wants Of Life. (Continued.)

E. The products of industry become cheaper and cheaper as economic culture advances; whereas, for instance, in England, towards the end of the middle ages, a single shirt was considered of importance enough to be made not unfrequently an object of testamentary bequest.<sup>811</sup> And, indeed, the price of industrial products sinks lower the more important the part played in their production by capital and the division of labor is as compared

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Germany, generally 1/16 of the raw material, and in the steppes of southern Russia, when the wind is still, in summer, even the half. (Mitth. der freien ökonom. Gesellsch. zu Petersburg, 1853, 85.) In Guiana, in 1806, a very ordinary saddle and bridle could not be had under 10-½ guineas. (*Pinckard*, Notes on the West Indies, III, 1806.) *Count Görtz* was obliged to pay 2 dollars, in Demarara, for the cleansing of a rifle, and another person for the oiling of a carriage, 5 dollars. (Reise um die Welt, 1864, 327.) A lady's dress in Mobile costs four times as much as in London or Paris. (*Ch. Lyell*, Second Visit to the United States, II, 70.) In Athens, articles of clothing, even for the poorer classes, were never as cheap as they are in civilized countries to-day. (Compare *Plutarch*, De Tranquill. Anim., 10.)



with the part played by the raw material.<sup>812</sup> On this account, in recent times, fine cloths have grown, relatively speaking, much cheaper than coarse ones.<sup>813</sup> Lead, which during the middle ages in England was much cheaper than iron, because of the difficulty

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mind the relatively great increase of wheat bread, beer made of barley, and horses, as objects of luxury. The unusually low price of oats in North America, as compared with the price of wheat, is dependent on the facility of exporting the latter. In Florence, in the fifteenth century, the price of wheat was 22-■, of rye, 12, of barley, 8 *soldi*. (*Pagnini*, *Sopra il giusto Pregio delle Cose*, 325.)

<sup>810</sup> The English so called custom-house prices (*Zollhauspreise*) correspond to the market prices of 1696. If these are assumed = 100, the price

Of steel and iron was, in 1826, 83, in 1831, 56

Of coal was, in 1826, 47, in 1831, 45

Between 1835 and 1850, Scotch iron had already become cheaper by one-half (*Meidinger*, 387), and coal in London by one-third (*Porter*).

<sup>811</sup> *Rogers*, *History of Agriculture*, I, 67.

<sup>812</sup> In England, in 1172, an ox cost 2 shillings; in 1175, green cloth cost per ell, 2-10/12 shillings; red cloth, 5-½ shillings. (*Eden*.) In the western states of North America, the farmer gives two pounds of coarse wool for one pound of woolen yarn; he sends 4 bushels of wheat to the miller for the flour of three bushels (*Ausland*, 1843, No. 68), while in Ravenna, in the thirteenth century, the miller's fee was 1/10 (*von Raumer*, *Hohenstaufen II*, 437); according to the fixed prices in *Fantazzi*, (*Monumen. Ravennet.*); in Germany, during the last centuries of the middle ages, 1/8 (*J. Grimm*, *Weisthümer*, III, 8); at the end of the sixteenth century from 1/8 to 1/5 (*Coler*, *Oeconomia*, II, 3); in modern

<sup>813</sup> In Upper Italy, between 1261 and 1400, a lady's chemise and the making

of mining the latter, has become much dearer in our days.<sup>814</sup> Conversely, where raw material plays the most important part in manufactures, the price of the manufactured article may increase with an advance in civilization. Hence, articles made of wood are procured at the cheapest rates in mountainous countries, where the division of labor is not carried very far, but where the raw material is cheap.<sup>815</sup>

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F. But the price of commodities decreases, especially in the higher stages of civilization, to the extent that it is dependent on

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Staatsw. Untersuch., 137.) In Buschtiehrad, between 1670 and 1870, barley rose from 1 to 4.8; hops to 6.52; fire wood to 6.14; the excise to 6.54; but beer only to 2.81; although wages increased ten fold. (*Inama Sternegg*, *Gesch. der Preise im österreich. Ausstellungsbericht von 1873*, 43.) of it cost 14.77 lire; Rheims linen, 7.04; ordinary mourning cloth, 0.45; black cloth from Moriana, 2.83; cloth from Mecheln, 43.83; from Ypres, 47.04; scarlet cloth, 80.44 per ell. (*Cibrario*, I. 1.) On the other hand, to-day, in the Leipzig market, the difference in price of the dearest and of the cheapest cloth will scarcely surpass the ratio 18:1. Even *Scaruffi*, *Sulle Moneta*, 1679, 163, *Cust*, remarks that hemp-linen and similar coarse articles had increased much more in price than brocades; but he ascribes this circumstance to the disordered state of the coinage. It is much better accounted for by *Adam Smith*, *Wealth of Nations*, I, 386, ed. Basil.

<sup>814</sup> Before the plague in the fourteenth century, the cwt. of lead was worth 10-½d.; of iron, 1d. (*Rogers*, I. 599.) On the other hand, between 1848 and 1856, the average January price of bar-iron was £7, 11s.; of lead, over £20. (*Newmarch*.)

<sup>815</sup> Thus, in England, the price:

Of glass was, in 1826, 387; in 1831, 369 per cent.  
 Of leather was, in 1826, 285; in 1831, 123 per cent.  
 Of silk goods was, in 1826, 158; in 1831, 249 per cent.

commerce.<sup>816</sup> Here capital and human labor almost exclusively are effective, and the modern improvements of communication, legal security and competition are especially striking.<sup>817</sup>

G. Since personal services are, as a rule, performed and received only by individuals, the principle in accordance with which labor in general becomes cheaper in the higher stages of

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of the price of the same articles in 1796. (*Rau.*) Of 29 chemical products of the Parisian manufacture, the wages of labor is on an average only 7.4 per cent. of the selling price; and, in some cases, only from 1 to 2 per cent. (*Chabrol*, *Riiches* Statistiques sur la Ville de Paris, 1821; *Hermann*,<sup>816</sup> A silk cloak lined with fur cost in the time of Charlemagne, 400 scheffels of rye, one not so lined 200. (*Hullmann*, *Finanzgeschichte*, 212 ff.) In Florence in the fifteenth century, one pound of sugar was equal in value to 15 pounds of mutton. (*Pagnini*, 326.) In Turin, in the fourteenth century, 1 pound of pepper was equal in value to 28 pounds of salt. (*Cibrario*, III, 359, 362.) As late as the middle of the fifteenth century, the court of Duke William of Saxony paid for one pound of sugar 1 thaler and 8 groschens, while ducal fees paid to servants and workmen seldom exceeded 2 gr. Hence, even at a princely meal, often scarcely ½ a pound was consumed. (*Büsching*, *Ritterzeit*, I, 137 f.)

<sup>817</sup> Charlemagne's capitularies suppose a merchant's profits to be from 100 to 200 per cent. (a. 809, c. 34.) And even in our own day, merchants in the markets of Cabul are frequently not satisfied with a profit of from 300 to 400 per cent. (*K. Ritter*, *Erdkunde*, VII, 244), and the caravans which leave Maroc for the Soudan are wont, in exchange for commodities amounting in price to 1,000,000 piasters, to return with a supply of other commodities worth 10,000,000. (*Stein-Wappäus*, *Handbuch*, Africa, 33.) According to *Büsch*,

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civilization, does not apply to them to any great extent.<sup>818</sup> Yet we may claim that advancing civilization has pretty universally a twofold influence on the price paid for personal services. In the first place, freedom of competition, with the more accurate and equitable determination of price which it produces (in contradistinction to servitude, privilege and custom) always tends to obtain the upper hand; and further, by the growing combination of labor and of use (§§ 56, ff. 207), a better and better and more clearly defined gradation between ordinary services and those of a higher order is effected. When the latter cannot be increased at pleasure, the price paid for them may, as the wealth of consumers increases, become, from motives of vanity or of custom (*Gebrauchsgründen*), almost unlimited. The dancing maid, to whom Herod (Mark, 6, 23) promised even the half of his kingdom, is both in a politico-economical and in a moral sense a warning example to over-refined nations.<sup>819</sup>

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Geldumlauf, II, 10, the price of East Indian products in Hamburg was some 70 per cent. higher than at home, while *Pliny*, H. N. IV, 26, speaks of a price one hundred times (?) as high; and its spices, at the time of Portuguese dominion, were sold at a profit of at least 600 per cent., in Europe. (*Crawford*, History, VII, 360; *Ritter*, Erdkunde, V, 872.)

<sup>818</sup> When Humboldt found a missionary near Cumana who paid 7 piasters for a cow, and was obliged to pay 17 piasters for blood-letting, rather unskillfully performed, he found an illustration of one of the peculiarities of colonial life—to have all the wants of higher stages of civilization but not the means of satisfying them. (*Relation historique*, I, 374.)

<sup>819</sup> Enormous payments made to distinguished virtuosi, actors, sophists and hetares at the time in question, also to Appelles, Aristides etc., for works of art. (*Plin.*, XXXIV, 19, 2, XXXV, 36, 19.) The actor Aesopus (see § 233, note 6) had a fortune worth 20,000,000 sesterces, while Pompey, for instance, had 70,000,000. Roscius received from the state for every day he played, 286 thalers, and earned 43,000 a year. (*Mommsen*, Römische Geschichte, III, 483, 547.) Compare *Cicero*, pro Roscio Comædo, 10, and *Plin.*, H. N. IX, 59, X, 72. The zither-player, Amœbaeos, received one talent for each appearance. (*Athen*. XIV, 623.) According to *Pliny*, H. N. XXIX, 5, the Roman *principes* gave the most distinguished doctors yearly 250,000 sesterces, and even more as an honorarium. At the end of the eighteenth century, the greatest Parisian actors

## Section CXXXV.

## History Of The Values Of The Precious Metals.—In Antiquity And In The Middle Ages.

It is impossible to write a real history of the values of the precious metals in ancient and medieval times: the sources of information are too few. But it does seem possible to suggest some fragments and something of the development of that history,<sup>820</sup> at least in outline. [406]

Thus, for instance, the supply of the precious metals furnished by the mines, in the earlier times of ancient history, was kept from entering the market by the system which then prevailed everywhere, of hoarding treasure by the state, by the temples

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received from 4,000 to 5,000 francs per annum. Now 100,000 is considered a moderate income for one. (Journ. des Economistes, May, 1854, 279.) It is said that Frederick Hase earned \$30,000 in America in ten weeks. (Leipz. Tagebb., 15 Jan., 1871.) *Steuart*, Principles, II, ch. 30. *Adam Smith* frequently represents it as a rule, that superfluous goods like gold and silver, are dearest among the richest nations, necessary goods among the poorer, and *vice versa*. But the supply has much more to do with the permanent price of a commodity than the demand for it has. And the principle above mentioned applies only in so far as the supply is here an unlimited and there a limited one. Hence, the comparison of silver with painters' and sculptors' works is not an apposite one—in the case of these there is a natural monopoly, while the former, on account of its durability and capacity for transportation, may, on the contrary, be increased almost at pleasure.

<sup>820</sup> Besides *Böckh.*, Staatshaushalt der Athener, 1817, Book I, compare *Arbuthnot*, Tables of ancient Coins, Weights and Measures, 2d ed., 1754, *Reitmeyer*, Ueber den Bergbau der Alten, 1785, and *Michaelis*, De Pretiis Rerum apud veteros Hebræos, in the Comment. Societ. Gottingensis, vol. III. The principal sources of information among the ancients are *Diodor.*, V; *Strabo*, III, V; *Plin.*, H. N., XXXIII.

etc., and later by great reserves of treasure kept by individuals.<sup>821</sup> The revolutions in prices in ancient times were produced as frequently by the sudden opening of such reservoirs, as by the discovery of richer sources. Thus, for instance, such events as the dissipation of Pericles' treasures, the subsidies of the Persian kings, the spoliation of many temples in consequence of declining religiousness, the distribution of Persian treasures by Alexander the Great,<sup>822</sup> had a vast influence on the undeniable rise in the price of Greek commodities in the century succeeding the Peleponnesian war.<sup>823</sup> Later, it is said that in Rome, the price of pieces of land was doubled by the influx of Egyptian war-booty.<sup>824</sup> It is a remarkable proof of the undeveloped condition of trade in the earlier periods of ancient history, that the perturbations in prices were, apparently, at least, so entirely local. Phœnicia, Palestine etc., must have experienced, in the age of Solomon, a formal deluge of the precious metals, while Greece, for instance, was then, and for centuries after, extremely poor in

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<sup>821</sup> The money revenue of the Persian king, to the amount of 14,560 talents yearly, was transformed into bars and thus deposited in the treasury. *Herodot.*, III, 95 f. Even the little vassal prince Pythios of Celænæ had a treasure of 2,000 talents of silver and 4,000,000 pieces of gold. (*Ibid*, VII, 26 f.) On the money stores of private persons, see *Plin.*, H. N., XXXIII, 47.

<sup>822</sup> An ox was worth, in Solon's time, 5 drachmas; in 410 B.C., 51 dr.; 374 B.C., 77¼ dr.; a medimnos of wheat in Solon's time, 1 dr., about 390, 3 dr., under Alexander the Great, on an average, 5 dr. (*Böckh.*, I, 102, f.) The usual amount of ransom paid for a prisoner of war, in Kleomenes' time, was 2 minæ (*Herodot.*, V, 77, VI, 79); under Dionys., I, 300 m. (*Aristot.*, *Oeconom*, II, 21); under Philip of Macedon, from 300 to 400 m. (*Demosth.*, *De fals. Legat.*, 394); under Demetrius Poliorketes, 1,000 for a free man, 5 for a slave. (*Diod.*, XX, 84.)

<sup>823</sup> This booty for Susa alone amounted to from 40,000 to 50,000 talents; for Persepolis, to 120,000; for Pasargadæ, to 600. *Curtius*, V, 2, 6; *Strabo*, XV, 731; *Justin*, XI, 14; *Arrian*, III, 16; *Diod.*, XVII, 66, 71; *Plutarch*, *Alex.*, 36.

<sup>824</sup> *Oros.*, VI, 19; *Dio. C.*, LI, 21; *Suet.*, *Aug.*, 41. Decline of the value of money under Constantine the Great, when the precious objects of the heathen temples were coined. (*Monitio ad Theod.*, *Aug. de invidenda Largitate*, *Thes.*, *Antt. Renn.*, XI, 1415; *Taylor*, *ad Warm. Sandvic*, 38.)

them.<sup>825</sup> It is not, on the whole, to be doubted, that the value in exchange of the precious metals was on a continual decline until the most flourishing time of the Roman emperors.<sup>826</sup> During the middle ages, it seems to have stood much higher again; because the great loss of treasure caused by the migration of nations etc., the almost complete cessation of production at the mines, and the slowness of the circulation of money, played a much more important part than the decrease of trade.<sup>827828</sup>

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### Section CXXXVI.

#### Effect On The Discovery Of American Mines Etc. On The Value Of The Precious Metals.

16 f. *Tooke-Newmarch*, *History of Prices*, VI, 391; whereas *Rogers*, *Statist. Journ.*, 1861, 544 ff., finds that in England, between 1300 and 1532, there was no change whatever in the price of silver. According to *Soetbeer*, *Forschungen zur deutschen Geschichte*, VI, 94, wheat and rye were, as compared with silver, worth during the Carolingian period, about one-fourth of its value, between 1750 and 1850. *Hegel*, *Shassburger Chroniken*, II, 1012, ascribes to gold over 2½ times as great a purchasing power in the 13th and 14th centuries as in the 19th century; and to silver, a purchasing power about three times as great.

<sup>825</sup> Compare I Kings, 10, 14, 27 ff.; I Chron., 22, 2 ff.; II Chron., 9, 15 f., 12, 10 ff. On Ophir: *K. Ritter*, *Erdkunde*, XIV, 407 f.; on the wonders of the discovery of Spain: *Herodot.*, IV, 152. *Aristot.*, *De Mirab.*, 146; *Diodor*, V, 35 ff. On the other hand, of Greece, *Athen.* VI, 19 ff.

<sup>826</sup> Compare *Plin.*, H. N., XIV, 1. Yet the value of money in the time of the Cæsars seems to have stood much higher than it is now, as is proved, for instance, by the endowments by Trajan (16 sesterces per month for boys, and 12 sesterces per month for girls), as the *alimenta* furnished them according to Digest XXXIV, 1, embraced their entire support. Compare the excellent essay on this subject by *Rodbertus*, in *Hildebrand's Jahrb.*, 1870, I.

<sup>827</sup> The conquest of the Avars seems to have temporarily produced a considerable cheapness of the precious metals. (*Guérard*, *Polyptiques*, I, 141.) Increase of the value of money in Scandinavia, during the later part of

The discovery of America influenced the market of the precious metals less by the peculiar wealth of the mines in that part of the world than by their almost incredible number.<sup>829</sup> The sources of wealth that the conquistadores first lighted upon were, however, much over-estimated.<sup>830</sup> The production of the American mines first assumed great importance after the discovery of Potosi, in 1545, which was soon followed by the working of the American mines at Guanaxuato. (1558.) Coincident with this was the extraordinary "chance" of Medina's invention, in 1557; by means of which, it became possible to separate silver from foreign elements by the cool process of amalgamation, instead of melting it as had hitherto been done; an invention all the more important in America, for the reason that in that country, where there is so much rich ore, there is scarcely any fuel,

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the French King John, after the battle of Poitiers, in 1356, had to pay 41,000,000 francs for his ransom. (*Leber*, *Fortune privée au moyen Age*, 121 ff.)

the middle ages. (*Wilda*, *Gesch. des deutschen Strafrechts*, I, 323 ff.)

<sup>828</sup> In England, from 1279 to 1509, there were coined on an average only 6,868½ pounds sterling; from 1603 to 1830, on the other hand, 819,415 pounds sterling. The average in the time of George IV., per annum, was 4,262,652 (*Jacob*, ch. IV.) An evidence of the uncertainty of the history of prices in the middle ages is, that *Jacob*, ch. 12, infers, from the price of corn, that the price of silver remained rather stationary from 1120 to 1550, while *Adam Smith*, I, ch. 11, 3, infers from the same fact, a remarkable rise in the price of silver from 1350 to 1570. Concerning the latter, see *Leber*, *Fortune privée au moyen Age*,

<sup>829</sup> The silver ores of Peru and Mexico yield, on an average, only from 2 to 3 per 1,000 of metal; those of Potosi, at present, scarcely 1 per 1,000; those of Mexico, according to *Humboldt*, on an average, from 3 to 4 ounces per cwt.; so that many of the European ores are decidedly richer. While the veins of the Saxon mine, Himmelsfürst, have a breadth of only from 0.2 to 0.3 meters; the Veta-Madre of Guanaxuato, is in few parts less than 8, and it is sometimes even 50 meters broad; and the Veta-Grade of Zacatecas is from 5 to 10 meters in breadth. In Pasco there are veins of silver ore which have 114 and even 123 meters. *Tschudi*, *Reise in Peru*, K., 12; *Chevalier*, *Cours*, III, 184 ff., 241 ff. According to *Humboldt*, *Essai sur la Nouvelle Espagne*, III, p. 413, eleven



in the neighborhood<sup>831</sup> of where it is found. During the first hundred years the mines of Peru occupied the most prominent place; whereas they were afterwards completely overshadowed by the Mexican.<sup>832</sup> According to Humboldt,<sup>833</sup> the annual export of gold and silver from America to Europe, between 1492 and 1500, amounted to 250,000 piasters; between 1500 and 1545, to 3,000,000;<sup>834</sup> from that time to 1600, to 11,000,000; in the seventeenth century, to about 16,000,000; during the first half the eighteenth century to 22,500,000; during the second half, to 35,300,000.

The production of gold in Brazil began to be important after the commencement of the eighteenth century,<sup>835</sup> and the working of the Mexican silver mines of Valencia, Biscaina etc. from the middle of the same century. In the beginning of the nineteenth century, Mexico produced, annually, 537,512 kilogrammes of silver, and 1,609 kilogrammes of gold; Peru, 140,078 and 782 of silver and gold respectively; Buenos Ayres, 110,764 and 506; Chili, 6,827 and 2,807; New Granada, 4,714 kilogrammes of gold; Brazil, 3,700 kilogrammes of gold; the whole of America [410]

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times as many miners are needed at Himmelsfürst as at Valenciana to obtain the same quantity of silver.

<sup>830</sup> Thus, for instance, the celebrated ransom-money of Athahualpa (even according to *Garcilaso de la Vega*) amounted to only 5,000,000 thalers, while

<sup>831</sup> Compare *M. Chevalier*, III, 190 ff. Discovery of the quicksilver mines of Guancavelica, 1567.

<sup>832</sup> The yield of Potosi amounted from 1545 to 1638, to 395,619,000 pesos. (*Ulloa*, Viage, II, I, 13.) Up to the present time, the aggregate yield there has been estimated at from 6,000 to 7,000 million francs.

<sup>833</sup> On the worse grounded assumptions of former writers, see *Humboldt*, N. Espagne, IV, 237.

<sup>834</sup> There was really introduced into Spain, about 1525, not much over 2,000,000 francs annually; and after 1550, six times as much. (*L. Ranke*, Fürsten und Völker, I, 347 ff.) Compare *Humboldt*, Ueber die Schwankungen der Goldproduction, in the *Vierteljahrsschrift*, 1838, IV, 18.

<sup>835</sup> On the Brazilian exports of gold in the 18th century, see *Schäfer*, Gesch. von Portugal, V, 192 ff.

together, 795,581 kilogrammes of silver and 14,018 kilogrammes of gold, worth about 60,750,000 thalers.<sup>836</sup> During the uprisings between 1810 and 1825, which separated Spanish America from the mother country, the production of the mines diminished as surprisingly as it had increased in the previous generation by reason of the greater liberality of Spanish colonial policy.<sup>837</sup> Since that time, a certain increase has, indeed, been noticed, which, however, had not immediately before the discovery of the gold mines of California by any means attained the height reached in 1808, but only an annual production of 701,570 kilogrammes of silver, and of 15,215 kilogrammes of gold, with an aggregate value of more than 56,000,000 thalers.<sup>838</sup>

In Europe, also, the obtaining of the precious metals during the fifteenth and sixteenth centuries took a great stride, especially in Germany;<sup>839</sup> but, on the other hand, the Spanish gold and silver mines were closed in 1535 by a law. In the seventeenth century, there was another lull, followed, at the end of the eighteenth, by a second period of activity which has not yet closed. The great development of the production of gold in the Ural mines since 1819, and in the Altai mines since 1829,<sup>840</sup> the revival of the

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<sup>836</sup> According to *Humboldt*, N.E., IV, 218, the amount up to the beginning of this century was 17,000 kilogrammes of gold and 800,000 kilogrammes of silver.

<sup>837</sup> Thus, for instance, Mexico, during this period yielded, on an average, 65,000,000 francs, instead of the former amount of from 130,000,000 to 140,000,000. In Carro de Potosi, there were, in 1826, of the former 132 pool-works only 12 in operation. Compare *Adams*, *The Actual State of the Mexican Mines*, 1822. *Jacob* assumes that about 1830, the quantity of money in Europe and America was 1/6th less than in 1809. (Ch. 28.)

<sup>838</sup> Of this, 1,800 kilogrammes of gold from the United States.

<sup>839</sup> *Fischer*, *Geschichte des deutschen Handels*, 2d ed., II, 616 ff., 673 ff. But the Schwaz mines, in the Tyrol, are said to have produced, until 1523, 55,000 marks annually; the Freiberg silver mine, from 1542 to 1616, 16,000 marks annually. Compare *von Langen*, *Kurfürst Moritz*, II, 56.

<sup>840</sup> The Russian gold ores, quite insignificant before the year 1814, have made very great progress since 1840. Their aggregate yield, between 1814 and 1861,

production of silver in the old Spanish mines since 1835,<sup>841</sup> and [411] Pattinson's discovery, by means of which the poorest lead ores containing silver may be refined, are here of great importance.<sup>842</sup> Shortly before 1848, it was estimated that all the mines of the old world produced annually about 274,000 kilogrammes of silver, and 56,000 kilogrammes of gold, with an aggregate value of over 69,000,000 thalers.<sup>843844</sup>

### Section CXXXVII.

## Revolution In Prices At The Beginning Of Modern History.

The mere discovery of new and richer mines need not, of itself, lower the price of the precious metals. Their price depends on

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not taking into account the amount embezzled, amounted to 37,000 *puds*, the *pud* being equal to 16.3 kilogrammes. The best year, 1847, gave a yield of 1,757 *puds*; 1852-1861, an average of 1,556 *puds*; 1861 alone, 1,442 *puds*, of which 1,041 came from the private Siberian gold-sand washings. (*Walcker*, in *Faucher's Vierlejahrsschrift*, 1869, II, 115.)

<sup>841</sup> Spanish silver production yielded, in 1845, over 184,000 marks; in 1850, over 291,000. (*Willkomm*, *Halbinsel der Pyranäen*, 1855, 537.)

<sup>842</sup> *Annales des Mines*, X, 831 ff.

<sup>843</sup> Of this amount, there came to Europe, not including Russia, 150,000 kilogrammes of silver, 2,650 kilogrammes of gold; to Russia, 24,000 kilogrammes of silver and 30,000 kilogrammes of gold (embracing the quantities probably withdrawn without the knowledge of the custom's authorities); to the rest of Asia, 100,000 kil. of gold; to Africa, 4,000. (*M. Chevalier*.)

<sup>844</sup> According to *Humboldt's* assumption before the time of Columbus, Europe had a circulation of 170,000,000 piasters; about 1600, of 600,000,000; about 1700, of 1,400,000,000; in 1809, of about 1,824,000,000. Up to 1803, there was produced in America, 9,915,000 marks (Spanish) of gold, and 512,700,000 of silver. (N.E., 245.) *Gallatin* estimates that, before Columbus, there were 1,600,000,000 francs; in 1830, in Europe and America, from 22,000,000,000 to 27,000,000,000 francs. (*Considerations on the Currency and Banking System*

[412] their cost of production; and it may be very much increased, even under the most favorable natural conditions, by the unskillfulness of labor, the dearness of the means of subsistence, of machinery and of auxiliary substances, by insecurity to property or to the person; by war, oppressive taxes<sup>845</sup> etc. The new mines can produce a decline in the price of the precious metals only to the extent that, for the same amount of capital and labor expended, they, spite of all such deductions, produce a greater result.<sup>846</sup>

[413] I opine that the price of metallic money, since the discovery of America, has diminished until the present time in the ratio of from three to four to one.<sup>847</sup> The prices of wheat in France, from 1800 to 1850, were about seven times as great as in the second half of the fifteenth century; and in England about six times as great. But, it is not to be overlooked here, how wheat may have grown dearer in itself (*an sich*) and how gold declined considerably less than silver. True, this decline of the precious metals was not an entirely steady one. We meet at the beginning

the price of silver, from the age of chivalry to 1625, decreased in the ratio of 120:40. The Spaniard, *Moncado* (1619), says as 6:1. (*Jacob*, ch. 19.) *Jacob*, himself, in comparison with his own time, as 7:1 (ch. 15.) Much more moderate is *Newmarch* in *Tooke's History of Prices*, VI, 345 ff., who assumes an increase in the prices of commodities of about 200 per cent. The estimated value of tithe-wine (*Zehntwein*) about doubled in lower Austria, during the sixteenth century. (*Oberleitner*, *Finanzlage N. Oesterreichs im 16 Jahrhundert*, 36.) According to the important researches of *Mantellier*, *Mémoires de la Société Archéologique de l'Orleanais*, vol. 1, 103 ff.; extract of *Lespeyres* in *Hildebrand's Jahrb.*, 1865, I, 1, the purchasing power of silver as compared with the average value of twenty-seven commodities, assuming it to have been 1 from 1750 to 1850, was, from 1350 to 1450, 2.9; from 1450 to 1550, 2.8; from 1550 to 1650, 1.5; from 1650 to 1750, 2.1. According to *Rogers*, the prices of corn in relation to silver were from 1596 to 1636, at most 2.3 times as high as from 1260 to 1400; from 1637 to 1700, 2.6 times; from 1701 to 1764, 2.1 times; from 1726 to 1820, 3.2 times. (*Rogers*, I, 180.) of the United States, 1831.) According to *M. Chevalier*, 1850, all the silver which America produced had a volume of only 11,657 cubic meters; and all the gold of only 151 cubic meters. The latter, therefore, would not even fill the half of a French gentleman's *salon*.

<sup>845</sup> All the more in favor with governments because they affect principally

of the modern era with a real revolution in prices. The prices of rye, in lower Saxony, from 1525 to 1550, were twice as high as from 1475 to 1500. According to Garnier, the French prices of wheat, from 1450 to 1500, were, on an average, 408 francs of the present time per *setier*; from 1501 to 1520, 5 francs; from 1522 to 1540, 11.26 francs; from 1541 to 1560, 11.69 francs; from 1561 to 1580, 21.33 francs; from 1581 to 1600, 32.51 francs; during the first half of the seventeenth century, 22.77 francs; in the second half, 26.83 francs; from 1701 to 1750, 19.64 francs. Similarly in England, where wheat cost, from 1560 to 1600, 2.64 times as much as from 1450 to 1500.<sup>848</sup>

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Now, the increased production of the mines cannot be the only cause of this great perturbation in prices. It commenced, in most countries, at a time when the supplies from America were still too small to account for such an effect. One of the chief causes of the phenomenon was, that precisely at this period, there was

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1524, the royal treasury wished to bring suit against the violators of this law. But the cities contrived to avert the blow. (*L. Ranke*, *Geschichte der Reformation*, II, 42 ff., 134 ff.) In Spain, the government, especially between 1550 and 1560, endeavored to oppose the growing dearness of goods of all kinds, by prohibiting the exportation of the most important commodities, and by putting obstacles in the way of retail trade. The lower classes in England ascribed the rise to the suppression of the monasteries (*Percy*, *Reliques of ancient Poetry*, II, 296), while Henry VIII. endeavored to improve the condition of things by laws against luxury, the governmental establishment of fixed prices, the expulsion of foreign merchants etc. (21 Henry VIII.) The first writer who seems to have clearly seen the true cause of the changes in price was *Bodin*, *Response aux Paradoxes de Mr. de Malestroit touchant l'Enchérissement de toutes Choses et des Monnaies* (1568). This work was translated into Latin by *H. Conring*, 1671; and done over in the work: *Discours sur les Causes de l'extrême Cherté, qui est aujourd'hui en France* (1574). Next, we have the English author *W. S.*, *A Compendious or briefe Examination of certayne ordinary Complaints of divers of our Countrymen of these our Days*, London, 1581. In *Befold's Vitæ et Mortis Consideratio politica*, 1623, 13 f., we have a right explanation of the *caritas sine inopia* which is to be considered as the common property of his time.

foreign consumers. Thus, the Spanish government at first imposed a tax of 50

in so many nations a transition from a sluggish circulation of money, made still more sluggish by the custom which everywhere prevailed of hoarding treasure, to a rapid circulation, which was made still more rapid by the use of all kinds of substitutes for money. (§ 123).<sup>849</sup> In the earliest ripe fruit of European civilization (Italy), this transition had long been accomplished; and, on that account, the value in exchange of the precious metals

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per cent. of the gross yield of the raw material, on the purchaser of silver; since 1503, under Orando, of 33-■per cent.; and later yet, of 20 per cent. This last tax was therefore in full force under Cortes. This tax was reduced in Mexico, in 1725, and in Peru in 1736, to 10 per cent., and later, in the case of gold, to 3 per cent. Heavy taxation of Russian gold ore (35 per cent. of the raw material), by virtue of the ukase of April 14, 1849. Compare *M. Chevalier*, III, 274.

<sup>846</sup> *Cantillon*, *Nature du Commerce*, 215, 236, shows very clearly how the increase of the price of commodities was produced, in the first instance, by the increased consumption of the possessors of gold, and how it, therefore, first affected those commodities which they especially desired.

<sup>847</sup> This is the opinion of *Adam Smith*. Similarly of *David Hume*, *On Money*. According to *Letronne*, *Considérations sur l'Evaluation des Monnaies Grecques et romaines*, 119, and *Böckh*, *Staatshaushalt*, I, 88, the average value of wheat in relation to silver was, in Athens, 400 B.C., as 1:3146; in Rome, 50 B.C., as 1:2681; in France, shortly before 1520 after Christ, as 1:4320; in the nineteenth century it is as 1:1050. *Th. Smith*, *De Republ. Anglorum*, I, assumes that

<sup>848</sup> In Germany, the rise in prices was first observed in the price of foreign groceries, which partly rose 400 per cent. Popular opinion looked for the cause in the evil disposition of the large commercial houses. In order to facilitate the competition of the smaller houses with the larger, the Reichstag, in 1522, prohibited all companies with a capital of more than 50,000 florins; and, in

<sup>849</sup> Similarly *Quesnay*, 77, *Daire*. *Sir J. Stewart*, *Principes*, ch. 3. *Kraus*,

was there, for a long time previous, comparatively low.<sup>850</sup>

From the second third of the seventeenth century, the value of the medium of circulation seems, on the whole, to have remained stationary.<sup>851</sup> Tooke seeks to demonstrate the steady [415] decline of the value of money until late in the eighteenth century, from the fact that the wages of labor increased during that time; but I should rather connect the latter phenomenon with the simultaneous elevation of the classes engaged in manual labor. And so Adam Smith infers a rise in the price of money after the

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Belgische Landwirtschaft, III, 37. According to Suckburg (l.c.), the value in exchange of money from 1640 to 1700 declined 32-2/9 per cent.; from 1700 to 1760, 43 per cent.; from 1760 to 1806, 84 per cent.

Vermischte Schriften, II, 131 ff. *Hermann*, Staatsw. Unters., 127. *Helferich*, Von den periodischen Schwankungen im Werth der edlen Metalle, 1843, 70 f.

<sup>850</sup> According to *Cibrario*, a hectolitre of wheat was worth, in Turin, from 1289 to 1379, on an average, 905 gr. of fine silver; that is, about three times as much as in Paris before the discovery of America, and as much as in Paris from 1546 to 1556. In Turin, from 1825 to 1835, it was worth about 1702 gr. In the fifteenth century even, the foreign ambassadors complain of the enormous cost of living there. So, for instance, *Raumer's* histor. Taschenbuch, 1833, 162. Compare also, *Carli*, Del Valore della Proporzione dei Metalli monetati con i Generi in Italia prima delle Scoperte dell' Indie, 1760, in which he, indeed, exaggerates the matter, and seeks to prove his views by the coarsest sophistry.

<sup>851</sup> The chief result of *Helferich's* excellent researches. (*Helferich*, loc. cit.) The general opinion, indeed, is that this *statu quo* of the value of the precious metals was interrupted about the middle of the eighteenth century by another decline, and that the latter yielded to a subsequent rise in 1815 and afterwards. Thus *David Hume*, History of England, ch. 44, App. 31, ch. 49, App. A. *Young*, Political Arithmetics, ch. 6. More recently, *Rau*, Lehrbuch, I, § 176. *M. Chevalier*, Cours, III, 320 ff. One of the principal advocates of

beginning of the eighteenth century, from the prices of wheat,<sup>852</sup> but it would be better to consider the cause of this to be the unusually long series of good crops.<sup>853</sup> An equally unusually long series of bad harvests, during the second half of the century, accounts satisfactorily for the simultaneous rise of the medium prices of corn. The great war which lasted from 1793 to 1815, too, according to a very prevalent opinion, must have caused the value of money to decline; a fact which is generally accredited to the increase of paper money in so many states.

Every great war may very easily have for effect to slacken the speed of the circulation of money, to promote the hoarding and even the burial of treasure for a rainy day, and to paralyze credit and its power to supply the place of money. Hence, it seems preferable to seek for the cause of the variations in price, during the great war, in the commodities themselves whose price was affected; since their production must have been enormously disturbed. It rendered the brawniest men and the most powerful horses unproductive, and even employed them as agents of destruction. It interrupted trade in a thousand ways, or drove it into unnatural channels, and turned the intellectual interests of nations into every direction save that of economic industry. To this must be added the absence of security everywhere.<sup>854</sup>

The cessation of these restrictions upon production, in consequence of the restoration of peace throughout the world

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the opinion that every increase made in the medium of circulation produces a corresponding depreciation is *Nebenius*, *Deutsche Vierteljahrsschrift* (1841). In England a quarter of wheat was worth, on an average, 38s. 8/9d., from 1595 to 1685. On a similar stability of corn prices in Belgium, see *Schwerz*,<sup>852</sup> From 1637 to 1700 the price of corn in England averaged 51 shillings; from 1701 to 1764 only 40½ shillings.

<sup>853</sup> Thus, the dearness of wheat in Germany, during the first thirty years after the Thirty Years' War was caused, in large part, by the depopulation produced by the War.

<sup>854</sup> In Germany, also, the cause of the enhanced dearness of so many goods during the Thirty Years' War is to be sought for in the goods themselves.



and the great progress afterwards made in almost all branches of industry, explain why, from 1818 to 1848, the precious metals have apparently stood higher than during the period immediately preceding.<sup>855856</sup>

### Section CXXXVIII.

## Revolution In Prices.—Influence Of The Non-Monetary Use Of Gold And Silver.

To understand why so great an increase in the production of the precious metals produced so small a decline of their value in exchange, we must turn our attention to the other and further uses of gold and silver. The amount devoted to these uses can never be very accurately determined, since governmental stamping of every new gold or silver article would afford no evidence as to the number of such articles manufactured out of old articles [417]

<sup>855</sup> Since 1815, most Birmingham and Sheffield wares have fallen from 50 to 70 or 80 per cent. in price—at least from 20 to 30. (*McCulloch*, *Statist. Account*, I, 705.) The *Quarterly Review*, May, 1830, speaks even of an average decline of prices of English commodities in general, of 50 per cent.

<sup>856</sup> Excellently carried out in *Tooke*, *History of Prices*, III, 1838. That the world's market is not so very readily affected by an increase of the medium of circulation, is established by this fact, among others, that the immense exportation of French metallic money in consequence of the issue of paper money between 1716 and 1720, and again in 1790 and the following years, is coincident with very low prices of wheat in the neighboring countries. (*Helferich*, *loc. cit.*, 139, 190 ff.) And yet, in the former case, the amount was 400,000,000 francs, and in the latter, at least 1,000,000.

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etc.<sup>857</sup> Certain it is, however, that the aggregate amount of gold and silver thus employed, increases with the increase of luxury and wealth among modern nations, and that a quantity of the precious metals thus used, especially when used for purposes of gilding for instance, is irrestorably lost.<sup>858</sup> In addition to this, there is the wear and tear of coin in circulation, which is naturally greater in the case of large pieces than of small, and, therefore, in the case of silver than of gold. There is, further, the damage caused by the loss of coin in conflagrations and shipwrecks, and

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£6,050,000. According to the records of the Paris *Monnaie*, the amount of silver ware in France increased seven fold between 1709 and 1759. (*Humboldt*.) In England, between 1807 and 1814, 8,290,000 ounces of silver were stamped for manufacturing purposes, from 1830 to 1837, only 7,387,000; in 1851, 924,000. *McCulloch* estimates the annual consumption of silver, in Birmingham alone, for plating purposes, at 150,000 ounces; in Sheffield, at 500,000; and the gold consumption in the pottery districts at £650 per week. Birmingham consumed (1831) for gilding purposes, £1,000 gold yearly. (*Whately*.) It now employs weekly 3,000 ounces of gold and 6,000 ounces of silver in the manufacture of gold and silver ware, besides the quantity intended for gilding and silver-washing purposes. (*Quart. Rev.*, April, 1866, 381.) The jewelers of New York manufacture yearly 3,000,000 of dollars worth of gold and silver ware, mostly new material. (*Economist*, April 16, 1853.) There were in Vienna, in 1781, only 167 workers in gold and silver; in 1840, 229; in 1847, 539. (*Baumgartner*, in the *Wiener Akademie*, May 3, 1857.) *Jacob* estimates the aggregate mass of gold and silver ware, in plate, instruments etc., in Europe and America, to be 1-¼ as great as that of the ready money; and in England alone to be twice as great (ch. 28); while *Tengoborski* thinks that at the beginning of the nineteenth century, the coin constituted ■ of the entire amount of the precious metals. Sometimes a movement in the opposite direction takes place, as, for instance, in those revolutions in which the silver of the church was confiscated; in the

unfortunate wars of Louis XIV., etc. *Nebenius*, loc. cit., 17, mentions a South German silversmith who melted down in the years succeeding 1802, monastery silver to the amount of 11,000,000 guildens.

<sup>857</sup> *Jacob* estimates this part at only 2-½ per cent., *McCulloch*, at 20, *Lowe* at 25, *Necker* and *Helferich* at 50, *Humboldt* at 66-■ of the whole quantity worked. It certainly is, in our day, on account of the ever growing aggregate supply, greater than hitherto; but it is very different in different countries. *Nebenius*, *Deutsche Vierteljahrsschrift*, 1851, 56 seq., estimates the aggregate consumption of new gold and silver for industrial purposes at 14-½ piasters yearly, and in addition to this seven millions of old gold and silver (*Bruchgold und Bruchsilber*). The annual wear and tear of previously existing articles of gold and silver, it is estimated, amounts to 4,420,000 piasters (1/420); the annual increase of their aggregate amounts in Europe to 6,000,000 piasters (1-½ per cent., corresponding to the increase of population), and 4,200,000 (one-fifth of the entire consumption), is employed, as he claims, in gilding, plating etc. The last item is probably much increased by galvanic silver-plating, the invention of photography etc.

<sup>858</sup> *Jacob* embraces in the amount of metal employed in industrial purposes, in the sixteenth and seventeenth centuries, 1/5 of the amount which, after deducting the loss in Asiatic trade, was added to the gold and silver stores of Europe; i.e., in the seventeenth century, about 2,500,000 piasters yearly; in

that occasioned by buried and forgotten treasure.<sup>859</sup>

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But, lastly, the principal cause consists in the powerful increase of the demand for money, which, during the last two centuries, the great impulse given to the rapidity of circulation, and the great increase in the substitutes for money, have scarcely been able to outweigh. Besides the great growth of population and of wealth, at least in Europe and the new world, I need call attention only to the immense advance made in the division of labor, and to the transition from trade by barter to trade through the instrumentality of money. The entire war and merchant marine of England, about 1602, had, according to Anderson, a capacity of only 45,000 tons,—that is, not one-fifth of what the small city of Bremen has now; a capacity which at the close of the year 1873 amounted to 237,206 tons—while in 1872 its merchant marine alone had a capacity of 7,213,000 tons. The aggregate foreign trade of England, France, Russia and the United States, in 1750,

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the eighteenth century, ■(!); that is, annually, 15,000,000 piasters; in 1830, in England, £2,457,221; in France, 120,000; Switzerland, 350,000; in the rest of Europe, 1,605,490; in North America, about 300,000; altogether, £5,900,000. *Humboldt's* estimate is 21,000,000 piasters; *McCulloch's*,<sup>859</sup> On the wear and tear of coin, see § 120, and *Hermann*, in the *Archiv. der politischen Oek.*, I, 1841. Compare also, *Faust*, *Concilia pro Aerario*, 1641, 263 ff. This wear and tear is so great that *M. Chevalier* supposes that it alone would suffice to reduce an amount of money under Constantine the Great of 5,000 millions to 300 millions, in the time of Philip IV. (ob. 1314.) *Cours*, II, 322. How great a number of coins, especially of the smaller denominations, are entirely lost is evident from the fact, that at the time of the demonetization of the 15-sous and 30-sous pieces of 1791-92, amounting to 25,000,000, only 16,000,000 were presented for redemption. Of the 10-centime pieces stamped with an N, amounting to 3,286,932 francs, there were only 2,000,000 left when they were withdrawn from circulation, and this although individuals had added to the coinage. (*M. Chevalier*, III, 321.) The total loss caused on this score, *McCulloch* estimates at 1 per cent. per annum, and *Helferich*, at  $\frac{3}{4}$  per cent. The greater the aggregate stock of gold and silver, the greater the absolute amount of wear and tear. If, therefore, there were annually an equal influx of mineral products to the markets, the pressure of this increase of supply from that cause alone would take the shape of a converging series of prices. (*Tooke*,

amounted to about 260,000,000 thalers; in 1864, it was over 5,400,000,000, and between 1871 and 1872, in one year, over 9,000,000,000 thalers. Nor should it be forgotten that Europe's trade with the East, since the beginning of the sixteenth century, increased immensely. This, at present, produces uniformly a very "unfavorable balance" for Europe, which can be made up for only by very large shipments of silver to foreign parts.<sup>860</sup> If China and India were suddenly to draw on us for other commodities [420] instead of gold and silver, the result would be a great revolution in prices in Europe.

### Section CXXXIX.

## History Of Prices.—Californian And Australian Discoveries.

in 1863 and 1864, even as much as 300 millions, to be, for the most part, buried there. Moreover, the immense quantity of cash money—often as much as from 12 to 15 million in pounds sterling—in the state treasury, and silver ornaments (§§ 44, 123) customary in India, demand a considerable yearly supply to make up for wear. *Newmarch* speaks of 400 million pounds sterling which can be maintained in its condition hitherto by a yearly increase of 1 per cent. (*History of Prices*, VI, 723.) From 1865 to 1869, English steamships carried gold and silver to the East in the following quantities, yearly: 93.9, 66.3, 24.6, 70.2 and 60.4 million thalers, in addition to which almost as much came directly from California. *Statist. Journ.*, 1871, 122 seq.

*History of Prices*, II, 151 ff.)

<sup>860</sup> The British East India Company exported gold and silver on an average per annum from:

1711-1720, £434,000  
 1721-1730, 532,000  
 1731-1740, 487,000  
 1741-1750, 631,000  
 1751-1760, 571,000  
 1761-1770, 152,000  
 1771-1780, 43,000  
 1781-1790, 393,000

Tengoborski is of opinion, that the flow of gold from Siberia alone would have been absorbed by the ever-increasing want of civilized nations of money; but that the coincident discoveries in California and Australia, in September 1847, and February 1851, must sooner or later produce a revolution in prices. And, indeed, the fecundity of these countries is unparalleled. North America, which in 1846 produced only 3,600 pounds of gold, according to Sœtbeer, produced in the years from 1849 to 1863, respectively, 118,000, 148,000, 178,000, 195,000, 180,000, 165,000, 165,000, 165,000, 160,000, 145,000, 125,000, 120,000, 115,000 and 110,000. Austria produced in the years from 1851 to 1863 respectively, 27,000, 196,000, 250,000, 160,000, 170,000, 195,000, 180,000, 175,000, 160,000, 150,000, 160,000, 160,000, 170,000, pounds of gold.

From 1864 to 1867, the aggregate production of gold in the world was, according to the last mentioned authority, a yearly average of 188.4 millions of thalers, and of silver, 94.8 millions. In Europe, Russia not included, the production was, in 1863, 3,960 pounds of gold and 405,000 pounds of silver; in the Russian Empire, 46,500 pounds of gold and 40,000 of silver; in Mexico 12,000 pounds of gold and 1,250,000 pounds of silver; in South and Central America, 12,500 pounds of gold and 520,000 pounds of silver; in Africa, India and Lesser Asia, 30,000 pounds of gold and 40,000 pounds of silver—a total of 384,000 pounds

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1791-1800, 352,000

1801-1807, 852,000

*Milburn*, *Oriental Commerce*, 1813, 419. According to *M. Chevalier*, *Introduction aux Rapports de l'Exposition de 1867*, the trade of Europe and North America, with India, China, Japan and the Australian islands, amounted in 1800, to only 410 million francs, in 1866, to 4,024 million. Yet, for a time, the largely increased exportation of English manufactures to East India and of East Indian opium to China, had changed the relation so that the exportation of the precious metals from South Asia, by a great deal, more than counterbalanced the imports. On the other hand, between 1853 and 1856 240,000,000 thalers were shipped to India and China from England and the Mediterranean harbors;

of gold, and 2,905,000 pounds of silver. F.X. Neumann<sup>861 862</sup> estimates that the whole world produced, in the years 1868-1870, annually, 192.8 million thalers of gold, and 94 million thalers of silver; and in 1873, of both metals, 291 million thalers. [422]

The question, whether in this second half of the nineteenth century, we are to have a revolution in prices similar to that which took place in the sixteenth century can be answered only hypothetically. The gold diggings now most productive will, probably, as we may judge from analogous cases in the past, be

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millions annually. (Statist. Journ., 1872, 376 ff.) The estimates as to how much a gold-digger might make in a day have been variously estimated. Thus, *Larkin* estimates it from \$25 to \$50; *Mason*, at \$10; *Folson*, at \$25 to \$40; *Butler King*, at \$16, reckoning one ounce at \$16. All these estimates seem to give an altogether too high average. In Australia, according to *Khull*, *Colonial Review*, June, 1853, a digger can produce only one ounce daily, or less than 4 thalers. According to *W. Stamer*, *Recollections of a Life of Adventure*, II, 1866, a gold-washer in Victoria earned in 1858, on an average, £250 per year; in 1865, only £70; while day labor was worth 15 shillings. Hence, great hopes have to be built on the lottery-nature of gold-washing. On the Rhine, a gold-washer is satisfied with ■ of a gramme of gold, that is worth from 13 to 18 silver groschens. (*Daubr e*, *Comptes rendus de l' Acad mie des Sciences*, XXII, 639.) It should be borne in mind, however, that the Rhine-lander devotes to gold-washing only the leisure time which his avocation as a fisherman leaves him, while the gold-washer in the new world, as a rule, devotes his whole time to it; and that his labors are interrupted by the long rainy season, attacks of fever etc. To this must be added the great difference of the average prices of the means of subsistence and the difference of all social conditions.

<sup>861</sup> *Tooke-Newmarch*, *History of Prices*, VI, 147 ff., estimates the aggregate stock of gold at the end of 1848 at £5,600,000; in 1856, at £172,000,000 more. According to *Lavasseur*, the amount of silver in the East increased, between

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soon exhausted.<sup>863</sup> But it is entirely possible that, for a long series of years, other diggings will be found equally rich. It is almost certain that the restless activity of the English and of North Americans will not cease until they have exhausted the

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*Benzoni*, N. Mundo, I, 61, and *Peschel*, *Gesch. der Entdeckungen*, 304, 556. Hitherto, gold had been obtained by the usual mining process, only in very few places. As a rule, it has been found in alluvial land not far from the surface. Compare *Ansted*, *The Gold-Seekers' Manual*, 1849. These circumstances have made the production of gold important from the first; and they still make it comparatively easy, while it causes little demand for capital but for great skill. As soon, therefore, as the greater part of the country washed for gold has been worked, which does not require a long time, the whole is abandoned, while in the production of silver the great amount of capital fixed in pits, shafts, kilns etc. ties the parties engaged in the enterprise to the spot, and necessitates the continuation of the enterprise. In recent times, however, Australia and California have developed the mining and machine production of gold to a surprising extent. According to *Laur*, *La Production des Métaux précieux en Californie*, 1862, 33, and the *Journal des Economistes*, Nov. 1862, Californian gold-quartz produced, in 1851, on an average, 635 francs per ton; in 1860, only from 80 to 85 francs; but the gold-washing methods have become cheaper in the ratio of 2,500:1. However, the production of the precious metals seems even now to be decreasing. According to the *Statist. Journal*, 1866, 99, it amounted on an average to:

in 1849-51, gold £23.9 million, silver £15.5 million.

in 1852-56, gold 38.7 million, silver 16.1 million.



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in 1857-59, gold 36.5 million, silver 17.1 million.  
 in 1860-63, gold 33.5 million, silver 18.2 million.  
 in 1864-68, gold 30.0 million, silver 19.5 million.

The number of gold-diggers in Victoria steadily decreased from 125,764 in 1857, to 63,053 in 1867.

1848 and 1857, from 22 to 24 milliards of francs; and the amount of gold from 9-½ to 15-½ milliards. (*Annuaire d'Economie politique*, 1858, 632.) The total amount of gold and silver in the civilized world, *Wolowski* estimated at from 55 to 60 milliards of francs, in 1870. (*L'Or et l'Argent, Enquête*, 19.) Compare *Mason*, *The Gold Regions of California from the Official Reports*, 1848. *Tengoborski*, *Sur les Gîtes aurifères de la Californie et de l'Australie*, 1853. *Goldfield's Statistics* issued from the Mining Department in Victoria, 1862. *W. R. Blake*, *The Production of the precious Metals, or statist. Notice of the principal Gold and Silver producing Regions of the World* (New York, 1869).

<sup>862</sup> *Soetbeer's Denkschrift betr. die deutsche Münzeinigung* Mai, 1869, and earlier yet, in *Faucher's Vierteljahrsschrift*, 1865, II. According to *M. Chevalier*, all the mines of the world, a short time previous to 1865, produced 284,000 kilogrammes of gold, and 190,000 kilogrammes of silver in a year: a total of 373,000 thalers (*Journal des Economistes*, June, 1866), while, in 1848, the total amount of gold coinage in the world was estimated at 560,000,000;

favors of nature.<sup>864</sup> Every improvement in agriculture, in the means of communication, and in the public security of the gold lands, makes the cost of production smaller. There are doubtless in other countries a great many *placers* which need only to be touched with the finger of European civilization to produce gold in abundance.<sup>865</sup> It would, indeed, be necessary that this same civilization should make these same countries better markets for the precious metals by increasing their demand.

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So far as silver is concerned, there can be no question that America possesses mines unlimited in extent, and, as yet, almost

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on the lower Bagradas (I, 493); gold wealth at Malacca, *aurea chersonesus* (V, 6 f., 27); Tonkin, Lao and Ava (III, 926, 1, 216, IV, I, 213); Assam (IV, 294); smaller Thibet (III, 657); Kashmere (III, 1,155); on upper Setledsch (III, 654 ff., 668); in the mountainous sources of the Indus (III, 508, 529, 593, 608); on the Cabool (VII, 23); in Peshaver (VII, 223); Badakschan (VII, 795); rich silver mines abandoned for want of wood near Herat (VIII, 243); in Armenia (X, 273). It is said that in southern China there are great treasures of the precious metals, the removal of which has been opposed thus far. (IV, 756.) Arabia's richness in gold mines, spoken of by *Diodor.*, II, 50, III, 45, and *Agatharch.*, *De Mare rubro*, 60, is of doubtful existence, as no traces of them are to be found in the country to-day. On the other hand, on both shores of the Pacific Ocean, the portions of the earth richest in volcanoes seem to possess almost everywhere quantities of gold equal to those of California and Victoria. (Edinburgh Review, Jan., 1863, 82 ff.) What an amount of treasure can be obtained at times from old and long since forgotten "finds" is proved by the Altai (that is gold mountain), which even the old Tschudi had rummaged (*K. Ritter*, II); and where Herodotus' (III, 16) love of truth, so frequently called in question, has recently been so brilliantly vindicated. Compare *v. Ungern-Sternberg*, *Gesch. des Goldes*, 1835. A. *Erman*, *Ueber die geographische Verbreitung des Goldes*, 1835. According to *Murchison*, *Siberia*, ch. 17, gold is to be found only "in crystalline and paleozoic rocks, or in the drift from these rocks, which is a

tertiary accumulation of the pliocene age;” and that it is found most abundantly “in quartz-ore, vein-stones and traverse altered Silurian slates, chiefly lower Silurian, frequently near their junction with eruptive rocks.”

Great Britain, France, North America and Sidney had, since that time and up to 1871, added to this £597,780,000. The additions have been made in decreasing quantities: thus, 1857-59, 37.2 millions annually; 1869-71, 16.99

<sup>863</sup> Compare, for instance, on the early productiveness of the Brazilian gold districts which soon ceased: *Spix und Martius*, Reise nach Brasilien, I, 262 f., 350. *Gardner*, Travels in the Interior of Brazil, 1846. On Hispaniola, see

<sup>864</sup> One of the chief difficulties in the way of the production of gold is the loss by embezzlement, which is estimated at an average of 20 per cent. Small companies of men working on their own account would be less exposed to temptation, and the Anglo-Saxon races and the North Americans are very well adapted thereto. (*M. Chevalier*, III, 261.)

<sup>865</sup> Gold is in a certain sense one of the most widespread of metals, although it is found anywhere only in small quantities; so that on the Rhine, for instance, it takes from 17 to 22 millions of gold grains to make a kilogramme. An extraordinary large number of places owe their civilization to gold-seekers. Compare *Tacitus*, Agr., 12. I select the following “finds” from *Ritter’s* Erdkunde. The Shangallas (I, 249); still more the terrace of Fazoglu itself (I, 253, compare *Bruce*, Travels, V, 316, VI, 255, 342), in Monomotapa (I, 140);

untouched. "The time will come," says Duport,<sup>866</sup> "a century sooner or later, when the production of silver will have no other limits than those put to it by the continual decline in the price of silver." There seems, also, to be no lack of quicksilver, especially in California; and the cost of its production hitherto may be lessened very much by the labor of better workmen, machines and means of transportation.<sup>867</sup> All this supposes great progress of the mining countries in civilization in general; and yet, thus far, Mexico's republican independence etc., as compared with the later years of the Spanish colonial system there, is a great retrogression. The conquest of Spanish America by the United States would give a vast impetus to economic improvement; and here, again, the increase of production would be attended by an increased demand.

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But especially must the demand for the precious metals, which naturally increases with the wealth, commerce and luxury of nations, constitute a decisive element in answering our question. Nothing, for instance, were a reduction in prices impending, would promote it so much as a series of devastating wars or revolutions in Europe. Moreover, it should not be forgotten, that the money market is now almost commensurable with the

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in Manica, west from Sofala (I, 145), especially since the suppression of the slave trade (I, 305, 471); in Mandigo land (I, 360, 372); on the road from Gambia to Timbuctoo (I, 457); on Lake Mangara (I, 493); between Timbuctoo and Finin (I, 445); in Nubia (I, 667, seq.); unused silver and quicksilver mines  
<sup>866</sup> Compare *Humboldt*, N. Espagne, IV, 147 ff.; *St. Clair Duport*, Essai sur la Production des Metaux précieux en Mexique, 1843; *M. Chevalier*, Cours., III, 483 ff.

<sup>867</sup> The cost of a kilogramme of silver, expressed in terms of silver itself, up to the moment that it is shipped, is estimated by *Duport* as follows: salt and *magistral*, 61 grammes; quicksilver, 112 grammes; stamping it, 171 grammes; transformation of the ore, 72 grammes; rent and superintendence, 38; duties etc., 145; smelting, transportation and shipping, 35. There remains as profit for mining it, 336 grammes. As to how the production of American silver increases and runs parallel with the cheapness of quicksilver, see *Humboldt*, N. Espagne, IV, 91 ff.

world, and will soon embrace it within its limits; and that market embraces not only the precious metals but the numberless representatives of money and media of credit. The basin, therefore, to which the gold and silver streams of the world are tributary is immeasurably greater than it was in the sixteenth century; its level cannot be changed as readily, and an equal addition made every year to its previous contents can increase it only by a small amount.<sup>868</sup> Nor could a considerable decline of the value of the precious metals be readily produced without making the circulation of money slower, and the employment of means of credit relatively less frequent, in consequence of which, the further decline would, to a certain extent, be arrested.<sup>869</sup> In the case of other commodities a decline of prices leads only probably to an absolutely greater demand; in the case of money, it leads to a demand necessarily greater. That the money market in our days can stand pretty rude shocks is evident from the fact, among others, that the price of gold is so high as compared with that of silver.<sup>870871</sup>

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<sup>868</sup> *Wolowski* calculates that the absolutely much smaller yearly increment to the amount of the precious metals in the sixteenth century, frequently 1/12, now constitutes only 1/50 of the greater existing amount. (L'Or et l'Argent Enquête, 50.)

<sup>869</sup> In the United States the stock of cash money in 1820 was estimated at 5.1 thalers per capita; in 1849, at 8.6 thalers; in 1854, on the other hand, at 13 thalers.

<sup>870</sup> The weight of the mass of gold introduced into Europe annually stood to that of silver in the ratio of 1:60-65 in the seventeenth century; in the first half of the eighteenth century, in that of 1:30; in the second half, in that of 1:40; and yet the variations in price were not in the least parallel. According to *Setbeer* (Beiträge und Materialien zur Beurtheilung von Geld und Bankfragen, 1855, 102 seq.), the average silver-course (*silberkurs*) of gold had, 1852-54, sunk only 2.05 per cent., as compared with that of 1800-40. And yet the value of the annual production of gold stood to the annual production of silver, in the beginning of the nineteenth century, as 29 to 71; in 1846, as 47 to 53; in 1848-56, as 3 to 1.

<sup>871</sup> While the public, even since 1850, think they have noticed a depreciation in the value of money, there are a great many learned political economists who

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## Section CXL.

### Revolution In Prices.—Its Influence On The National Resources.

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The ulterior consequences of such a revolution in prices would contribute to the real wealth of a people only in the sense that they would place such a people in a way, with less sacrifice, to employ the precious metals on a large scale in ministering to the luxuries of life. This small advantage itself would be counterbalanced by the depreciation of the metallic stock, and especially by the necessity of henceforth devoting a larger quantity of gold and

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affecting the goods themselves: diminished supply by reason of bad harvests, commercial gluts etc.; increased demand by capitalization on a gigantic scale, speculation, but especially by the elevation of the lower classes etc.

The London wholesale prices were on the 1st day of January, 1869, nearly all lower by 10 per cent. than on the 1st day of July, 1857. Only indigo, cotton and meat had risen. (*Hildebrand's Jahrb.*, 1870, I, 328.) In many instances the enhanced dearness is entirely local, by reason of the greater facilities for transportation in places where prices were already higher. But as new truths are very easily exaggerated by their discoverers, much of Tooke's view concerning these events depends upon a polemic carried too far against the theory of the balance of trade which was customary in the so-called currency school. Compare, in opposition to Tooke, *Lavasseur*, in the *Journal des Economistes*, March, 1838, and *M. Chevalier*, *La Baisse probable de l'Or*, 1858. *Lavasseur*, from the difference between the official and real custom-house prices in France, calculates that raw materials in 1856 were on the average 63 per cent., and in 1858, 20 per cent. higher than in 1826; and that manufactured articles were in 1856, just as high, and in 1858, 6 per cent. lower than in 1856. An average made of all commodities showed, in 1856, an enhancement of 30 per cent, and in 1858 of 9 per cent. (*Hildebrand's Jahrb.*, 1864, II, 118.)

In the Hamburg market in 1847-65, 87 articles declined in price, 183 rose in price, and 24 remained about stationary. (*Amtl. Statistik von 1887*, 18 ff.)

silver to the purposes of circulation.<sup>872</sup> But such a revolution would produce a sudden reverse in the distribution of a nation's wealth among its constituent members. All those who, by virtue of contracts antecedently made, have payments to effect, are benefited to the extent of the difference between the old and the actual price, while those who are to receive such payments lose

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*Jevons* assumes a general rise in the price of commodities between 1849 and 1869 of about 18 per cent. (*Economist*, May 8, 1869.) He makes this estimate from the average March prices of 50 of the principal articles. Assuming the average March price of 1849=100, we have, according to him, for the following years, respectively: 101, 103, 101, 116, 130, 125, 129, 132, 118, 120, 124, 123, 124, 123, 122, 121, 128, 118, 120, 119. Previous years showed: 1789=133; 1799=202; 1809=245; 1819=175; 1829=124; 1839=144. (Compare supra, § 129, note 1.) The budget of a Swiss teacher's family consisting of five persons has become dearer since 1840 ff., their consumption remaining the same and of only the simplest articles, by 72.5 per cent. (*Böhmert, Arbeiterverhältnisse* etc., I, 302 ff., 355.) That, however, the depreciation is under-estimated most precisely in England and over-estimated in Germany, *Knies* very well accounts for by the price-leveling effects of the more modern means of communication. (*Tübinger Zeitschr.*, 1858, 280 ff.)

are by no means prepared to grant it. The principal advocates of this opinion are *Tooke*, and *Newmarch*, in vol. VI. of the *History of Prices* (1857). Also *Lavergne*, in the *Journal des Economistes*. And really the enhanced dearness of many kinds of goods up to 1857, might have been accounted for by causes<sup>872</sup> Compare *Leibnitz*, on the consequences which would follow the realization of the dreams of the alchemists. It would be a great misfortune, since then a pocket would no longer suffice for the transportation of money, and people

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to the same extent.<sup>873</sup> Therefore, those engaged in industrial enterprises improve their condition, because they immediately increase<sup>874</sup> the prices of their own productions; and, for a time at least, continue the use of capital borrowed from others, of land leased or rented etc. at the old prices.<sup>875</sup>

Besides, at the beginning, and before a corresponding depreciation of its value has taken place, an increase of money produces as a rule a low rate of interest (§ 185), and an itch to buy on the part of the public. All this may serve as a powerful stimulant to production on a large scale.<sup>876</sup> Those most certain to suffer loss are officials<sup>877</sup> with a fixed salary, and so-called annuitants, creditors of the nation and of individuals. Even bankers, too, have no means to fix the value of their wares which

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would have to use wheel-barrow as they do now in Sweden. (Opera ed. Dutens, V, 199, 401.)

<sup>873</sup> *Beccaria* considers it equitable that the debtor should always pay the original value of the metal. (E.P., IV, 2, 17.) *Galiani*, on the other hand, would not permit individuals, even when the state arbitrarily causes a diminution in the real value of money, to maintain the real value of the coinage in their contracts. (Della Moneta, V. 3.)

<sup>874</sup> It is precisely this class which first comes to an understanding of the essential nature of the change effected.

<sup>875</sup> Thus the English lessees, who in the sixteenth century had leases for a long term of years, saw themselves rise in the social scale in consequence of the revolutions in price—a fact of importance in the political struggles of the seventeenth century. Compare *Sir F. M. Eden*, *State of the Poor*, I, 119 ff.

<sup>876</sup> Too much stress is laid upon this by *Tooke-Newmarch*, who, on that account, considers almost every increase of the precious metals as a blessing. As a matter of fact, the population of Australia, of the United Kingdom, and of the United States, increased, between 1848 and 1871, 44.5 per cent.; the production of coal and of railroads in England, between 1856 and 1869, by about 60.6 per cent.; the English production of woolen goods, linen and cotton and yarn, between 1848 and 1870, by from 110 to 335 per cent. (Statist. Journal, 1872, 376 ff.)

<sup>877</sup> *Luther's* complaint concerning the poor condition of the clergy. See



they see disappearing, so to speak under their eyes.<sup>878</sup> Of land owners, those who are in debt gain, that is especially the poorer, and the more speculative among them.<sup>879</sup> On the other hand, [429] owners of large estates who have alienated their tithe-rights, or right to vassal-service etc. for capital, or for fixed sums to be paid at regular intervals, that is, in a great many places the great mass of the nobility, undergo a not insignificant social fall.

The condition of those who earned a living by manual labor no doubt deteriorated in the sixteenth century, as may be inferred from the extraordinary activity of public charity in that period.

Between 1500 and 1550, silver purchased, in Orleans, from 4.1 to 4.5 times as much common labor as it does now, while silver, as compared with the average price of twenty-seven commodities, has grown cheaper in the ratio of only from 2.6 to 2.7:1. (*Mantellier*.) It was impossible for this class to raise the price of their wares as rapidly as that of the medium of circulation declined, because they could not wait, nor hold back their commodity even for a moment. (§ 164.)<sup>880</sup> This would,

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*Schmoller*, in the *Tübinger Ztschr.*, 1860. This very clearly shows how much surer for the crown domains are than a civil list, and donations of land to a church than payments in money. Law of Elizabeth, 18 Eliz., that, in the case of university property, ■ of the lease rent should be paid in metal and ■ in corn. In *Adam Smith's* time, this latter third was worth as much again as the other two. (I, ch. 5.)

<sup>878</sup> In the sixteenth century, this class was of small importance in most countries; in our times, their ruin would cause general disturbance. The wiser class of capitalists would, indeed, find means to exchange their credits for more certain values, or make it a condition that they should receive in the end a large sum.

<sup>879</sup> Thus, for instance, the son of a deceased land owner who retains the lands as his own acquits himself towards his brothers who have entered the military or civil service of their country by paying them a certain sum periodically. If a revolution were really impending, the owners of land would soon emulate one another to improve their estates by borrowing capital, if for no other reason, to turn the depreciation of the medium of circulation to their own advantage. In the sixteenth century, the indebtedness of land owners was relatively unimportant.

<sup>880</sup> It appears from *Roger's Tables*, *Statist. Journal*, 1861, 551 ff., that, between 1583 and 1620, a time during which the population of England increased

indeed, be very different in our day. Wages, because of the facilities, both physical and moral, which have everywhere been placed in the way of emigration, were necessarily one of these articles which rose soonest in price, as compared with money.<sup>881</sup>

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Lastly, the state itself profits by the diminished thing-value, that is, real value of its public debt;<sup>882</sup> but it loses, at the same time, on all taxes, duties etc., which are not estimated at a certain percentage of the value of the articles taxed.<sup>883</sup> As a rule, therefore, it would need to impose new taxes. Now, the parliamentary right to impose taxes, however extensive it may juridically be, is, ordinarily, of great importance in practice only when there is question of increasing the existing burthen. Hence, this right, wherever it exists, is brought into the utmost activity

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neither in wealth nor in numbers, there was a considerable increase in the price of nearly all English commodities. Thus, for instance, wheat was, from 1591 to 1600, 468 per cent., and from 1611 to 1620, even 495 per cent. higher than from 1530 to 1533. The Saxon laborer earned, in 1599, in corn, only half as much as in 1455. (Tübinger Ztschr., 1871, 354.)

<sup>881</sup> When labor is indispensable to employers, it may happen that a small decline in the supply may largely raise the price. Wages, in almost all branches of labor, rose between 1851 and 1856, by about from 15 to 20 per cent.

<sup>882</sup> This, also, was of little significance in the sixteenth century, but how important now!

<sup>883</sup> Income taxes, *ad valorem* duties and tithes rise and fall in their nominal amount as the price of the medium of circulation falls and rises.

by a revolution in prices.<sup>884885</sup>

However, the new additions of gold and silver to the already existing supply may not immediately produce a corresponding depreciation of the value of the precious metals. If the first receivers of the additional supply of money exchange it rapidly for other goods, it will probably bring them the former value in exchange of the metal. Not until it has passed into a third or fourth person's hands is the depreciation apt to be perceptible. It is, therefore, in this case, a great advantage to be the first hand. The world-threatening power of Spain, in the seventeenth century, was very essentially promoted by the American gold and silver mines;<sup>886</sup> nor is it a matter of less significance to-day, that the great mineral wealth of the world belongs to Siberia, California and Australia; that is, especially to Russia and to countries colonized by Great Britain. Further, as to the classes into which a nation is divided, it was only the crown, the Church and a comparatively small number of officials, soldiers and officers who controlled Spanish America;<sup>887</sup> and who can tell how the absolute monarchy of Spain was strengthened by this fact? In the seventeenth century, on the other hand, it is

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<sup>884</sup> Thus, for instance, the victory of the English Parliament over the unlimited power of the crown, in the first half of the seventeenth century, was very much promoted by the fact that the crown, in spite of all its economy, was always in financial straits in consequence of the depreciation of money. (Power of the purse, power of the sword!) However, any force kept steadily in action is a two-edged sword. While under favorable circumstances, it may be thereby developed, under unfavorable circumstances it may be thereby exhausted. How great a number of representative assemblies, during the revolutions in prices in the sixteenth and seventeenth centuries, allowed their energies to grow dormant!

<sup>885</sup> Most of the above points are very well discussed in the work *W. S.*, cited above, § 137.

<sup>886</sup> As no one then doubted: Compare *W. Raleigh*, *The Discovery of Guiana*, Pref. I refer to Philip of Macedon.

<sup>887</sup> Compare *Roscher*, *Kolonien, Kolonialpolitik und Auswanderung*, 1856, 145 ff.

principally manufacturers and merchants, and more especially yet, workmen, who reap the immediate advantages of new discoveries of gold.

### Section CXLI.

## Effect Of An Enhancement Of The Price Of The Precious Metals.

A great enhancement of the precious metals would naturally and necessarily produce a revolution in prices in a direction<sup>888</sup> opposite to the one just described, and one which would be much more injurious to a nation's economy. Such a revolution would weigh most heavily on the most sensitive, and the momentarily most productive classes of the people, inasmuch as the price of the ready product as compared with advances made for the purposes of production would be a declining one; and it would benefit those classes who live in leisure on the fruits of previous labor. There would, at the same time, be a perceptible growth of consumption in certain departments, useful, no doubt, in themselves, but apt to degenerate into excess, and which are, therefore, most easily cared for. (§ 212, seq.) To this extent, the gold discoveries of the nineteenth century, without which an enhancement of the price of money would undoubtedly have taken place, have warded off a great economic malady from the nations. Moreover, this inverted revolution in prices may be

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<sup>888</sup> Something similar might have been observed in England in 1819 etc., at the restoration of a depreciated paper currency. Among nations in a comparatively low stage of civilization, a variation in the medium of circulation is of less importance than among more highly civilized nations, because trade in money, and still more, credit, are relatively speaking undeveloped.

moderated by governmental measures, such as a diminution of taxes, emissions of paper money etc.<sup>889</sup>

## Section CXLII.

### The Price Of Gold As Compared With That Of Silver.

The price of gold as compared with that of silver does not, by any means, depend entirely on the ratio of the quantities of the two to each other. Rather is it, in the long run, determined by the average cost of production necessary at those gold and silver mines which exist under the most disadvantageous conditions, but which it is still necessary to work in order to satisfy the aggregate requirement of these metals. On the whole, with an advance of economic civilization, the dearness of gold as compared with that of silver has been enhanced. The former, in the middle ages, was worth from ten to twelve times as much as the latter,<sup>890</sup> while now it is worth from fifteen to almost sixteen [433]

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Immediately after Colbert's death it was, in Genoa, 15.03; in Milan = 14.75:1. (*Montanari*, Della Moneta, 80.) While in the seventeenth century gold rose, it sank in the eighteenth, on account of the Brazilian gold washings and the many bank notes in circulation, which were for the most part of a large denomination. (*Steuart*, Principles, III, ch. 13.) Still it was in Amsterdam in 1751 = 14.5:1.

<sup>889</sup> *Fawcett* greatly exaggerates when he says that with an increase of population and wealth, an increase of money is as much a want as hunger. (Manual, 370.)

<sup>890</sup> *Galiani*, Della Moneta, III, 1. At the time of the Lex Salica, 10:1. After the Edictum Pistense of Charles II., ch. 24 (*Pertz*, Mon. Germ., III, 488), 12:1. At the time of the Sachsenspiegel (III, 45), again, 10:1. Under Saint Louis, King of France, 12.5:1. (*Leblanc*, Traité historique des Monnaies de la France, ch. 1, 2.) In Poland, 1356, 12:1. (*Muratori*, Dissert. Medii Aevi, II, 28.) In England, 1262, 9.6; 1272 = 12.5; 1345 = 13.7:1. (*Rogers*, 1, 593 ff.) Under Henry VI., and in 1494 = 12:1. (*Anderson*, Origin of Commerce, a. 1422, 1494.) In Denmark, under the former Kings of the Union = 8:1. (*Dahlmann*, Dänische

times as much.<sup>891</sup> In the same period of time, also, gold in highly civilized countries is wont to be comparatively dearer.<sup>892</sup>

These facts are explained as well by the demand as by the supply. As the production of gold requires so little skill or capital, and that of silver so much of both, the former may be considered a natural product to a greater extent than the latter, and therefore, the rule laid down in § 130 is applicable to it. (*Senior.*) Besides, in the higher stages of civilization, especially when the precious metals are cheap, larger payments are usual, to the making of which, gold is certainly best adapted; just as in every day trade merchants are wont to accept a gold piece in payment, even at

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Geschichte, III, 52.) And so throughout almost the whole of Scandinavia's medieval period, as for instance in the Graugans. (*Wilda*, *Gesch. des deutschen Strafrechts*, I, 329.) In Italy, 1579 = 12:1. (*Scaruffi*, *Sopra le Moneta*, 1582.) In Holland, 1589 = 11.6:1. *Bodinus*, *De Republ.*, 1584, II, 3, maintains 12:1 as the general ratio; but the Apostolic Chamber adopted the ratio of 12.8:1. In Germany, according to the instances cited by *A. Riese*, 1522 = 10:1. The monetary laws of Germany give it in 1524 = 11- $\frac{1}{2}$ :1, in 1551 = 11:1, 1559 = 11- $\frac{3}{7}$ :1; *Budelius*, *De Monetis*, 1591 = 11- $\frac{1}{4}$ :1. At the beginning of the seventeenth century the relation in Spain was = 13.3; in Germany = 12.16; in Flanders = 13.22; in England = 13.5:1. (*Forbonnais*, *Finances de la France*, I, 52.) About 1641, in Flanders, it was 12.5; in France, 13.5; in Spain, 14.1.

<sup>891</sup> In Hamburg, the relation of the price of gold to that of silver bars, varied, between 1816 and 1852, from between 15.11-16.2 to 1 (*Soetbeer*); in London, from 1816 to 1837, between 15.80 and 14.97 to 1.

<sup>892</sup> In Asia, it is generally lower than in Europe—for centuries mostly = 10:1. But in Birmah it is = 17:1, mostly on account of the extent to which indulgence in luxury is carried there. (*Crawford*, *Embassy*, 433. *Ritter*, *Erdkunde*, V, 244, 266.) Concerning China, see *M. Chevalier*, *Cours*, III, 359. In Africa, gold is low as compared with silver, in proportion to the distance from the civilized world. Thus, an ounce of gold in Shenar cost 12 piastres; in Suakim, 20; in Djidda, 22. (*Ritter*, *Erdkunde*, I, 538.) In Timbuctoo, Mungo Park found the

something of a premium, while the peasantry hesitate to do so.<sup>893</sup> [434]

It is very much of a question whether gold or silver is, on the whole, subject to greater variations in price. The fact that gold is more strictly a natural product would of itself constitute a powerful element of variation. (§ 112). But, on the other hand, its greater durability and the greater care bestowed on its preservation, have for effect to make the existing quantity preponderate in importance over its annual increase. The demand for gold varies more suddenly than the demand for silver. In case of war or sedition, the former is more easily carried away or hidden. It is also more desirable for the state for its military fund. On the other hand, on account of its greater capacity for transportation, it may follow such claims when made on it, more easily, from country to country. On the whole, I am inclined to think that, for short periods of time, silver maintains its value better, and gold for longer ones.<sup>894</sup>

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relation of gold to silver to be as 1-½:1. Compare Marco Polo, II, 39 seq.

<sup>893</sup> In antiquity, a similar course is to be observed. According to Manu's Indian laws, VIII, 134 seq., = 2-½:1; in the East, for a long time, = 10:1; under Darius Hystaspis, = 13:1. (*Herodot.*, 111, 95.) In Greece, in the time of Lysias, = 10:1 (*Lysias*, pro bonis Arist., Conon); according to *Plato*, = 12:1 (*Hipparch.*, 231); according to *Demosthenes*, adv. Phorm., 214, = 14:1 (*Böckh*, Staatst., I, 43); Menander's estimate, = 10:1, probably because Alexander's victory had made gold cheaper. (*Pollux*, IX, 76.) Among the Romans, about 189 B.C., = 10:1 (*Livy*, XXXVIII, 11); somewhat later, = 11.9:1 (*Mommsen*, in the histor. phil. Berichten der K. Sächs. Gesellschaft, 1851, 184 ff.); in the fourth century after Christ, = 14:1. (*Theod.*, Cod. VIII, 4, 27.) We sometimes find sudden variations. Thus, according to *Polyb.*, XXXIV, 10, gold, in Italy, sank about ■ in consequence of the opening of the mines at Aquileia. It sank to the proportion of 9:1 when Cæsar spent the contents of the Roman treasure, which consisted of gold. (*Surton.*, Cæs., 54.) The ratio of 17:1, during Hannibal's wars, was a species of National bankruptcy. See *Plin.*, H. N., XXXIII, B.

<sup>894</sup> After the February revolution, the gold-agio, as compared with silver, rose from 10-17 to 70 per 1,000. (*M. Chevalier Cours*, III, 346.) On the other hand, since the discovery of America, gold, as compared with commodities, has declined much less than silver. Compare *Hermann*, Ueber den gegenwärtigen Zustand des Münzwesens, in *Rau's Archiv.*, I, 151 ff. According to *Lord*

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## Section CXLIII.

## The Price Of Gold As Compared With That Of Silver. (Continued.)

If the gold-production of California should be attended<sup>895</sup> by a notable depression of the value of that metal, it becomes a question whether or not silver would be necessarily depreciated with it. Senior claims that it would not, for the reason that the two precious metals do not, for most purposes, act as substitutes each of the other. If a country needed 1,000 pounds of gold and 15,000 pounds of silver as money,<sup>896</sup> and these two sums of metal were equal in value, an increase of gold by one-half, which would depreciate its price in relation to silver to 10:1, would not overflow the channels of circulation. The 1,500 pounds of gold are now also equal to only 15,000 pounds of silver, and *vice versa*.

I would put very important limitations to this assertion. Even a moderate depreciation of gold would drive out the silver from all those countries which had a mixed coinage made up of the two

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*Liverpool*, Treatise on the Coins of the Realm, the value of gold coin in the London market, as compared with bank notes, varied in 40 years, almost 5½ per cent.

<sup>895</sup> In recent times, it has become possible to extract from ancient silver coins a small quantity of gold, and with some advantage. European industry produced in this way about 1,600 kilogrammes of gold per annum. One half of this amount is obtained in France and the rest in Hamburg, Amsterdam, Brussels and St. Petersburg. (*Michel Chevalier*, Cours, III, 302.)

<sup>896</sup> *Senior*, On the Value of Money, 77 ff. It is certain that a simple variation in prices would not induce people to have gold table services, or architectural ornaments of silver.



metals; and hence the supply of silver would be increased in the other countries. And so it is quite possible, up to a certain point, that the larger silver coin should be replaced by small gold ones, ten and five franc pieces etc. Rau is certainly right in his surmise that a general rise in the price of commodities as compared with coin, the result of a great increase of gold, would go farthest in countries in which the gold is the medium of circulation, begin later in those which had a mixed circulation, and continue for the the shortest time in those countries which, by force of law, had a silver circulation only.<sup>897898</sup> [436]

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<sup>897</sup> *Rau*, Lehrbuch, 6th ed., I, § 277 c. In Rau's opinion (loc. cit.) we may, in the course of the next decades, expect a decline of the price of gold of about 76 per cent., and of only 10 percent. of the price of silver (because of the low prices of quicksilver.) But here he seems to overlook entirely what influence a change of standard in important commercial districts would have.

<sup>898</sup> Compare the works already mentioned. *Fleetwood*, Chronicon preciosum, or an Account of English Gold and Silver Money, the Price of Corn and other Commodities etc., for Six Hundred Years last past, 1707; *Dupré de Saint Maur*, Essai sur les Monnaies ou Réflexions sur les Rapports entre les Denrées et l'Argent, 1746; *Unger*, Ordnung der Fruchtpreise, 1752; *Paucton*, Métrologie ou Traité des Mesures etc., des anciens Peuples et les modernes, 1780; the appendix to *Macpherson's* Annals of Commerce, 1805; the tables in *Garnier's* translation of Adam Smith, vol. II, 1822; *A. Young*, Inquiry into the progressive Value of Money in England, as marked by the Price of Agricultural Products, 1812; *W. F. Lloyd*, Prices of Corn in Oxford, in the Beginning of the fourteenth Century, and also from 1583 to the present Time, 1830; *Helferich*, in the Tüb. Zeitschrift, 1858, 471 ff. There are some very interesting notes on the history of prices during the Merovingian and Carolingian periods in *Guérard*, Polyptiques, I, 141 ff.

## Appendix I.

### Paper Money.

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#### Section I.

#### Paper Money And Money-Paper.

Paper money must be distinguished from other value-paper or money-paper,<sup>899</sup> which may also run to the possessor or holder, and not unfrequently serve as a medium of payment. In the case of these bonds or obligations,<sup>900</sup> their circulating capacity is a secondary matter, and the principal thing the authentication of an economic legal relation; whereas paper money is intended principally, if not exclusively, to act as money.<sup>901</sup> Money-paper appears in a great many different forms, but it nearly always bears

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<sup>899</sup> Thus, for instance, the bonds (and their coupons) of states, cities, great corporations, certificates of stock, mortgages, bills of exchange, checks.

<sup>900</sup> A Prussian regulation of 1765 (*Goldschmidt*, *Handbuch des Handelsrechts*, I, 550), calls money-paper (*Effecten*), instruments of trade in which a value or a *valuta* is designated.

<sup>901</sup> *Garnier*, French translation of Adam Smith, II, 143 ff., distinguishes between coin-paper and promise-paper: the latter is never found in circulation at the same time with the capital which it represents. *Say* says that, for instance, evidences of state indebtedness, state bonds, call for money if they would circulate, but they seldom act as money in circulation. (*Traité*, III, ch. 2.) *Sismondi* very well determines the difference in his *Richesse Commerciale*, I, 160. *Rau*, *Lehrbuch*, I, § 293, requires of all good paper money: a., that its mere transfer, even without any proof of its rightful acquisition, should suffice to vest the property in it in the receiver; b., that the power emitting it should enjoy universal confidence or be able to compel universal recognition; c., that its redemption should not be fixed for any definite point of time.

interest. Its value depends in great part on the rate and certainty of its interest. On the other hand, the endeavor to insure a more favorable reception for paper money by the promise of interest has been exceedingly seldom successful.<sup>902</sup> And in reality, good prospects as to interest (*Zinssaussichten*) and ease of transfer from one hand to another are two qualities which lie in very different directions.<sup>903</sup> [440]

The many recent writers who claim for paper money the marks of irredeemableness and forced circulation, confound the unfortunately too frequent degeneration of an institution with its real nature. They contradict, too, usage of speech, which, in countries where silver is the standard, unhesitatingly calls gold [441]

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to a high figure, when they would be suddenly presented for redemption. Such interest-bearing paper money, therefore, would be a serious element to aggravate the fluctuations of the money-market between good and bad times. When interest-bearing paper money pays interest at the rate usual in the country, it is hoarded by misers, (v. *Struensee*. *Abhandlungen*, III, 387.) Compare *Forbonnais*, *Principes économiques*, p. 234, ed. Guill., whereas v. *Prittwitz*, *Kunst reich zu werden* (1840, 359), takes delight in elaborating the idea of an interest-bearing paper money.

<sup>902</sup> That it is not possible to keep paper money from declining in value, by the payment of interest, the people of North America learned from more than one experiment during the eighteenth century. (*Benjamin Franklin*, *Remarks and Facts relative to the Paper Money of America*, 1765.) The same phenomenon was observed in the case of the Spanish *vales*, which were created during the North American war in consequence of the absence of the silver fleet. (*Bourgoing*, *Tableau de l'Espagne*, II, 38 ff. *Humboldt*, *N. Espagne*, II, 808.) When the Portuguese *apolicies* (since 1797) still bore six per cent. they depreciated in value; and when the payment of the interest was suddenly stopped, the rate of exchange did not become any lower. (*Balbi*, *Esai statist. sur le Portugal*, I, 323.) In Austria, in September, 1820, the bank notes which bore no interest were at a premium as compared with the imperial treasury notes, which did bear interest of 1 per cent., although the credit of both kinds of paper had

coins money, although they cannot be forced on any one.<sup>904</sup> The paper money issued by the state deserves, indeed, the appellation in the fullest measure; but starting from this point we find a number of grades in a downward direction, which may still be called money;<sup>905</sup> and we shall see especially that the differences between state paper money and bank notes so widely asserted are, in great measure, differences not of kind but of degree.

The idea of replacing the precious metals as a medium of circulation by a less costly material, even the ancients were acquainted with; but with the exception of the Carthaginians, they scarcely ever made any use of it except in cases of need and

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ultimately the same foundation, namely, Austrian state-credit.

<sup>903</sup> The attempt to make paper money pay interest suggests (as the Saint Simonists recommend it should, with much ado; *Enfantin*, Ser les Banques, d'Escompte in the Producteur, 1826), that awkward sword, invented by Count Wilhelm von Bückeberg, to the blade of which a pistol is affixed! Shortly before each term for the payment of interest, the circulation of such paper money would be arrested. If the rate of discount should sink below the rate of interest such notes bore, they would be sought after eagerly and disappear in quantities, and, not be ever seen again until the rate of discount had risen

<sup>904</sup> Of jurists, see *Thöl*, Handelsrecht, I, § 51, and the authorities for and against in *Goldschmidt*, Handelsrecht, II, Kap. 4, 1, 2. The compulsory circulation of paper money is an essential element only in reference to the person that issues it. Of political economists, especially *A. Wagner* in *Bluntschli's* Staatswörterbuch, Art. Papiergeld, Band, VII, who, however, is very soon compelled to oppose to paper money "proper," another kind not "proper." *Adam Smith* unhesitatingly accounts bank notes also paper-money. (W. of N., II, ch. 2, p. 28, Bas.) *Huskisson* understands by "paper-money" only the irredeemable paper-money of the state, while bank notes should be considered as "paper currency." (The Question concerning the Depreciation of our Currency, 1810.)

<sup>905</sup> *Seyd*, Münz, Währungs- und Bankfragen in Deutschland, 50 ff., distinguishes four classes of paper-money: 1st class, paper-money covered

transitorily.<sup>906</sup>

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Similarly, the middle ages in Europe; as in general all greater development of the credit-system—and all paper money is credit-money—has a natural growth only in the higher stages

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it purported to be. *Mieris*, Beschryving der Munstn, 1726, explains the saga of Dido's ox-skin by means of this leather money. Certain it is, however, that the surprise with which the sophistical dialogue, *Eryxias*, mentions the matter, is a proof how foreign it was to the Greeks. Concerning the Roman plated denarii which were stamped with the silver coins, but which were also accepted by the state treasury, see *Mommsen*, R. G., I, 405.

by cash; 2d class, bank notes covered after the manner of banks; 3d class, state paper-money; 4th class, such paper money as the notes of the Southern Confederacy after its defeat.

<sup>906</sup> Even *Plato*, *De Legg.*, V, 742, was acquainted with money after the Spartan type, intended only for internal trade: νόμισμα ἐπιχώριον, αὐτοῖς μὲν ἔντιμον τοῖς δὲ ἄλλοις ἀνθρώποις ἀδόκιμον. Besides the state kept for foreign trade a supply of the universal Hellenic money, of which in case of need, private individuals could acquire what portion they needed by exchange. When Dionysius I. issued tin instead of silver money, all the Syracusans, although they noticed the forgery, acted in their intercourse with one another as if they considered the coins genuine. (*Aristot.*, *Œcon.*, II, 21, *Pollux*, IX, 79.) Timotheos behaved more honorably when, pressed by the dearth of money, he gave his troops copper coin tokens, which passed for the time being for their full value in the camp; but which were later to be redeemed at their full value in silver. (*Aristot.*, *Œc.* II, 22.) Compare *Polyæn*, *Strateg.*, IV, 10, 2. The

of civilization.<sup>907908</sup>

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## Section II.

### Advantages And Disadvantages Of Paper Money.

Where it is at all possible to give paper money the same purchasing power as metallic money possesses, it is unquestionable that the former must have many advantages over the latter. True, paper money is very inconvenient for small

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convenient coins," and sometimes *coupons, bons, conventions* (*Klaproth, Mémoires relatives à l'Asie, I, 375 ff.*), against which the caravans, as soon as they had passed the limits were obliged to exchange their silver (*Pegolotti, Pratica della Mercatura in Della decima etc., III, 3*). These had compulsory circulation in China. The great Mongolian khans here became acquainted with paper-money. (*M. Polo, II, 21.*) Thus, especially in Persia, where refusal to accept such money and the imitation of it was punished with death (1340). Compare *Ferishta, ed. Briggs, I, 414 ff. d'Ohsson, Hist. des Mongols, IV, 101 ff.; II, 487*. Even here there occurred cases of state bankruptcy and finally withdrawals of the depreciated paper. (*Klaproth, loc. cit.*) In Japan, according to *Oliphant, Narrative of L. Elgin's Mission to China and Sapan (1859)*, all foreign coins were required to be exchanged against paper-money at the offices of the state bankers.

iron money which the Klazomenians exchanged with the rich for silver, which bore interest, but which the rich were forced to take, had a longer duration; the silver was used to pay foreign state creditors, the iron money circulated for the time being in the city, and was gradually redeemed. (*Aristot., loc. cit, II, 17.*)

We are still more forcibly reminded of paper money by the Carthaginian leather money, where any object whatever of the size of a coin was shut up in a leather envelope with the state seal, and then circulated as if it were the coin<sup>907</sup> In the middle ages, leather money was issued as a promise of future

amounts;<sup>909</sup> but all the more convenient for large amounts, as well for purposes of counting as for purposes of the storing up of values and for transmission from place to place; a matter of greater importance in proportion to the badness of a country's means of transportation, and to the cheapness of the metal of its currency hitherto.<sup>910</sup> It seems a still more important matter to most people that paper money dispenses with the use of a great quantity of the precious metals for purposes of circulation, which can now either be turned into utensils, etc. in the country itself or used in foreign countries to make investments of capital there,

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payment: by the doge of Venice in the wars of 1122 and 1126 (*Montanari, Della Moneta*, 34); by King John, of England, during the struggle of the barons (*Camden*); Emp. Frederick II. at the siege of Faventia (*Malespini, Hist. Fior.*, 130, *Villani, Hist. Fior.*, VI, 21); by Louis IX. during his captivity (v. *Raumer Hohenstaufen*, V, 461), John of France, 1360 (*Anderson, Origin of Commerce*). On the Frankfurt lead marks which were afterwards redeemed by the *Rechnerei: Kirchner*, I, 541. Lavallette's copper tokens during the siege of Malta had the inscription: *non aes sed fides*. The paper money which was issued during the siege of Leyden, the inhabitants afterwards would rather preserve than have redeemed, *ad perpetuam liberationis divinæ memoriam*. (*Bornitii, De Nummis*, 1605, I, 15. Distress coins, *melacs*, during the siege of Landau and of the Hungarian *Ragoczy, Marpurger, Beschreibung der Banquen*, 213. *Krones, Zur Geschichte Ungarns im Zeitalter R's*, 1870.)

<sup>908</sup> The Chinese have had various kinds of paper-money in their country since the 7th century after Christ. Sometimes they called them "flying coins,

<sup>909</sup> Adam Smith mentions North American paper money of the amount of 1 shilling, and Yorkshire bank notes of the amount of 1-½ shillings. Sweden had, until 1828, notes of 28 *pfennigs*.

<sup>910</sup> Hence in Sweden, with its copper standard of long duration, the system of banks of issue was developed very early. The transport-notes (*Transportzettel*) (to be found in that country as far back as 1661) of the Stockholm bank are

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or in the purchase of commodities.<sup>911</sup> In national economies whose commerce is a growing one, the same advantage finds a negative expression in this, that they are not compelled to satisfy

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Bill considered (London, 1802), met with great approval.

considered the oldest bank notes. Compare, however, *Palgrave*, in the *Statist. Journal*, 1873. When, in 1768, Catherine II. introduced paper money into Russia, the people gladly paid  $\frac{1}{4}$  per cent. exchange to the state treasury for it. (*Brückner*, in *Hildebrand's Jahrbücher*, 1863, 49.) According to *Cancrin*, *Oconomie der menschl. Gesellschaft*, 116, private individuals in from four to five months exchanged 40 millions of silver roubles for paper. And thus, in 1780, Berlin bank notes stood a few per cent. above par, and the notes of the S. Carlos-Bank, in 1788, from 1 to  $1\frac{1}{2}$  per cent. (*Rau*, *Archiv.*, II, 161.)

<sup>911</sup> When at times in which paper money is looked upon with diffidence, peasants and others bury their metallic money, this advantage of course is lost. On the other hand, the exportation of precious metal money, caused by the emission of paper money, must not be considered a necessary evil, but rather as the condition precedent which in most cases makes the above advantages of the paper money possible for the first time. Compare *Ad. Wagner*, *Die russische Papierwährung* (1868), 22, 24, 33. *Ricardo*, *Proposals for an economical and sure Currency*, 1816, estimated that England, after the abolition of the bank restriction, needed twenty million pounds sterling. The interest on this amount of capital inclusive of wear and tear etc., should be estimated at at least ten percent.; that is for the whole kingdom at at least from two and one-half to three millions a year. On this *Ricardo* founded his proposal to base the bank notes



the increasing demand for money by procuring costly metals.<sup>912</sup> Of the individual members of the nation, all these advantages of convenience will be experienced by those who employ the paper money. The economical or saving advantages of paper money are appropriated by the issuers to themselves, in the form of a non-interest bearing loan, which they make to those owners of money or to those who are entitled to a money-claim and to whom the paper money is acceptable instead of cash money.<sup>913</sup> A diminution for instance of the number of bank notes or of state paper money does not diminish the available capital of the people. Its only effect is that a smaller portion of it is at the disposal of the bank or of the government. [445]

But in contrast with these advantages are the great disadvantages, since paper money is wanting in most of those properties which originally made the precious metals the best instruments of exchange and the best measures of value. In addition to this, paper money may be increased at pleasure, and at almost no cost; and an occasional surplus of it cannot flow either into other branches of employment (as a surplus of metallic money may into utensils, ornamentation, etc.) nor into

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on gold bars. In its time, the essay: *Guineas an unnecessary and expensive Incumbrance on Commerce, or the Impolity of repealing the Bank-Restriction*<sup>912</sup> *Adam Smith* calls attention to the analogous case in which a manufacturer replaces a costly machine by a cheap one, sells the former and employs the difference between the old one and the new in enlarging his business. (W. of N., II, ch. 2.) When, indeed, all nations have introduced the use of paper money, the greater portion of the advantages which the one nation was able to obtain by its means cease, and the only ultimate result is a depreciation of the value of money and of the precious metals. Formerly the advantage reaped by the single nation that emitted paper money was greater than its share in the depreciation. (*Wolowski, Enquête de 1865, 108.*)

<sup>913</sup> When E. Seyd calls bank notes more costly than metallic money, because the former in England require an outlay for administration of 1-½ per cent. per annum, while the wear and tear of metallic money amounts to 1 per cent. only in 20 years (*Statist. Journal, 1872, 511*), he overlooks the loss in interest and the costs of coinage in the latter case.

other countries. And thus the constancy of value of paper money, that is, one of the chief requisites of all good money, is imperiled in the highest degree. True, the payment-power, or “legal tender” character given such money by the state may certainly supplement in some way its matter and form-value. But this supplement or addition constitutes, in the case of large amounts<sup>914</sup> a small quota; or else the quantity of money as compared with the amount of money needed for commerce would have to be fixed very accurately; a thing of peculiar difficulty in the case of paper money, which is almost costless.<sup>915</sup>

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### Section III.

#### Kinds Of Redemption.

While precious metal money carries, so to speak, by far the greater portion of its value in itself, and this to such an extent that it appears on the inscription found on its face, the inscription

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<sup>914</sup> Related to this is the fact that in France, during the assignat-crisis, the large bills of 10,000 francs were harder to get rid of than the small ones. (A. Schmidt's *Pariser Zustände*, III, 22.)

<sup>915</sup> The numbering of paper money. A state which should neglect this would not only reserve to itself the possibility of an unlimited increase, but would surrender all control of its officials charged with the emission of the paper money. *Law, Trade and Money*, 162, advises that a large money reward should be paid to any one who should show the existence of a higher number than allowed by law, or of a duplicate number. And indeed, as comptroller-in-chief, he caused the *prévôt des marchands* to be removed, because charged with the duty of burning the paper withdrawn from circulation, he (the *prévôt*) noticed that the same number reappeared several times.

found on paper money is almost the only reason of its value.<sup>916</sup> (Credit-value.) The issuer promises in one form or another, expressly or tacitly, that he intends to redeem the note, almost valueless in itself, in real goods; and the value of this promise depends on the probability of its fulfillment.<sup>917</sup> The only fully satisfactory kind of redemption consists in this, that every holder of the paper money may, immediately on demand, obtain its nominal value in good current metallic money. This only can, in the long run, keep paper money up to its full nominal value. But experience teaches that even with less perfect modes of redemption, paper money may maintain a part of its nominal value, and a part greater in proportion as the following conditions are approximated to: freedom from personal considerations, the immediateness of the redemption, and currency of the goods by means of which redemption is effected. Thus, for instance, the acceptance of paper money for all debts due the state, in countries

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<sup>916</sup> If a traveler wished to pay his inn-keeper in the note of a bank entirely unknown in the place, the latter would certainly refuse it. If, on the other hand, the traveler were to offer him a silver coin, the stamp and inscription of which were not familiar, still it would be taken at the value of the metal it contained, after deduction made of the costs of testing it, re-coining it, and compensation for the trouble caused. Ignored by *Berkeley*, who, indeed, considered metallic money nothing but “counters” or tickets (*Querist*, No. 23, 26, 441, 475), and who ascribes important advantages to paper money,—which by “stamp” and “signature” is made as costly as gold (440)—over metallic money (226).

<sup>917</sup> Any person who has witnessed a tax-execution, or sale of property for the non-payment of taxes (*Stuerexecution*) will admit that a tax receipt is at least as real goods as an umbrella or a glass window that protects one from the storm. *Michelis* considers the amount of running payments to the state for duties, taxes etc., as the only right basis for full-value paper money. (*Berliner Vierteljahrsschrift*, 1863, III.) Better yet when *Höfken* advises that only as much paper money should be issued as amounted to the average balance (*Bestand*) in the national treasury. The tax-basis is defended with great warmth by *L. Stein*. Louis XIV., in 1704 issued paper money bearing 7 per cent. interest, the acceptance of which by all the royal officers of the treasury was prohibited! (*Dutot*, *Réflexions*, 863, Daire.) *Law*, *Trade and Money* (1705) ascribes to parcels of land the greatest constancy of value, because they cannot be replaced,

[447] where taxation is heavy, where there are large state industries etc.; where the lands of the state are farmed out etc., has a great influence on its course of exchange. Redemption in parcels of land is a very imperfect one, not only on account of the great differences in the value of pieces of land according to quality, situation, the times etc., but also because only a very small number of men, especially where money is the usual medium of exchange, are in a condition to accept parcels of land.<sup>918</sup> It is a question whether the threat of punishing the refusal to accept paper money, or to accept it at its full nominal value, can be called a negative mode of redemption. Certain it is, however, [448] that it is the most barbarous and in the long run the least efficient mode, one in which the issuer calculates only on the fear of those who accept it; and, what is most demoralizing, on the hope they entertain that they in turn shall be able to dispose of it to others

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estimated in money. On the 1st of April, 1790, 400,000,000 francs in assignats were issued, and in September, 800,000,000 more, both together about equal to the secularized property of the church. (*Ad. Schmidt*, *Pariser Zustände*, II, 97.) But as afterwards all proportion between these two magnitudes ceased, or rather as up to January 1, 1793, 3,626,000,000 assignats were issued; up to September, 1794, over 8,800,000,000; up to September, 1795, 19,700,000,000; and finally up to September, 1796, 45,578,000,000 francs, of which perhaps 6,500,000 were either burned or demonetized, the price of the national estates on lands must naturally have risen as vastly as the assignats declined. because they can be neither increased nor decreased, and because they help to produce all other goods (p. 170). While silver cannot but depreciate, they have a prospect but to rise (188). Hence *Law* recommended notes based on parcels of land as the best money. (163, 191, 195.) Similarly, *Benjamin Franklin*, *Modest Inquiry into the Nature and Necessity of a Paper Currency: and the Paper Money of Pennsylvania, New York and New Jersey* was actually based on parcels of land, and was to be extinguished by the enfeoffed owners, and the interest paid by them. (*Ebeling*, *Gesch. und Erdbeschreib. von N. Amerika*, III, 621, IV, 649.)

<sup>918</sup> *F. Renonard de Ste Croix*, *Voyage aux Indes orientales* (1810), I, 32, describes a species of paper money based on parcels of land which had lost 40 per cent. of its nominal value, although the holders of them were invested with

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the fief at only one-half their value. The French *mandats territoriaux* of 1796, declined in five months to 5 per cent. of their nominal value, although they contained the provision that the holders might, without public sale (*Auction*), have a certain amount of the national estates allotted to them in exchange for the *mandats*. The assignats were still more defective after their redemption (at the *Caisse de l'extraordinaire*), which was at first intended, and their drawing of interest were not fulfilled. Leaving the tax-basis out of consideration, the notes might, at the sale of the national estates, be brought in as means of payment: a thing which would not have been inoperative, provided the amount of the paper money had been strictly limited to the price of the pieces of land

as timid.<sup>919920</sup>

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<sup>919</sup> The paper money issued by Colbert's successor, Chamillard, soon lost on account of its too great amount, 25 per cent. of its value, spite of the fact that it bore interest, and that  $\frac{1}{4}$  of all payments to private persons had to be made in it. (*Forbonnais*, *Recherches et Considérations*, II, 182.) When the people of the United States, in 1775, issued paper money, it did not decline in value up to the end of 1776, so long as the amount did not exceed \$20,000,000, as it was considered a matter of honor to take it at par. Afterwards, when the amount issued continued to increase, not even the law that a refusal to accept it, or insisting on taking it below par, should be punished with the loss of the commodity, and that the guilty party should be declared a national enemy, could keep it from declining in value; so that in May, 1871, a dollar in specie was worth \$200.5 in paper. Compare *Franklin*, Works, ed. Sparks, II, 421, VIII, 328, 505.

France, during the Reign of Terror, on the 2d day of April 1793, threatened the claiming of a discount in the taking of assignats with six years' confinement in chains, and on the 1st day of August, on Couthon's motion, with twenty years' confinement. In addition to this, maximum prices for the principal necessities of life were fixed and the exceeding of them was punished by severe penalties; and in France, and still more in the neighboring conquered countries, there were many persons who preferred to take assignats instead of payment rather than permit themselves to be robbed by requisitions. And yet on the 4th of

## Section IV.

## Compulsory Circulation.

When paper money which is not completely redeemable—and it is scarcely possible that in the long run it should be thus redeemable—has sunk below its nominal value, the result in the case of all private paper money is the bankruptcy (*Vermögensbruch*) of the individual issuing it; in the case of state paper money, the legal provision that it shall have a

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over 2 per cent., although the state treasury redeemed them up to 1804 only at an *agio* of 9 *pfennigs* per thaler, and afterwards of 1 *pfennig*.

June, 1796, one franc in specie exchanged for 800 francs assignats. Compare *Büsch*, *Geldumlauf*, III (§ 58 ff., *d'Ivernois*, *Etat. des Finances Française*, 1796).

<sup>920</sup> The Prussian treasury notes of 1806, by virtue of a decree published in 1807, were to be taken by all at a rate of exchange to be officially published from time to time. Between December 1, 1807, and February 28, 1809, the highest "normal course of exchange" was 71, and the lowest 27 per cent. In January, 1815, a refusal to take them at par, except in certain cases, was threatened with from 500 to 1,000 thalers of a money-fine or from 6 to 12 months' imprisonment. But indeed, in December, 1812, of 8,000,000 thalers, there were only 731,625 still circulating. Compare § 7 of the decree of the 19th of January, 1813. In April, 1815, it was ordered that the half of all taxes should be paid in such notes, or that if not, 8-½ per cent, should be added as a penalty. This penalty, reduced in 1827 to 1 silver groschen, was not formally abolished even in 1870, although it had long fallen into disuetude. There was a run of the owners of the notes in 1830, for redemption, and again in 1841 and 1848; in 1848 to the extent of at most 40,000 thalers in one day, and altogether not over 100,000 thalers. (*Bergius*, in the *Tübinger Zeitschr.*, 1870, 226 ff.) About 1846, it was estimated that scarcely 1/250 a year of Prussian paper money was

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compulsory circulation (*Zwangcourse; cours forcé*).<sup>921</sup> To what extent the real rate of exchange of paper money shall fall in any case depends not only on the amount issued as compared with the wants of trade, but also and still more on the degree of confidence which the state of public affairs inspires.<sup>922</sup> The first consequence attending a depreciated currency is, that the good precious metal money is withdrawn from circulation and even from the country; for the reason that it cannot maintain its true value side by side with the paper money; the usual effect in all untenable mixed

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presented for redemption, while ■ of the state receipts came in in the shape of paper money. (*Rau*, Archiv., V, 125, 207.) The Saxon treasury notes never lost<sup>921</sup> Those entitled to make money claims are either compelled to accept the paper money at its nominal value or only at its current value for the time being. In the latter instance, the unjust compulsion is much smaller, but at the same time the whole expedient is much less productive to the state; and hence the former is the more usual. It was provided in Austria on the 22d of May and the 2d of June, 1848, that the former should be the rule, and that the latter should govern in cases in which gold or foreign silver had been stipulated for. (*Höfken*, Oesterreichs Finanzprobleme, p. 53.) On the 7th of February, 1856, it was permitted to contract by express promise for loans in the metallic currency of the country, both for the interest and the repayment of the principal. Hence a species of parallel-currency. If it be made entirely impossible for private individuals to protect themselves against the compulsory circulation of paper money, the more prudent are forced to send their capital into foreign countries, which operates very disadvantageously to poor countries especially. (*Wagner*, Tübing. Zeitschr., 1863, 441.)

<sup>922</sup> Thus, for instance, the Frederick coins, and for a time the French assignats were helped by the popular enthusiasm, while Gustavus III., of Sweden, could give little value to his paper. (v. *Struensee*, Abh., III, 577.) In France, in 1796, 2,400,000,000 *mandats* were issued instead of all the outstanding assignats;



standards or currencies.<sup>923</sup> A second, and worse consequence [451] is the unrightful revolution produced in so many income and property relations, based on old contracts, to the advantage of the debtor, to the disadvantage of the creditor, and of those

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never drive out the whole supply of cash money out of a country, because a good portion must always be kept for purposes of redemption; depreciated paper money operates much farther in this direction. Even the exportation of small change may become a profitable speculation as soon as the amount of depreciation of paper money exceeds the seigniorage. Then usually small change of a worse kind is stamped, as, for instance, in Austria, copper instead of silver; and in 1860, 12 millions florins of paper small change. Here the exportation of the better money is not a consequence, but the motive to the manufacturing of the worse.

that is, as many as there were assignats at the close of the year 1792. And yet the latter were then only 25 per cent. below par; the former, before one month had elapsed, 80, and in nine months, almost 98 per cent. below par. (*St Chamans*, *Nouvelle Essai sur la Richesse des Nations*, p. 150. *A. Schmidt*, *Parisiens Zustände*, III, 121 ff.) In Austria, in 1811, the volume of paper money was contracted, but in a manner so violent and destructive of credit that its rate of exchange did not rise in consequence. (*Tub. Zeitschr.*, 1763, 1874.) After 1848, also, the rate of exchange of Austrian paper money was much more perceptibly influenced by the variations in the political state of affairs than by the changes in its volume. (*Tub. Zeitschr.*, 1856, 129.) In the summer and winter of 1866, about 650,000,000 paper rubles circulated, with scarcely any increase or decrease; and yet the ratio of exchange was, during a part of

who receive nominally fixed salaries.<sup>924</sup> These consequences are in kind similar to those produced by the clipping of the coin;

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the summer, 66, and in winter, 84 per cent. of the silver value of the ruble. (*Wagner*, Russ. Papierwahrung, 74.) Instances in which the increase in the price of commodities began to be more general only after the volume of paper money had decreased; in Austria, in 1851 and 1866; in Russia, in 1857 (loc. cit).

<sup>923</sup> Then precious metal money becomes a commodity of which great stores may be collected in the country itself, at the banks, but chiefly for foreign trade. It is said that Austrian business men in 1860 and the following years invested "hoards" to the amount of several hundred million florins in exchange on metallic-currency countries. (*Tüb. Zeitschr.*, 422.) Good paper money will

<sup>924</sup> During the assignat-period it could happen that a land owner, after the term for which he had farmed out his land, might be compelled to surrender it to the farmers, for the reason that the taxes, requisitions, etc., paid by the farmers, amounted to more than the farm rent. In the case of the former, the calculation was based on the recent depreciated value of the assignats; in the case of the latter, on the higher value the assignats had at the moment that the contract was concluded. (*Büsch*, Geldumlauf, III, 62.) A writer in the *Revue des deux Mondes*, April 15, 1865, thinks that one reason why the American civil war was so popular in the northwest was because the paper money issued during the rebellion made it easy for that part of the country to pay off the mortgage-debts which had burthened it since 1848. Even of the two law catastrophes, *Duclos*,

but in degree they are much more dangerous.<sup>925</sup> Besides, the depreciation of paper produces, by no means, an equal rise in the prices of all commodities. The prices of those commodities, the sellers of which are most favorably situated in the struggle for prices, rise earliest and highest. This is true especially of foreign commodities, also of those inland commodities which can be easily exported, and most particularly of those commodities which have the greatest capacity for circulation, for instance, gold and silver.<sup>926</sup> Hence, it would be a great mistake in countries where there is an irredeemable paper currency with compulsory circulation, to measure its purchasing power at a special discount as compared with the precious metals. Therefore, a depreciated paper currency has transitorily an effect on industry similar to that of a protective tariff, and even as the payment of export premiums; inasmuch as it enables manufacturers to permit a part of their cost of production, viz.: that which they have to pay their workmen, their older creditors, and in part, also, their furnishers

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in his memoirs, remarks that they produced a great admixture of those who had been formerly separated by differences of class and wiped out the previous ideas of decorum, fitness, etc.

<sup>925</sup> During the time that the clipping of the coin was practiced, it is scarcely possible to show that money was debased below 11 per cent. of what its value should have been. See, on the other hand, § 3. In Austria, in 1810, a person had to give 1,200 florins in paper money for 100 florins in silver. (Tüb. Zeitschr., 1861, 593.) In North America, in 1781, it took \$280 in paper to purchase \$1 in silver. (*Ebeling*, *Gesch. und Erdbeschreib.*, von N.A., 1856, III, 580; IV, 440; V, 437.) During the American civil war, the paper money of the Southern States declined to ½ (December, 1863) and even to 1/35 (October, 1864) of its nominal value. Compare *Hock*, *Finanzen der V. Staaten*, 514 ff. Observed even by *Storch*, *Handbuch*, *Rau's* translation, III, 141 ff. (See, on the other hand, *C. King*, *Thoughts*, p. 113.) In Paris in July, 1795, the greater number of commodities estimated in assignats were worth as much as if the rate of exchange of the latter was 6-14 per cent. of their nominal value, while it actually amounted to only 3-½ per cent.

<sup>926</sup> Where an *agio* of exchange of metallic money as compared with paper is prohibited, the decline of the latter will manifest itself not only in foreign rates of exchange, but also in the price of bars of the precious metals.

of raw material, to rise in a less degree than the paper money has declined in value.<sup>927</sup> This is indeed a very inequitable advantage accorded to private individuals in the face of the universal

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(Werke, VII, 91), that retail dealers frequently raise their prices in order not to be obliged to pay out so many small coins as change for the paper dollar.

<sup>927</sup> The changes of the agio or premium depend mainly on the supply and demand of the precious metals, that is, on the extent and intensity of the business transactions which have to be made in these metals themselves. (*Wagner*, Russ. Papierw., 87.) Hence, for short periods of time, it may be said in a paper currency country, that business transactions based on cash money have a great element of variation in them. (*Wagner* in *Bluntschli's* Staatswörterbuch, III, 971.) The purchase and lease-hold prices of fixed capital, of houses, for instance, rise much less because most people look upon the distress as transitory, and of short duration. (*A. Walker*, Sc. of W., 133.) In Austria in 1859, the rise of the agio of exchange of silver from par to 40 per cent., and its subsequent fall within 7 months to 20 per cent., left the price of coin almost entirely unaffected. (*A. Wagner*, Gött. Anz., 1860, 114.) That country people in general suffer more from a bad paper currency than the towns people and inhabitants of cities, see *Bonamy Price*, Currency and Banking, 175, seq. In the northern states of the American union, in 1864, 12 home kinds of commodities had risen 148 per cent., 7 foreign kinds of commodities, 164 per cent., and 7 which could be obtained only from the southern states, 353 per cent. (*v. Hock*, 186 seq.) As too great issues of paper money are so frequently made on account of war, it is comparatively easy to understand why it is that articles for

distress of the country.<sup>928</sup><sup>929</sup> And these bad consequences are aggravated by the downward-path principle which a depreciated paper money always involves. The state whose financial distress introduced the evil, sees a great portion of its revenues melt away

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which war creates a demand should rise in price very soon and very high; while the very opposite happens in times of taxation-distress, in the case of a great many articles of luxury, which can readily be dispensed with. *Büsch* remarks<sup>928</sup> Compare *Hufeland*, N. Grundlegung, II, 241. Self-seeking undertakers (*Unternehmer* = men of enterprise) have, on this account, both in Austria and Russia (*Wagner*, Russ. P.W., 105), but more so in North America (v. *Hock*, 556 ff.), opposed measures intended to restore values (*Valuta*), on the ground that they were anti-national. Even *Sperausky* experienced this in 1809, when he published very correct ideas on paper money, while in the “fairy” times of Catherine II., no one even thought that state paper money is a state debt. (*Bernhardi*, Russ. Geschichte, II, 2, 636.) One of the principal representatives of this course is *H. C. Carey*, *Our Resources* (1866), and in the *New York Herald*, 1865. On the other hand, *Faucher* rightly calls the more active exportation of countries, with a bad paper currency, an exportation of barbarous nations, the commerce of misery, to which any price paid in metal or in any higher-standing product of civilization is acceptable. (*Vierteljahrsschrift*, 1868, IV, 167.) The nation in the aggregate loses in international trade for the simple reason that its foreign creditors will accept its paper money at most at its current rate of exchange against specie, while foreign debtors force it upon the nation at its nominal value.

<sup>929</sup> The different provinces also of a large empire may have very different

before its eyes;<sup>930</sup> while in what concerns its outlay, nothing is more calculated to mislead it than such an imagined creation out of nothing. And a thing which greatly contributes to this its the frightful sensitiveness of a depreciated paper currency in the presence of complications of foreign politics, a quality which may cause the government as many inconveniences from without as the issue of its paper money produced conveniences to it at home.<sup>931</sup> Hence recourse is had to additional issues of paper, which are easily increased in the same measure as the rate of exchange (*Cours*) has declined.<sup>932</sup> Great private interests operate in the same direction. Between the increase of the volume of the paper currency in circulation and its consequent depreciation, some time always elapses; and in the mean time, either the purchasing power of the money-owner or his loaning capital is really greater than before. The former increases the demand for commodities, the latter facilitates their coming into existence. However, the flight of speculation with which the increase of paper money is wont to be accompanied<sup>933</sup> in the

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degrees of depreciation of the same paper money. Thus, in the interior of Russia its rate of exchange against specie had for a long time not declined beyond 50 per cent. of its nominal value; while the foreign rate of exchange supposed a decline to 33-■per cent. (*Cancrin, Weltreichthum, 68.*)

<sup>930</sup> An enhancement of duties, taxes (*Abgaben*) etc., will seldom be able to progress in the same measure as the paper money sinks; in any case, a law would be necessary to effect this, which, however, comes always later than the decline. (*Sismondi, Du Papier Monnaie, 27.*)

<sup>931</sup> *Wagner, Russische Papierwahrung, 142*, estimates that the Crimean war depreciated the average current rate of exchange of Russian paper money by 11.1 per cent., the Italian war of 1859 by 14.5 per cent., the German war of 1866 by 19.4 per cent., spite of the fact that Russia did not participate directly in the last two wars.

<sup>932</sup> The more than forty-five milliards French assignats, estimated at their rates current, really produced to the state only about six milliards. (*Gentz, Histor. Journ., 1800, II, 317, after Lecoulteux.*)

<sup>933</sup> Very well explained by *H. Thornton, Paper Credit of Great Britain, ch. 10*. As to how, in Austria, the paper-money crisis contributed to bring the rigid national resources into a molten state, and to shake off the national inertia by

beginning depends on an error shared by many men as to its true value. Hence it does not last long, and the critical shriveling up of the inflated bubbles is greater in proportion to what the previous dimensions of these bubbles were. And now many believe that the nation's business or economy might be kept on its course by new emissions of paper money; and the wise ones hope, at least, to be able thereby to postpone the catastrophe long enough to enable themselves to get their property into a safe condition. And in fact, the restoration of a depreciated currency is accompanied by crises entirely similar to those which followed its first decline; only they are in an opposite direction.<sup>934</sup> And hence conscientious statesmen are frequently deterred from seeking to effect such a restoration. Yet the darkest side of a paper currency severed of due connection with precious metal-money consists in the frequent and violent fluctuations of value to which it is subject.<sup>935</sup> The consequence of these fluctuations is, that every

the feeling of insecurity, see *Buquoy*, *Theorie d. Wirthschaft*, 1816, 347 ff. *Schäffle*, *System*, 3 aufl., 254 seq., thinks that if Austria should first adjust its values, and then, in case of another war, have recourse to a second depreciation, the disastrous disturbances of its national economy consequent herein would be produced twice instead of once, and not without reason.

<sup>934</sup> The Prussian treasury-bills stood, in June, 1809, at 36 per cent. of their nominal value; June, 1810, 84-½ per cent.; January, 1812, 13-½; December, 1812, 44-½; June, 1813, 26-½; July, 1813, 24-½; December 31, 1813, 49-½; January, 1815, 88; January 5, 1816, 99 per cent. Austrian paper money expressed in terms of metallic money, amounted, on an average, between 1849 and 1855, to 292,000,000 florins: but at certain moments, it fluctuated from 231,000,000 to 337,000,000. (*Tübing. Zeitschr.*, 1856, 124.) The agio of silver fluctuated during the *Bancozettel* (bank-billets, a species of Austrian paper money) period from one day to another on Change 40 and even 100 per cent.: thus, on the news of Napoleon's entry into Paris, between the 25th of March and the 4th of April, from 330 to 440; on the receipt of the news of the result of the battle of Waterloo, in three days, from 458 to 412; after Napoleon's abdication, from 412 to 320. (*Gentz*, *Werke*, V, 62.) *Huskisson* rightly calls a depreciated paper currency a much worse thing than clipped coin: the clipping of the coin is, so to speak, one great blow after which people can again calculate with certainty; but bad paper money is one continual fluctuation.

<sup>935</sup> "The only difference here is that it is not left to individuals to say whether

commercial transaction, every credit-transaction, and even every act of saving, in which money plays any part, is made to bear the impress of a game of chance;<sup>936</sup> a consequence of far and deep reaching influence, especially in the higher stages of civilization, where the importance of commerce, of the credit-system, and of money-economy as contradistinguished from barter-economy is so great; producing there a state of uncertainty which is otherwise peculiar only to barbarous medieval times.<sup>937</sup> All this discourages the best business men and the best husbandmen more than it does any other class of people, and demoralizes the whole economy of a nation; and demoralizes it the more in proportion as it is easier for the state to influence the value of paper money as compared with specie, and as its influence is more irresistible.<sup>938</sup> The compulsory circulation of paper money is a much more powerful and yet a much more simple screw by means of which to practice extortion than is the most

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they will join in the game or not.” (*Helperich.*)

<sup>936</sup> During the later assignat-period every house was full of commodities, every pocket of samples; every “exquisite” and every lady was a merchant, because no one had any further confidence in the money. People had retrograded to the barbarous condition of trade by barter. (*Goncourt, Histoire de la Société française pendant le Directoire, 1854.*) The French constitution of 1795 fixed the salaries of members of the Directory at the value of 50,000 *myriogrammes* of wheat (art. 173, 68). In Delaware, while the depreciation of paper money lasted, farm rent was usually required to be paid in produce. (*Ebeling, V, 37.*)

<sup>937</sup> “Of all contrivances for cheating mankind, none has been more effectual than that which deludes them with paper money.” (*D. Webster.*) The American Secretary of the Treasury, *McCulloch*, says, in the report of December 7, 1868, of the legal tender notes: “there can be no doubt that these acts have tended to blunt and deaden the public conscience, and they are chargeable in no small degree with the demoralization which so generally prevails.” *Niebuhr* attributes the decline of old Spanish honesty which was formerly so much relied on in all great money centers, principally to the *vales*. (*Nichtphilol. Nachlass, 489.*)

<sup>938</sup> This calls to our mind the impersonal mass-crimes to which our own times so frightfully incline, when many a man who would recoil in horror from an ordinary act of pocket-picking or from manslaughter with intent to commit larceny, robs thousands in cold blood by means of a swindling enterprise, or,



burdensome taxation or forced loan, and at the same time the most comprehensive power which a government can possess to carry out both these measures. (*Ad. Wagner.*)

All the horrors of the later Roman republic, the draining of the provinces by robber-governors with their publicans and sinners, the building up of monstrous fortunes without any production proper, but through usury and rapine alone: all this is made to revive again through the instrumentality of the national-economic disease called a paper crisis, in a less violent form, indeed, but in one which is much more insidious and scarcely less pernicious.

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## Section V.

### Resumption Of Specie Payments.

The healing of such a paper-money disease as we have described, it has been endeavored to effect in three ways more particularly.

A. By the reduction or bringing back of the depreciated paper money to its full nominal value. And this is best done by gradually drawing paper money into the state treasury by means of taxation or by loans, and refusing to allow such paper money to be again issued. The consequent rise in the rate at which the outstanding paper money notes exchange against specie is produced not only by the diminution of the quantity of paper in circulation, but also by the increasing confidence in the future

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for the sake of a fraudulent insurance, destroys the lives of a whole ship's crew.

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which such a governmental measure inspires.<sup>939</sup> While this mode of procedure has in the abstract most in its favor, yet it is not to be recommended in practice except where the depreciation of paper money has either not gone very far or where it has existed only a short time.<sup>940</sup> Otherwise the revolution in all property-relations and the disturbance of all rightful speculation—always dangerous and easily abused—produced by the depreciation would be repeated by the restoration of values, with this difference only that the disturbance would be produced the second time in an opposite direction. And that those who were previously injured should now be compensated for the damage sustained in the first instance is impossible in proportion as the depreciation has been of longer duration. Many of the sufferers from the effects of depreciation are now compelled, even as tax-payers, to contribute to the enrichment of the speculators who have accumulated the depreciated paper into their own hands.

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and also *Lord Ashburton*, in his statement before the Agricultural Committee, 1836. But according to *Rob. Muschet*, Tables, exhibiting the Gain and Loss to the Bondholders arising from the Fluctuations in the Value of the Currency (1826), the state creditors, on the whole, lost more by the depreciation of the notes than they gained by their subsequent rise. *Ad. Wagner* also is decidedly in favor of the course A.

<sup>939</sup> Saxon loans of two million thalers treasury notes (*Kassenbillets*), August, 1813, which were then to bear interest in silver and to be paid in silver. The purchase of the precious metals, or loans made by the state in foreign countries, with the intention of redeeming paper money, effect the same end at a much greater cost. (*Peschel*, D. Vierteljahrsschrift, 1858, III, 254.) If the currency consists of bank notes endowed by the state with compulsory circulation and an irredeemable character, such a metallic loan made in order to reimburse the bank for a loan to the state in depreciated notes is a gift made to the bank without reason; and the metallic money brought into the country flows back into foreign parts when the bank restriction is removed, because it, together with the appreciated notes, creates a too abundant circulation.

<sup>940</sup> Although in England the suspension of the redemption of notes had lasted from 1797 to 1819, depreciation of notes during the greater part of this time either did not occur at all (Summer of 1797 to 1799, 1802 ff.) or was very small; and even during the last five war years, it did not amount to much over

B. The extreme opposite of such a course would consist in this, that the depreciated paper should be allowed to go on sinking lower and lower until it was practically worthless, whereupon a new currency, whether of metal or paper, would have to appear like a new world after the waters of a deluge had been abated. Hence, therefore, one of two things: universal bankruptcy entered into with the clearest purpose, or the resignation of despair!<sup>941</sup> [459]

C. The middle course between these two has, therefore, been most frequently pursued, viz.: *the legal reduction* of the value of the coin (*gesetzliche Devalvirung*), which consists in reducing the nominal value of paper money to its current value at the moment the law goes into force, and by redeeming it either in specie or in other paper to be issued in smaller quantities.<sup>942</sup> Although this has been not seldom based on the false principle that the value of every separate amount of money is inversely as the aggregate amount of all the money in circulation; yet it

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30 per cent. About 1817, the notes of themselves again rose to par, and had lost but little during the following years, in consequence of the great loans of the continental powers in the English market. Under such circumstances, the repeated promise of the state to make the notes redeemable at their full nominal value was certainly a cogent reason for the Peel's Act of 1819. In favor hereof are especially *Tooke*, Hist. of Prices, II, p. 60 ff., and *J. S. Mill*, Principles, III, ch. 13. Opposed to it, the so-called Birmingham-Atwood school<sup>941</sup> This has occurred not unfrequently in the case of the paper money of subdued revolt: thus, for instance, the Hungarian of 1849; in the case of the Southern Confederacy. But the assignats, too, came to this end, although, according to *Büsch* (Werke IX, 526), the intentions of the country at first were good; and in Austria, in 1810, many prophecies looking in this direction were made. (Per contra *Rehberg*, Sämmtl. Schriften. IV, 334.) Not very differently did it fare with the Swedish coin-tokens (*Münzzeichen*) of Charles XII, which were altered 7 times between 1715 and 1718; and where besides, the tokens called in in a much too short space of time were transformed into small change coins 1/32 their value hitherto. (*Brückner* in *Hildebrand's Jahrb.* 1864, I, 161, ff.)

<sup>942</sup> Thus it was, for instance, in Austria, in 1811 and 1820, at 1/5 and 2/5 of the nominal value, in 1799 in the United States, in 1813 in Denmark with the currency notes (*Courantzettel*), in 1816 in Norway with the royal bank

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cannot be questioned that it is only the open declaration of the state bankruptcy which the whole measure involves, and which in most instances has already happened beyond repair. Here there is no new and dangerous disturbance of the nation's economy whatever; and the fluctuations of value in the future which are inseparable from the gradual contraction of the volume of paper, continued until it has reached its nominal value, are avoided: this last, of course, only on the supposition that either the pure metallic or the redeemable paper currency is rigidly adhered

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dollar notes, in Sweden in 1814 with the bank notes (*Bancozetteln*) at 37-½ per cent., in 1839 in Russia with the *bankassignationen*, at 2/7 of their nominal value. Of theoretical writers this course is recommended among others by *Jacob*, Staatsfinanzwissenschaft, § 980 ff.; *Nebenius*, Œff. Credit, 2 Aufl., ff.; *Deutsche Vierteljahrsschrift*, 1841, I, 65; *Rau*, Lehrbuch, III, § 528; *Helferich*, Tüb. Ztschr., 1856, 435 ff. According to v. *Rotteck*, Lehrbuch, IV 402, it may be assumed that paper money is spread among the people of a country in proportion to their resources: which is also the hypothesis on which all direct taxation is based. Hence the gradual depreciation of paper money operates like the imposition of a tax and the *reduction of value* (*Dervalvirung*) is, so to speak, only the release of the same. Besides *Genz* (Werke by Schlezier, IV, 58) shows from the example of Austria in 1811, that in the case of the taking up of a depreciated paper currency it makes a better impression to give 100 florins in specie for 1,000 florins in paper, than 200 florins in a new kind of paper. The holders of the old paper money have now lost confidence in all paper currency. Of similar import is the immediate abolition of the compulsory circulation of paper money at its nominal value (*Prince Smith* in *Faucher's Vierteljahrsschrift*, VII, 126 ff.), and the introduction of compulsory circulation in accordance with the day's quotations of the actual value of the paper as compared with specie. (*Strache*, Die Valuta in Œsterreich, 1861; *per contra*, *Ad. Wagner*, Tüb. Zeitschr., 1861, 606 ff.)

to.<sup>943</sup> But the problem, how to protect both parties<sup>944</sup> to contracts entered into at a rate of the currency different from that under which they are to be performed, from all damage, is one which will never be perfectly solved. Hence, of the different measures to economically preserve a state in cases of extraordinary need, the emission of paper money with compulsory circulation is much more universally disastrous to the people than the effecting of loans at the very highest rate of interest, and even than being in arrears in the matter of paying the officials and creditors of the state.<sup>945</sup>

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## Section VI.

## Paper Money—A Curse Or A Blessing?

subsequently, in better times, make good to them or to their heirs what it had now refused; and thus private credit, from the disturbance of which the state can only suffer, suffer no diminution. Both are quite different when the state disguises its insolvency under the mask of apparent full payment in paper money which has lost 50 per cent. of its nominal value. In opposition to the myth that the assignats saved France, see *Levasseur*, in the Acad. des Sc. m. et. p.

<sup>943</sup> Such measures as were adopted in Austria, in 1811, where a “redemption and extinction deputation,” independent of the government was established and sworn to prevent a further increase of paper money, are not sufficient of themselves alone.

<sup>944</sup> The Code Civil (art. 1895) makes the nominal value entirely conclusive; so, also, the Prussian Landrecht (I, § 790): which is to proclaim the omnipotence and infallibility of the state power in the most ingenuous or else in the most brutal manner. The power given by *Puchta* to metallic value (Pandecten, VII, aufl., § 38) is applicable neither to paper money nor to small coin; and it ignores entirely that stamped coins and currency money are something different from mere metallic commodities and even from metallic bars. The Austrian civil law (*bürgerliche Gesetzbuch*) decides in favor of the current value (986 seq.): a view which most modern jurists since *Savigny* (Obligationenrecht, I, 404; earlier yet, *Hufeland*, Ueber die rechtliche Natur des Geldschulden, 180)

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Considering the double-edged-sword character of this mighty instrument,<sup>946</sup> and the frightful consequences which its abuse produces, it is easy to conceive why so many political economists have expressed such serious doubts as to whether, on the whole, the invention of paper money has been more of a curse or of a blessing to mankind. The controversy is an idle one to a certain extent, since no mature nation (or individual), and no nation which considers itself mature will renounce the possibility of a brilliant growth simply because it fears that it may not be able to withstand the temptations to dangerous abuse connected therewith. Politically, the best safeguard against such temptation is a so-called moderate constitution, which compels the supreme power in the state by wise and appropriate counterweights, to allow all rightful interests to assert themselves, or at least to find expression; and itself to make use not only of the most skillful but also of the most highly esteemed instruments and measures. Such a constitution, indeed, cannot be made; it must be the ripe

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of these “Dædalian wings” as compared with the “solid ground of gold and silver,” especially in the transitory misfortune produced by war. (W. of N., II, p. 78, Bas.) *David Hume* says of all paper media of exchange, that they share all the harmfulness of an increase of specie money, enhancement of the price of commodities, aggravation of the obstacles to exportation; but that they do not share in the useful properties of specie money. (Discourses, On Money and on the Balance of Trade.) The younger *Mirabeau* kept Necker from pursuing his plan to issue paper money with the words: *du papier monnaie c'est la peste circulante!* Inconsistent as Napoleon was in his bank policy (compare *Horn*, Bankfreiheit, 304), he always rejected paper money. As in 1805 he wrote to the minister of justice: *je ne veut pas de papier monnaie*: so, in opposition to the minister of the interior, he in 1810 compared it to the plague: *le plus grand fléau des nations*. (Acad. des Sciences m. et p., 1864, II, 212.) *Sismondi*, too, compares paper money to the paper cannons of the Chinese, which render a cheap service until the hour of danger comes. (N. Principles, II, 107.) Of the banks he says: *les avantages aussi-legers les dangers aussi graves*. (Eludes, II. 421.) *Cancrin*, (Ökonomie der menschl. Gesellschaft, 1845, 152 ff., says he thinks that possibly it might have been well never to have established banks, but that yet the craving for the new is preponderately good, it brings inventions and improvements with it. Even *Tooke* considers the insecurity of paper money a disadvantage which more than counterbalances its cheapness. (Considerations

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on the State of the Currency, 1829, 85.) On the doubts of *Jefferson* and *Gallatin*, see *Wolowski*, *Enquête*, 170, seq. *Webster* called paper money “the most effectual of inventions to fertilize the rich man's field by the sweat of the poor man's brow.” *Tout papier monnaie par lui même est un mensonge*. (*M. Chevalier*, *Cours*, III, 428.) *M. Niebuhr* calls banks a poison which should be used with moderation. (*Bankrevolution und Bankreform*, 1846, 37.) Compare the writers named in § 2.

entertain. But they even fail to recognize that the depreciation, for instance, of paper money as compared with specie and general decrease of purchasing power are identical only in the case of such paper money or reduced coins which have no compulsory circulation. (*A. Wagner*, *Tüb. Ztschr.*, 1863, 478 ff.)

<sup>945</sup> Let us suppose that at the moment the state could perform its duty to its servants only to the extent of one half. If it should frankly admit this, pay one-half in good money and remain in debt for the other half, it might

<sup>946</sup> It not unfrequently happens that a nation's paper money has been directly or indirectly affected by an unfriendly state. Thus for instance, England, in 1794, tolerated an assignat manufactory at Lambeth, while Frenchmen imitated English bank notes. (*Archenholz*, *Aenalen* XI, 429.) Napoleon in 1812 issued forged Russian bank notes. (*Cancrin*, *Economie der menschl. Gesellschaft*, 136. *Niebuhr*, *Gesch. der Revolution*, II, 314.) When Maria Theresa first

fruit of a long continued and well conducted national life.<sup>947</sup> Of the extremes of forms of government, unlimited monarchy and democracy are about equally exposed to the paper-money disease.<sup>948</sup> Aristocracies are less exposed to it, for the reason that from their very nature they eschew centralization; and the paper-money system is intimately connected with the latter. Nothing so strengthens the central authority as the paper-prerogative with an unlimited power over the prices of all commodities; and, on the other hand, whenever paper money is to have a wide field for action, there is supposed<sup>949</sup> a far-reaching and intimate interweaving of the different members of the nation's economy with one another. And in what concerns the various economic stages, paper money is far removed from all medieval times; and for the same reasons that make external commerce here preponderant and condense all commerce into caravans, staple-

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wished to introduce paper money, Bolza, her minister of finance, in his urgent appeal to her to desist from adopting such a measure, foretold the subsequent bankruptcy etc. (*Mailath*, Oesterr. Gesch., V., 83.) *Adam Smith* compares gold and silver circulation to a highway which, indeed, produces nothing directly. Paper money is an advance similar to that which would be produced by the construction of a machine adapted to the carriage of persons and goods through the air, and which permit the highways hitherto used to be turned into meadows, arable land etc. *Ad. Smith* very strongly emphasizes the insecurity<sup>947</sup> *Avec la liberté un peuple n'a jamais de mauvaises monnaies* (*F. Lenormant*): entirely so, provided *liberté* be translated "true and insured freedom."

<sup>948</sup> Law's giddy projects under the regents of Orleans and the assignats of the first republic; Austria, Russia and the United States; the Danish absolute monarchy, and Sweden, both under Charles XII., and its oligarchical times. The history of Rhode Island paper money is peculiarly scandalous. All debts had to be paid within two years, or to be held invalid, and juries were dispensed with in such cases. (*Ebeling*, *Gesch. und Erdbeschreib. von N. America*, II, 173 ff.)

<sup>949</sup> *Ad. Müller* compares "cosmopolitan" metallic money to a universal language: paper money ties one to the country, as people do not like to travel in foreign parts when they understand only their native language. As paper money compels subjects to take an interest in the state, a state like Austria



towns, fairs, and recommend the collection of treasure etc.<sup>950</sup> Later, on the other hand, we find two stages especially adapted to paper money. We have first, as yet undeveloped but intellectually active (and therefore desirous of progress) colonial countries, possessed in abundance of natural means of production without however being able to concentrate them into the hands of an undertaker (*Unternehmer*) for want of money.<sup>951</sup> Here both the saving of the precious metals and the facilitation of transportation effected by means of paper money are of greatest utility. And then we have very highly developed and rich countries; not only because their economic popular education may protect them against the dangers of paper money, but because the rich man has relatively least need of money and may dispense with stores of specie most readily, because of his influence over the supply

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would act very foolishly if it should begin its reorganization by enhancing its depreciated values (*Valuta*). (Elemente der Staatskunst, 180, III, 171; II, 339 ff.) Even in 1830, he found fault with the Austrian loan for the payment of the paper money. (Briefwechsel mit Gentz, 321 seq.) He lauded paper money because he claimed it led a country back to the barter and service-economy of the middle ages. (Verm. Schriften, I, 59 ff.) Similarly, *Gentz*, in his later writings. Compare *Roscher*, *Gesch.*, der N. Œk., in Deutschland, II, 762.

<sup>950</sup> Who, for instance, would lay by a paper dollar in the savings bank for his godchild? In this respect, too, oriental countries have preserved much of the medieval. Concerning the aversion of the Egyptians of our day for all paper money, see *Stephan*, *Ægypten*, 250 seq. This is all the more surprising since during several months after the harvest, there are from 4,000,000 to 8,000,000 piasters in specie sent every day from Alexandria by post to private individuals in the provinces. In addition to this there is the immense difference in the French, English and Austrian coins circulating in the country, and which have very different rates in the different provinces. It is still worse in Arabia. (v. *Maltzan*, *Reise*, I, 27.)

<sup>951</sup> Compare v. *Schlozer*, *Anfangsgründe*, I, 140 ff. *M. Niebuhr* (Rau's Archiv. N.F. II, 125) finds paper money best adapted to countries without any exchange-trade, but which at the same time require a species of money easily computed and easy of transportation (Russia); countries whose national economy has

of others.<sup>952</sup>

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an extraordinarily rapid growth (the United States); and in unusually solid countries (Scotland).

<sup>952</sup> *List*, Nat. System der politischen Œk., I, 394. A private individual of small means who should go on his travels without money would be subject to all sorts of annoyances; a king or a Rothschild, just as soon as he was recognized as such, would find credit everywhere. Thus, English businessmen have outstanding claims in all parts of the world, which might without any great difficulty be called in in the precious metals. The more the division of labor is developed, the better may the condition of a nation's whole economy be seen reflected in the course of its banking system and its exportation and importation.

## Footnotes



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