

A.R.J. TURGOT

**REFLECTIONS ON THE FORMATION AND THE
DISTRIBUTION OF RICHES (1770)**

(NEW YORK: THE MACMILLAN CO., 1898).

ANNE ROBERT JACQUES TURGOT, baron d'Aulne, was born in Paris on May 10, 1727. He came of a branch of an old noble family of Normandy, which had for two or three generations furnished the state with able administrative officials : his grandfather had served as an Intendant ; his father had occupied high judicial positions, and presided for a time over the municipal government of Paris as *Prévôt des Marchands*. He received his early education at the Collège Louis-le-Grand and the Collège du Plessis, and then, being destined as a younger son for the ecclesiastical profession, he entered upon his theological studies at the Séminaire de Saint-Sulpice, and received the degree of bachelor of theology in 1747. In 1748 he was admitted to residence in the Maison de Sorbonne ; and, in December 1749, he was elected to the honorary office of Prieur for the ensuing year. Early in 1751 he changed his plans, and determined to enter the judicial and administrative service. In January 1752 he was appointed Substitut du Procureur Général ; in December, Conseiller au Parlement de Paris ; in March 1753, Maître des Requêtes. His duties for the next eight years were chiefly judicial ; but in 1755 and 1756 he accompanied Gournay, the Intendant du Commerce, in his official tours of inspection through the south and west of the kingdom.

In August 1761 he was appointed Intendant of the Généralité of Limoges, and held that office till the middle of 1774. During his administration he reformed the method

of collecting the Taille, substituted a money payment for the forced labour of the Corvée, brought about the free circulation of corn within the Généralité, and established a system of poor relief. In his occasional visits to Paris, he contracted a friendship with David Hume (secretary to the English Embassy from 1763 to 1766), and made the acquaintance of Adam Smith (in Paris from Christmas 1765 to October 1766). It was during 1766 that Turgot wrote his *Reflections* (for which see *infra*)

Upon the accession of Louis XVI, Turgot was invited to join the new reforming ministry. After a brief tenure of the Ministry of Marine (July 20–August 24, 1774), he was appointed Contrôleur Général des Finances. His short ministry of two years forms one of the best known episodes in the history of France. The most important of his measures were the establishment of freedom in the internal corn-trade, the substitution for the Corvée of a tax to which the privileged classes were also to contribute, and the abolition of the Jurandes, or corporations of crafts. Turgot's edicts aroused the most determined opposition from the nobility, the magistracy, and all those interested in the maintenance of existing conditions, and Louis yielded to the remonstrances of the court and of Marie Antoinette, and dismissed Turgot, May 12, 1776. His measures were at once recalled, — to be re-enacted by the legislatures of the Revolution. Turgot devoted the years of retirement to literary labours, and died on March 18, 1781.

The only economic writings of Turgot, other than the *Reflections*, published during his lifetime, would seem to have been the *Questions importantes sur le commerce*, 1755 (translated from the English of Tucker), and two articles on *Foires et Marchés* and *Fondations* in the *Encyclopædie*, 1756.

He drew up, however, a large number of *Mémoires* on various economic topics, some of them addressed to his official superiors apropos of his government of Limoges his measures of reform while Intendant were all explained and justified by him in circular letters and other papers addressed to the public. and the edicts of his ministry were preceded by elaborate expositions of the principles involved. All these, together with his *Éloge de Gournay*, written in 1759, were published, under the editorship of Du Pont de Nemours, in the *Œuvres de Turgot*, in 9 vols., 1809-1811, and reprinted with additions in the 2-volume edition of his *Œuvres*, edited by Daire and Dussard, in 1844, for the *Guillaumin Collection des Principaux Économistes*. The volume entitled *Turgot: Administration et Œuvres Économiques*, edited by M. Robineau, 1889, in the *Petite Bibliothèque Économique*, contains the *Réflexions*, the *Éloge*, the *Édit de Suppression des Corvées*, and the *Édit de Suppression des Jurandes*. In Mr W. Walker Stephens' *Life and Writings of Turgot*, 1895, will be found a translation of the *Éloge*, and of a good many miscellaneous extracts from Turgot's writings

The main source for the biography of Turgot is Du Pont de Nemours, *Mémoires sur la vie et les ouvrages de M Turgot*, 1782. The *Vie de Turgot*, by his friend Condorcet, 1786, (translated into English 1787), gives some additional particulars. Of writings concerning Turgot a list will be found in Dr. Lippert's article in the *Handwörterbuch der Staatswissenschaften*, vol. vi. Among the most notable of these, from the eminence of the writers, are the articles of M. Léonce de Lavergne in *Les Économistes Français du dix-huitième siècle*, 1870, and of Mr. John Morley in *Critical Miscellanies* 1877, and the brief life by M. Léon Say, 1887, translated into English by Mr. Gustave Masson, 1888.

Among the very few really impartial estimates of Turgot's place in French history, the reader may be referred to M. Albert Sorel's *L'Europe et la Révolution Française*, 1885, 1, pp. 209-213.

The *Reflections on the Production and the Distribution of Riches* were written towards the close of 1766 for the benefit of two young Chinese, who having been educated in France were returning to their country with a pension from the crown. China was commonly regarded by the French economists of the time as the peculiar home of enlightened government (compare de Tocqueville, *L'Ancien Régime*, livre III, ch. 3); and these young men were expected to keep their European patrons informed upon the internal affairs of their country. Turgot drew up a list of questions for them to answer, and prepared the *Reflections* to enable them the better to understand the purpose of his interrogations (see Appendix, Excerpt 6). In 1769 he yielded to the insistence of Du Pont de Nemours, then editing the *Éphémérides du Citoyen*, the organ of the Physiocratic party, who was in chronic want of copy, and gave him the *Reflections* to print. They appeared in the numbers for November and December 1769, and January 1770; which, however, were not actually issued till January, February and April 1770.

It has recently been shewn by M. G. Schelle (in his *Du Pont de Nemours et l'école physiocratique*, 1888, pp. 126-129, and in an article in the *Journal des Économistes* for July 1888), that Du Pont took upon himself, without consulting the author, to modify the text in more than one direction. In § XVII (*infra*, p. 16) the adjectives "human" and "civil" were omitted before "conventions" and "laws"; and to the words "after they ceased to cultivate them"

were added, "And this as the price of the original agricultural advances, by which they have brought these soils into a condition to be cultivated, and which, so to speak, are incorporated with the soil" ("Et cela pour prix des *avances foncières* par les quelles ils ont mis ces terrains en état d'être cultivées, et qui se sont pour ainsi dire incorporées au sol même"). Out of Turgot's one section (xxi) on cultivation by slaves, Du Pont made three; his additions (more than equal in extent to Turgot's own text) not only emphasizing the moral evil of slavery, but also maintaining that slave labour was unprofitable even to the masters: and from the heading and opening sentences of § lv Du Pont omitted altogether the enumeration of slaves among moveable riches. Turgot was exceedingly annoyed (see Appendix, Excerpts 7, 8); and remonstrated in time to prevent the third instalment from being tampered with. But Du Pont could not allow Turgot's language in § lxxviii, about saving ("l'épargne") as the source of capital, to pass uncriticised, and accordingly he appended a long note, urging that "the formation of capitals arises much less from saving out of the expenditure of revenues than from the wise employment of the expenditure" (see Appendix, Excerpt 9), and added one or two other fussy notes. Throughout he touched-up the style in minute points.

Turgot insisted that in the separate issue of the *Reflections* which was about to be made, the text should be corrected, and an *erratum* inserted drawn up by himself. This was done; but according to M. Schelle only 100 or 150 copies were struck off, and scarcely one has survived. A corrected reprint, issued in 1788, is equally rare. Strangest of all is the fact that when, in 1808, Du Pont edited Turgot's *Œuvres*, he boldly reprinted his old text of the *Éphé-*

méridés, and this was copied by Daire in his edition of 1844. Not till 1889 were the *Reflections* accessible as originally written. M. Schelle and M. Robineau have both announced that in the *Reflections*, as printed by the latter in the *Turgot* volume of the *Petite Bibliothèque Économique*, the original text has been re-established. In every essential point this is doubtless the case, but a comparison of the Robineau text with that of the *Éphémérides* and with the English translation of 1793 about to be mentioned, raises a good many curious little questions as to Turgot's exact language which cannot at present be answered. A really critical edition of the *Reflections* would come with good grace from the inheritors of the Turgot tradition, — the group of Parisian economists associated with the *Journal des Économistes* and the house of Guillaumin. It must be observed, also, that unless the manuscript of Turgot's other writings published posthumously by Du Pont can be recovered, they must remain under some suspicion.

An anonymous English translation, made, as is clear from internal evidence, from the edition of 1788, appeared in London in 1793; and this was reprinted by J. R. McCulloch in 1859 in one of the Overstone volumes, (*A Select Collection of Scarce and Valuable Economical Tracts*). The original intention of the present editor was merely to reprint this translation, but upon examination this was quickly seen to be out of the question. The 1793 translation is fairly good for the first few paragraphs; but soon gross blunders begin to make their appearance, *e.g.* in § xxv, where the heading "Colonage partiaire" is translated "Partial Colonization"! As it proceeds it becomes worse, until in the second half there are many paragraphs which are absolutely unintelligible. It was evidently a piece

of hack-work, done by a man who had little understanding of the course of Turgot's argument. McCulloch can hardly have read it.

The present editor has, accordingly, ventured on a new translation, following M. Robineau's text, and comparing it with that of the *Éphémérides*, — for the loan of a copy of which he is indebted to his friend, Professor E. R. A. Seligman. He has attempted to produce something like the effect of Turgot's style; which is, indeed, inelegant and sometimes rugged, and also very limited in vocabulary, but yet direct and clear, the style pre-eminently of a man of affairs. Turgot's thought is, of course, abstract, like that of the group to which he belonged, but his language is not as abstract as that of economic writing has since become; and, in spite of the occasional awkwardness of the result, the translator has sought to retain as much as possible of the concreteness of Turgot's expressions. In this attempt some help has been derived from the usage of Adam Smith. Thus "richesses" has been rendered "riches," "la société" commonly by "the society," and so on. Sometimes a word like "denrée" is used first in a narrower and then in a wider sense, and therefore differently rendered. To avoid misrepresenting our author, the original French has been given in a note, when it is either a technical term, or used with more than one shade of meaning, or for any other reason noticeable. The punctuation in the *Éphémérides*, (connecting, for instance, two or three sentences with the colon or semi-colon) often suggests the connection of ideas more clearly than the modern texts, and it has been usually followed here, except where a printer's blunder could be fairly supposed. In the use of capital letters (which, it will be noticed, are far fewer in the third

instalment), and in various trifles of typography, the printing of the *Éphémérides* has also been here imitated, in the hope of keeping something of the eighteenth-century flavour.

The Excerpts from Turgot's Correspondence, given in the Appendix, will be found to throw a good deal of light on his economic theory. Those numbered 1, 3, 5, were printed as long ago as 1849 by J. H. Burton in *Letters of Eminent Persons to David Hume*; while the letters of Hume, from which 2 and 4 are taken, have only of late years seen the light, in M. Léon Say's *David Hume: Œuvre Économique*, 1888, (in *Petite Bibliothèque Economique*). The economic passages form a small part of the whole correspondence between Turgot and Hume, which is chiefly concerned with the affairs of Rousseau. Hume's interesting letter to Morellet, (of which excerpt 10 is a fragment) is also printed in M. Say's *Hume*. Excerpts 6-9 are taken from previously unprinted letters of Turgot given by M. Schelle in the article in the *Journal des Économistes* and the book on *Du Pont de Nemours* already mentioned. The latter is an indispensable source of information for all students of the Physiocratic school.

The translator may be permitted to add two observations at the end of his work. The first is that, in spite of Turgot's dislike for the narrow sectarian spirit of the circle that surrounded Quesnay, and the freedom with which he expressed his dissent from them on minor points of doctrine, nevertheless his whole economic thought was dominated by the fundamental Physiocratic ideas; and these find in the *Reflections* their briefest and most lucid expression. The second is suggested by the recent discussion as to the relation between Adam Smith on the one side, and Turgot, or the whole Physiocratic school, on the other. This discus-

sion, though it has received of late some valuable contributions, (S. Feilbogen, *Smith und Turgot*, 1892, E. Cannan, *Introduction* to his edition of Smith's *Lectures*, 1896, H. Higgs in *Economic Journal*, December 1896, and W. Hasbach in *Political Science Quarterly*, January 1898) cannot be regarded as concluded. It is now generally recognized that there are not inconsiderable portions of Adam Smith's treatise of a distinctly Physiocratic character. And it will probably be found that the contribution of Physiocracy to the production of the *Wealth of Nations* was even greater in two other ways,—in raising questions in Adam Smith's mind, which left to himself he would never have put, and in providing him with a phraseology which of himself he would never have hit upon.

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[Introductory Note by Du Pont de Nemours,
in the *Éphémérides* for Nov. 1769, p. 12.]

We have long begged the Author of the following work to let us have it to enrich our Periodical. He was never ready to consent, because he had not given the last touch to the exposition of his reflections, because, throwing them on paper, three years ago, very hastily and for a particular purpose, he approaches the subject in a manner which seems to him not sufficiently direct, because, as a consequence, he has been obliged sometimes to repeat himself, and because it seems to him that thereby he gives occasion to objections which could easily have been forestalled if the subjects had been presented in a more systematic fashion. It is the Author himself who has so severely criticised his performance, whenever we have spoken to him about it, and we doubt not that he would really have been quite capable of giving it a higher degree of perfection. Yet as important occupations, from which he cannot be released, leave him too little leisure for it to be possible for him to reckon upon the time which would be necessary to arrive at what would satisfy himself; and since, even in the condition in which the reflections now are, they seem to us to compose a Work that is very interesting, very fruitful, and very worthy of the important subject of which they treat, we have insisted upon his giving us permission to place them in our Collection; and he has finally granted to friendship the sacrifice he had always refused to our arguments.

REFLECTIONS on the formation & the distribution of riches,¹ by Mr. X.

§. FIRST.

Impossibility of Commerce upon the supposition of an equal division of lands, wherein every man should possess only what was necessary for his own support.

If the land were so distributed among all the inhabitants of a country that each of them had precisely the quantity of it necessary for his support and nothing more, it is evident that, all being equal, no one would be willing to work for others. No one, besides, would possess anything with which to pay for the labour of another; for each, having only as much land as he needed to produce his subsistence, would consume all that he had gathered, and would have nothing that he could exchange for the labour of the others.

§ II.

The above hypothesis has never existed, & could not have continued. The diversity of soils & the multiplicity of wants lead to the exchange of the products of the land for other products.

This hypothesis can never have existed, because the lands have been cultivated before they have been divided; that

¹ *Des richesses.*

very cultivation having been the sole motive for division and for the law which assures to each his property. Now the first who have cultivated have probably cultivated as much ground as their forces permitted, and consequently more than was necessary for their support.

Even if this state could have existed, it could not possibly have been durable ; each man, as he got from his field nothing but his subsistence, and had nothing wherewith to pay the labour of the others, could only supply his other wants in the way of shelter, clothing, etc., by his own labour , and this would be almost impossible ; *every piece of land by no means producing everything.*

He whose land was only fit for grain and would produce neither cotton nor hemp would be without cloth wherewith to clothe himself. Another would have a piece of land fit for cotton which would not produce grain. A third would be without wood wherewith to warm himself, while a fourth would be without grain wherewith to feed himself. Experience would soon teach each what was the kind of product for which his land would be best adapted, and he would limit himself to the cultivation of that particular crop, in order to procure for himself the things he was devoid of by means of exchange with his neighbours ; and these, having in their turn made the same reflections, would have cultivated the crop¹ best suited to their field and abandoned the cultivation of all the others.

¹ *La denrée.*

§ III

The products of the land require preparations long & difficult, in order to render them fit to satisfy the wants of man

The crops which the land produces to satisfy the different wants of man cannot serve that purpose, for the most part, in the state in which nature gives them, they must undergo various changes and be prepared by art. Wheat must be converted into flour and then into bread, hides must be tanned or dressed; wool and cotton must be spun, silk must be drawn from the cocoons; hemp and flax must be soaked, peeled, and spun, next, different textures must be made from them; and then they must be cut and sewn into garments, foot-gear, etc. If the man who causes his land to produce all these different things and uses them to supply his wants were himself obliged to put them through all these intermediate stages, it is certain that he would succeed very badly. The greater part of these preparations demand an amount of care, of attention, of long experience, such as are only to be acquired by working continuously and on a great quantity of materials. Take for example the preparation of hides; what labourer could attend to all the details necessary in this operation, which lasts several months and sometimes several years? If he could, would he be able to, for a single hide? What loss of time, of space, of material, which might have served either at the same time or successively to tan a great quantity of hides! But even should he succeed in tanning a single hide, he only needs one pair of shoes; what shall he do with the rest? Shall he kill an ox to have this pair of shoes? Shall

he cut down a tree to make himself a pair of sabots? One might say the same thing concerning all the other wants of each man, who, if he were reduced to his own field and his own labour, would consume much time and trouble to be very badly equipped in every respect, and would cultivate his land very badly.

§. IV.

The necessity of these preparations brings about the exchange of produce for labour.

The same motive which has established the exchange of crop for crop between the Cultivators of different kinds of soil must, then, have necessarily brought about the exchange of crop for labour between the Cultivators and another part of the society, which shall have preferred the occupation of preparing and working up the produce of the land to that of growing it. Everyone profited by this arrangement, for each by devoting himself to a single kind of work succeeded much better in it. The Husbandman¹ obtained from his field the greatest amount of produce possible, and procured for himself much more easily all the other things he needed by the exchange of his surplus than he would have done by his own labour. The Shoemaker, by making shoes for the Husbandman, obtained for himself a part of the latter's harvest. Each workman laboured to satisfy the wants of the workmen of all the other kinds, who, on their side, all laboured for him.

¹ Le Laboureur.

§ V

Pre-eminence of the Husbandman who produces over the Artisan who works up materials.¹ The Husbandman is the first mover² in the circulation of labours; it is he who causes the land to produce the wages³ of all the Artisans.

It must however be observed that the Husbandman, furnishing all with the most important and most considerable article of their consumption, (I mean their food and also the materials of almost every industry) has the advantage of a greater independence. His labour, in the sequence⁴ of the labours divided among the different members of the society, retains the same primacy, the same pre-eminence, as the labour which provided his own food had among the different kinds of labour which, when he worked alone, he was obliged to devote to his different kinds of wants. We have here neither a primacy of honour nor of dignity; it is one of *physical necessity*. The Husbandman, we may say in general terms, can get on without the labour of the other workmen, but no workman can labour if the Husbandman does not enable him to live. In this circulation, which, by the reciprocal exchange of wants, renders men necessary to one another and forms the bond of the society, it is, then, the labour of the Husbandman which imparts the first impulse.⁵ What his labour causes the land to produce beyond his personal wants is the only fund for the wages which all the other members of the

¹ Qui prépare.

² Le premier mobile

³ Donne le premier mouvement.

⁴ Le salaire.

⁵ L'ordre.

society receive in exchange for their labour. The latter, in making use of the price of this exchange to buy in their turn the products of the Husbandman, only return to him exactly what they have received from him. We have here a very essential difference between these two kinds of labours, upon which it is necessary to lay stress in order to be well assured of the evidence on which it rests, before we accept the innumerable consequences which flow from it.

§ VI

The wages of the Workman¹ are limited to his subsistence by the competition among the Workmen. He gets only his livelihood.²

The mere Workman, who has only his arms and his industry, has nothing except in so far as he succeeds in selling his toil³ to others. He sells it more or less dear, but this price, more or less high as it may be, does not depend upon himself alone: it results from the agreement which he makes with him who pays his labour. The latter pays him as little as he can, as he has the choice among a great number of Workmen, he prefers the one who works cheapest. The Workmen are therefore obliged to lower the price, in competition with one another.⁴ In every kind of work it cannot fail to happen, and as a matter of fact it does happen, that the wages of the workman are limited to what is necessary to procure him his subsistence.

¹ L'Ouvrier

³ Sa peine

² Sa vie

⁴ À l'envi les uns des autres

§. VII

*The Husbandman is the only person whose labour produces something over and above the wages of the labour. He is therefore the sole source of all wealth*¹

The position of the Husbandman is very different. The land pays him directly the price of his labour, independently of any other man or any agreement. Nature does not bargain with him to oblige him to content himself with what is absolutely necessary. What she grants is proportioned neither to his wants, nor to a contractual valuation² of the price of his days of labour. It is the physical result of the fertility of the soil, and of the wisdom, far more than of the laboriousness, of the means which he has employed to render it fertile. As soon as the labour of the Husbandman produces more than his wants, he can, with this superfluity that nature accords him as a pure gift, over and above the wages of his toil, buy the labour of the other members of the society. The latter, in selling to him, gain only their livelihood, but the Husbandman gathers, beyond his subsistence, a wealth which is independent and disposable, which he has not bought and which he sells. He is, therefore, the sole source of the riches, which, by their circulation, animate all the labours of the society; because he is the only one whose labour produces over and above the wages of the labour.

¹ L'unique source de toute richesse.

² Une évaluation conventionnelle.

§ VIII

First division of the society into two classes · the one productive,¹ or that of the Cultivators, the second stipendiary,² or that of the Artisans.

Here then we have the whole society divided, by a necessity founded on the nature of things, into two classes. equally industrious.³ But one of these by its labour produces, or rather draws from the land, riches which are continually springing up afresh, and which supply the whole society with its subsistence and with the materials for all its needs. The other, occupied in giving to materials thus produced the preparations and the forms which render them suitable for the use of men, sells its labour to the first class, and receives in exchange its subsistence. The first may be called the *productive* class, and the second the *stipendiary* class.

§ IX.

In the first ages the Proprietor cannot have been distinguished from the Cultivator.

Up to this point we have not yet distinguished the Husbandman from the Proprietor⁴ of the lands; and in fact they were not originally distinct. It is by the labour of those who have been the first to till the fields, and who have enclosed them, in order to secure to themselves the harvest, that all the lands have ceased to be common to all, and that landed properties have been established.

¹ Productrice.

³ Toutes deux laborieuses.

² Stipendiée.

⁴ Propriétaire.

Until the societies have been consolidated, and the public force, or law, now become superior to individual force, has been able to guarantee to each man the tranquil possession of his property against all invasion from without, a man could retain the ownership of a field only in the way he had acquired it and by continuing to cultivate it. It would not have been safe to get his field cultivated by somebody else, who, having taken all the trouble, would have had difficulty in understanding that the whole harvest did not belong to him. Moreover, in this early time, as every industrious man would find as much land as he wished, he could not be tempted to till the soil for others. It was necessary that every proprietor should cultivate his field himself, or give it up altogether.

§. X.

Progress of the society, all the lands have a master.

But the land filled up, and was more and more cleared. The best lands at length came to be all occupied. There remained for the last comers only the sterile soils rejected by the first. But in the end all land found its master, and those who could not have properties¹ had at first no other resource than that of exchanging the labour of their arms, in the employments of the *stipendiary* class, for the superfluous portion of the crops of the cultivating Proprietor.

¹ Propriétés.

§. XI.

The Proprietors begin to be able to throw the labour of cultivation upon hired Cultivators.

But since the land returned, to the master who cultivated it, not only his subsistence, not only that wherewith to procure for himself by way of exchange the other things he needed, but also a considerable superfluity, he could, with this superfluity, pay men to cultivate his land, and for men who live on wages, it was as good to earn them in this business as in any other. Thus ownership could be separated from the labour of cultivation; and soon it was.

§. XII

Inequality in the division of properties . causes which render that inevitable.

The original Proprietors at first occupied, as has been already said, as much of the ground as their forces permitted them to cultivate with their family. A man of greater strength, more industrious, more anxious about the future, took more of it than a man of a contrary character. He whose family was more numerous, as he had more needs and more hands at his disposal, extended his possessions further: here was already a first inequality. All pieces of ground are not equally fertile: two men, with the same extent of ground and the same labour, could obtain a very different produce from it: second source of inequality. Properties, in passing from fathers to children, are divided into portions more or less small, according as the families

are more or less numerous, as generations succeed one another, sometimes the inheritances are still further subdivided, sometimes they are reunited again by the extinction of some of the branches third source of inequality. The contrast between the intelligence, the activity, and, above all, the economy of some and the indolence, inaction and dissipation of others, was a fourth principle of inequality and the most powerful of all. The negligent and improvident Proprietor, who cultivates badly, who, in abundant years, consumes the whole of his superfluity in frivolities, finds himself reduced, on the least accident, to request assistance from his neighbour who has been more prudent, and to live by borrowing. If, by new accidents, or through a continuance of his neglect, he finds himself not in a condition to repay, if he is obliged to have recourse to new loans, he will at last have no other resource than to abandon a part or even the whole of his estate¹ to his creditor, who will take it as an equivalent, or to assign it to another, in exchange for other values wherewith he will discharge his obligation to his creditor.

§. XIII

Consequence of this inequality · the Cultivator distinguished from the Proprietor.

Here, then, we have landed properties as objects of commerce, and bought and sold. The portion of the extravagant or unfortunate Proprietor serves for the increase of that of the Proprietor who has been more fortunate

¹ Son fonds.

or more prudent, and, in this infinitely varied inequality of possessions, it is impossible but that many Proprietors should have more than they can cultivate. Besides, it is natural enough that a rich man should wish to enjoy his wealth in tranquillity, and that instead of employing his whole time in toilsome labours, he should prefer to give a part of his superfluity to people who will work for him

§. XIV.

Division of the produce between the Cultivator & the Proprietor. Net produce¹ or revenue

By this new arrangement the produce of the land is divided into two parts. The one includes the subsistence and the profits of the Husbandman, which are the reward of his labour and the condition upon which he undertakes to cultivate the field of the Proprietor. What remains is that independent and disposable part which the land gives as a pure gift to him who cultivates it, over and above his advances² and the wages of his trouble, and this is the portion of the Proprietor, or the *revenue*³ with which the latter can live without labour and which he carries where he will.

§ XV.

New division of the Society into three classes, of Cultivators, of Artisans & of Proprietors, or the productive class, the stipendiary class and the disposable class.⁴

¹ Produit net.

³ Revenu.

² Avances.

⁴ Classe disponible.

Here then we have the Society divided into three classes, the class of Husbandmen, for which we may keep the name of *productive class*, the class of Artisans and others who *receive stipends* from the produce of the land, and the class of Proprietors, the only one which, not being bound by the need of subsistence to a particular labour, can be employed for the general needs of the Society, such as war and the administration of justice, either by a personal service, or by the payment of a part of their revenue with which the State or the Society may engage men to discharge these functions. The name which, for this reason, suits it the best is that of *disposable class*.

§ XVI

Resemblance between the two working¹ or non-disposable classes.

The two classes of the Cultivators and the Artisans resemble each other in many respects, and above all in this, that those who compose them possess no revenue and live equally on wages, which are paid them out of the produce of the land. Both have also this in common, that they get nothing but the price of their labour and of their advances, and this price is nearly the same in the two classes; the Proprietor bargaining with those who cultivate the land to yield to them as small a part of the produce as possible, in the same way as he chaffers with his Shoemaker to buy his shoes as cheaply as possible. In a word, the Cultivator and the Artisan receive, neither of them, more than the recompense² of their labour.

¹ Laborieuses.

² La rétribution.

§ XVII

Essential difference between the two working classes.

But there is this difference between the two kinds of labours, that the labour of the Cultivator produces his own wages, and, in addition, the revenue which serves to pay ¹ the whole class of Artisans and other stipendiaries, while the Artisans receive simply their wages, that is to say their part of the produce of the land in exchange for their labour, and do not produce any revenue. The Proprietor has nothing except through the labour of the Cultivator; he receives from him his subsistence, and that wherewith he pays the labours of the other stipendiaries. He has need of the Cultivator through the necessity of the physical order, in virtue of which the land produces nothing without labour, but the Cultivator has need of the Proprietor only by virtue of the human conventions and the civil laws which have been obliged to guarantee to the first Cultivators and to their heirs the ownership of the grounds which they have occupied even after they ceased to cultivate them. But these laws could guarantee to the man who took no part in the work himself only that portion of the produce which the land gives over and above the recompense ² due to the Cultivators. The Proprietor is obliged to give up this latter, on pain of losing the whole. The Cultivator, confined though he is to the recompense of his labour, thus preserves that natural and physical primacy which renders him the first mover of the whole machine of the Society and which causes his own subsistence as well as the wealth

¹ Salarier² La rétribution

of the Proprietor and the wages of all the other labours to depend upon his labour alone. The Artisan, on the contrary, receives his wages,¹ whether it be from the Proprietor or from the Cultivator, and gives them, in exchange for his labour, only the equivalent of these wages and nothing more.

Thus, although neither the Cultivator nor the Artisan gains more than the recompense of his labour, the Cultivator causes, over and above that recompense, the revenue of the Proprietor to come into existence, and the Artisan causes no revenue to come into existence either for himself or for others.

§ XVIII.

This difference justifies their being distinguished as productive & barren class respectively.

We can then distinguish the two non-disposable classes as the *productive class*, which is that of the Cultivators, and the *barren*² *class*, which includes all the other stipendiary members of the Society.

§. XIX.

How the Proprietors are able to draw the revenue from their lands.

The Proprietors who do not themselves till their lands can adopt various methods to get them cultivated, or make different arrangements with those who cultivate them.

¹ Son salaire

² Stérile.

§. XX

First method cultivation by men who are paid wages¹

They can, in the first place, pay men by the day or the year to till their field, and reserve for themselves the whole of the produce, a method which presupposes that the Proprietor makes the advance both for seed and for the wages of the workmen until after the harvest. But this first method has the drawback of requiring much labour and assiduity on the part of the Proprietor, who alone can direct the workmen in their labours, watch over the employment of their time, and over their fidelity in not diverting from him any of the produce. It is true that he can also hire a man of more intelligence, with whose fidelity¹ he is acquainted, who shall direct the workmen and keep an account of the produce, as overseer or manager, but he will always run the risk of being deceived. Besides, this method is extremely expensive, unless a large population and a scarcity of employment in the other kinds of work force the workmen to be content with very low wages.

§ XXI

Second method cultivation by slaves.

In the times bordering on the beginning of the societies it was almost impossible to find men who were ready to cultivate the soil which belonged to others; since, as all the grounds were not yet occupied, those who wished to labour preferred to clear new lands and cultivate them on

¹ Salaries.

their own account. This is pretty much the position in which people find themselves in all the new colonies.

Violent men have therefore conceived the idea of obliging other men by force to labour for them, and they have had slaves. These latter had no justice to look for from fellows who could not have reduced them to slavery without violating all the rights of humanity. Yet the physical law of nature still assures them their part in the products which they cause the earth to bring forth, for the master must needs feed them in order to profit by their labour. But wages of this kind are limited to the barest necessities and to their subsistence.

This abominable custom of slavery has once been universal, and is still spread over the greater part of the earth. The principal object of the wars which the peoples of antiquity waged with one another was to carry off slaves whom the conquerors made to labour for their benefit or sold to others. This brigandage and this trade still prevail in all their horror on the coasts of Guinea, where they are fomented by the Europeans who go thither to purchase negroes for the cultivation of the American colonies.

The excessive labours to which avaricious masters drive their slaves cause many of them to perish, and it is necessary, in order always to keep up the number requisite for cultivation, that trade should annually supply a very great number of them. And as it is always war which supplies the chief source of this traffic it is evident that it can exist only as long as men are divided into very small Nations, which tear one another without ceasing, and as long as each village makes war upon its neighbour. Let England,

France and Spain wage on one another the most furious warfare, it would be the frontiers only of each State that would be touched, and that only at a small number of points. All the rest of the country would be quiet, and the small number of prisoners they could make on either side would be a very inadequate resource for the agriculture of any one of the three Nations.

§ XXII

Cultivation by slaves cannot continue in the great Societies.

Thus, when men gather themselves together in great Societies, the slave-recruits cease to be sufficiently numerous to take the place of those used up by agriculture. And although the work of men is supplemented by that of beasts, there comes a time when the lands can no longer be worked by slaves. The employment of them is then retained only for domestic service; and at length it dies out entirely, because, in proportion as Nations become civilized, they enter into agreements for the exchange of prisoners of war. These conventions are arrived at the more easily, because each individual is greatly interested in removing from himself the danger of falling into slavery.

§. XXIII

Bondage to the soil¹ follows slavery properly so-called.

The descendants of the first slaves, originally attached to the cultivation of the lands, themselves change their condition. As internal peace within the several Nations no

¹ L'esclavage de la glèbe.

longer leaves commerce the wherewithal to satisfy an excessive consumption of slaves, the masters are obliged to show them more consideration. Those who are born in the house, as they are accustomed from infancy to their condition, are less irritated by it, and the masters have less need to employ severity in order to control them. Little by little the soil they cultivate becomes their fatherland. They have no other language than that of their masters, they become part of the same Nation, they get to be personally acquainted with one another, and, as a result, the masters begin to act with confidence and humanity towards them.

§ XXIV

Vassalage succeeds bondage to the soil, & the slave becomes proprietor. Third method alienation of the estate¹ in return for a fixed payment.²

The administration of an estate³ cultivated by slaves requires an onerous care and an irksome residence. The master secures for himself a freer, easier, and safer enjoyment of his property by interesting his slaves in the cultivation of it, and giving up to each of them a certain extent of ground on condition of their paying him a portion of the fruits. Some have made this bargain for a time, and have left to their *serfs* only a precarious and revocable possession. Others have abandoned the estate in perpetuity, reserving an annual rent from it, payable in kind or in money, and exacting from the possessors the performance of certain duties. Those who receive these lands under the pre-

¹ Le fonds.

² Une redevance

³ Un bien.

scribed condition became proprietors and free, under the name of *tenants* or *vassals*, and the former proprietors, under the name of *seigneurs*, kept only the right of exacting the payment of the rent and the other stipulated dues. Thus have things gone in the greater part of Europe.

§. XXV.

*Fourth method: the metayer system.*¹

These estates, which have become free on condition of the payment of rent, may yet change their Proprietors, be divided and re-united in consequence of successions and sales, and such and such a *Vassal* may in his turn come to have more land than he can cultivate himself. As a rule the rent to which the estates are subject is not so large but that by cultivating them well there can still be procured, over and above the advances, the expenses and the subsistence of the Cultivator, an excess of produce which forms a revenue: henceforth the *Vassal* proprietor, also, is likely to desire to enjoy this revenue without labour and to have his estate cultivated by others. Moreover, most of the *Seigneurs* alienate only those parts of their possessions which are the least within their reach, and retain those which they can get cultivated with less expense. Cultivation by slaves being no longer practicable, the first means which offered itself, and the most simple, to induce free men to cultivate estates which do not belong to them, was to give up to them a portion of the fruits; a plan which would induce them to cultivate the land better than

¹ Colonage partiaire.

workmen at fixed wages would be likely to do. The most common division has been that into two equal parts, whereof one belonged to the Peasant¹ and the other to the Proprietor. It is this that has given rise to the name of *Métayer* (*medietarius*) or Peasant with equal share. In the arrangements of this kind which are to be found in the greater part of France, the Proprietor makes all the advances of the cultivation, that is to say, he furnishes at his own expense the labouring cattle, the ploughs and other instruments of husbandry, the seed and the maintenance of the Peasant and his family from the moment when the latter enters on the *métairie* until the first harvest.

§. XXVI.

Fifth method: farming² or the letting-out of land.

Intelligent and rich Cultivators, who suspected to what a point an active and well-directed cultivation, in which neither labour nor expense should be spared, would carry the fruitfulness of the land, judged with reason that they would gain more if the Proprietor consented to give up to them, for a certain number of years, the whole of every harvest, on condition of their paying him annually a fixed revenue and making all the advances of the cultivation. Hereby they would make sure that the increase of production obtained by their outlay and labour would belong entirely to themselves. The Proprietor, on his side, gained thereby a more tranquil enjoyment of his revenue, since he was relieved of the care of making the advances and of

¹ Le Colon.

² Fermage.

keeping an account of the produce, a more equable enjoyment, since he received every year the same price of his farm, and a more certain enjoyment, because he never ran the risk of losing his advances, and the cattle and other effects with which the Farmers had stocked his farm became a pledge which assured him of payment. Besides, the lease¹ being only for a few years, if his Farmer had given too low a price for his land he could augment it at the end of the lease.

§ XXVII

This last method is the most advantageous of all, but it presupposes a country already rich.

This method of putting out lands to farm is the most advantageous of all both to the Proprietors and to the Cultivators, it establishes itself everywhere where there are rich Cultivators, in a position to make the advances of the cultivation; and as rich Cultivators can provide the land with much more labour and manure, there results from it a prodigious increase in the produce and revenue of estates.²

In Picardy, Normandy, the neighbourhood of Paris, and in most of the Provinces of the North of France, the lands are cultivated by Farmers.³ In the Provinces of the South they are cultivated by Métayers, the Provinces of the North of France are likewise incomparably richer and better cultivated than those of the South.

¹ Le bail.

² Biens fonds.

³ Fermiers.

§ XXVIII

Recapitulation of the different methods of making lands productive.¹

I have just enumerated five different methods whereby the Proprietors have been able to ease themselves of the labour of cultivation and make their estates productive by the hands of others.

The first, by workmen paid fixed wages.

The second, by slaves.

The third, by giving up the estate on condition of the payment of a rent.

The fourth, by giving up to the Cultivator a fixed portion of the produce, usually a half, the Proprietor undertaking to make the advances of cultivation.

The fifth, by letting the land to Farmers, who undertake to make all the advances of the cultivation, and who promise to give the Proprietor, during the number of years agreed upon, an unvarying revenue.

Of these five methods the first being too expensive is very rarely employed, the second can find a place only in countries still ignorant and barbarous, the third is less a way of getting what one can out of a property than a surrender of the property in consideration of a lien upon the estate,² so that the former Proprietor is no longer anything, to speak properly, but a creditor of the new proprietor.

The two last methods of cultivation are those most generally used, to wit: cultivation by *Métayers* in poor countries, and cultivation by Farmers in the richer countries.

¹ De faire valoir les terres

² Une créance sur le fonds.

This systematic Treatise¹ is extensive enough to have completely filled this Volume, if we had inserted the whole of it. We have found a natural break at this point, & it is this that has decided us to postpone the conclusion to the next Volume.

¹ Ce Mémoire méthodique.

*CONTINUATION of the Reflections upon the
Formation and the Distribution of Riches,
by Mr. X.*

§ XXIX

Of capitals in general, and of the revenue of money.

There is another way of being rich, without labouring and without possessing lands, of which I have not yet spoken. It is necessary to explain its origin and its connection with the rest of the system of the distribution of riches in the society, of which I have just drawn the outline. This way consists in living upon what is called the revenue of one's money, or upon the interest one draws from money placed on loan.

§ XXX.

Of the use of gold and silver in commerce.

Silver and gold are two articles of commerce¹ like others, and less precious than many others, because they are of no use for the real needs of life. To explain how these two metals have become the representative pledge² of every kind of riches, what influence they exercise in the movement of Commerce, and how they enter into the composition of fortunes, it is necessary to go back a little and retrace our steps.

¹ Marchandises.

² Le gage représentatif.

§ XXXI

Birth of Commerce. Principle of the valuation¹ of commercial things

Reciprocal want has led to the exchange of what people have for what they have not. People exchange one kind of produce² for another, or produce for labour. In these exchanges it is necessary that the two parties should agree both as to the quality and the quantity of each of the things exchanged. In this agreement it is natural that each should wish to receive as much and give as little as he can, and both being equally masters of what they have to give in the exchange, each has to balance the attachment he has for the commodity he gives against the desire he has for the commodity he wishes to receive, and to fix in accordance therewith the quantity of each of the things exchanged. If the parties are not in accord, it will be necessary that they should approach one another by yielding a little on one side and a little on the other, offering more and contenting themselves with less. I will suppose that one has need of corn, and the other of wine, and that they agree to exchange *one bushel of corn for six pints of wine*. It is evident that by each of them *one bushel of corn* and *six pints of wine* are looked upon as exactly equivalent, and that in this particular exchange the price of *a bushel* of corn is *six pints* of wine, and the price of *six pints* of wine is *a bushel* of corn. But in another exchange between other men this price will be different, according as one of them happens to have a more or less pressing need of the commodity

¹ L'évaluation.

² Une denrée

belonging to the other, and *a bushel* of corn may possibly be exchanged for *eight pints* of wine, while *another bushel* will be exchanged for only *four pints*. Now it is evident that no one of these three prices can be regarded as the true price¹ of a bushel of corn rather than the others, for with each of the contracting parties the wine he has received was the equivalent of the corn he has given in a word, so long as we consider each exchange as isolated and standing by itself, the value of each of the things exchanged has no other measure than the need or the desire and the means of the contracting parties, balanced one against the other, and it is fixed by nothing but the agreement of their will.

§. XXXII

How the current value² establishes itself in the exchange of commodities.

However, it happens sometimes that several Individuals have wine to offer to the man who has corn if one is not willing to give more than *four pints* for *a bushel*, the Proprietor of the corn will not give him his corn, when he comes to learn that someone else will give him *six* or *eight pints* for the same *bushel*. If the former wishes to have corn, he will be obliged to raise the price to the level of him who offers more. The Sellers of wine profit on their side by the competition among the Sellers of corn no one makes up his mind to part with his commodity until he has compared the different offers that are made to

¹ Le prix véritable.

² La valeur courante

him of the commodity he is in need of, and he gives the preference to the highest offer. The value of corn and of wine is no longer debated between two isolated Individuals in relation to their relative wants and abilities, it is fixed by the balance of the wants and abilities¹ of the whole body² of the Sellers of corn with those of the whole body of the Sellers of wine. For he who would willingly give *eight pints* of wine for a *bushel* of corn will only give *four* when he learns that a Proprietor of corn consents to give *two bushels* of corn for *eight pints*. The price mid-way³ between the different offers and the different demands will become the current price, whereto all the Buyers and Sellers will conform in their exchanges, and it will be true to say that *six pints* of wine are the equivalent of a *bushel* of corn for everyone if that is the *mean* price, until a diminution of the offer on the one side or of the demand on the other causes this valuation to change.

§ XXXIII.

Commerce gives to each article of commerce a current value, with respect to every other article, whence it follows that every article of commerce is the equivalent of a certain quantity of every other article, & can be regarded as a pledge which represents it.

Corn is exchanged not only for wine, but for all other articles which the proprietors of corn may need, for wood, leather, wool, cotton, etc.: it is the same with wine and with every other kind of produce.⁴ If *one bushel* of corn

¹ Les facultés.

² La totalité.

³ Le prix mitoyen.

⁴ Denrée.

is the equivalent of *six pints* of wine, and *one sheep* is the equivalent of *three bushels* of corn, this same *sheep* will be the equivalent of *eighteen pints* of wine. He who having corn needs wine can, without inconvenience, exchange his corn for a sheep, in order afterward to exchange this sheep for the wine he stands in need of.

§ XXXIV

Each article of commerce can serve as the scale or common measure wherewith to compare the value of all others

It follows from this that in a country where Commerce is very brisk, where there is much production and much consumption, where there are many offers and demands for all kinds of commodities, each kind will have a current price relatively to each other kind, that is to say, a certain quantity of one will be equivalent to a certain quantity of each of the others. Thus the same quantity of corn that will be worth eighteen pints of wine will be worth also one sheep, one piece of dressed leather, a certain quantity of iron and all those things will have in commerce an equal value. To express and make known the value of any particular thing, it is evident that it is sufficient to declare the quantity of any other known commodity which may be regarded as its equivalent. Thus, in order to make known the value of a piece of leather of a certain size, we may say indifferently that it is worth *three bushels of corn* or *eighteen pints of wine*. We may in the same way express the value of a certain quantity of wine by the number of sheep or bushels of corn that it is worth in Commerce.

We see by this that all the kinds of commodities that can be the object of Commerce measure one another, so to speak, that each may serve as a common measure or a scale of comparison to which to refer the values of all the others, and in like manner each commodity becomes in the hands of its possessor a means to procure all the others a sort of universal pledge.

§ XXXV

Every commodity¹ does not present an equally convenient scale of values. The preference, therefore, has necessarily been given in practice to those which, not being susceptible of a great difference in quality, have a value principally relative to the number or the quantity.

But although all commodities have essentially this property of representing all others, of being able to serve as a common measure to express their value, and as a universal pledge to procure all of them by the means of exchange, all cannot be employed with the same facility for these two purposes. The more a commodity is susceptible to change of value in proportion² to its quality, the more difficult it is to make it serve as a scale to which to refer the value of other commodities. For example, if *eighteen pints* of the wine of *Anyon* are the equivalent of *one sheep*, *eighteen pints* of the wine of the *Cape* will be the equivalent of *eighteen sheep*. So that he who in order to express the value of a sheep, should say that it was worth eighteen pints of wine would employ language that was equivocal,

¹ Marchandise.

² À raison de.

and that would convey no precise idea, at least until he added a good many explanations, which would be very inconvenient. Men have, therefore, been obliged to choose by preference, for their scale of comparison, commodities¹ which, being more commonly in use and hence of a better known value, were more like one another, so that in consequence their value had more relation to the number or the quantity than to the quality.

§ XXXI

The want of an exact correspondence between the value and the number or quantity has been made up for by a mean valuation; which becomes a sort of ideal money.

In a country where there is only one race of sheep, the value of a fleece or of a sheep may easily be taken for the common measure of values, and we may say that a barrel of wine or a piece of stuff is worth a certain number of fleeces or of sheep. In reality, there is some inequality among sheep, but when it is a question of actually selling sheep, care is taken to make allowance for this inequality, and to reckon, for example, two lambs as one sheep. When it is a question of valuing any other commodity, people take as their unit² the common value of a sheep of medium age and of medium condition. In this way the expression of values in terms of sheep becomes, as it were, a conventional language, and this word, *one sheep*, simply signifies in the language of commerce a certain value, carrying to the mind of those who hear it not merely the

¹ Denrées.

² Une évaluation moyenne.

³ Pour unité.

idea of one sheep but of a certain quantity of each of the more common kinds of produce,¹ which are regarded as the equivalent of this value, and this expression will end by being so entirely applied to a fictitious and abstract value, rather than to a real sheep, that if by chance a pestilence occurs among the sheep, and in order to get one it became necessary to give twice as much corn or wine as were given before, people will say *a sheep* is worth *two sheep*, rather than change the expression to which they have become accustomed for all other values.

§. XXXVII.

Examples of these mean valuations which become an ideal expression of values.

We are acquainted, in the commerce of all the Nations, with many examples of these fictitious valuations in terms of commodities, which are, so to speak, only a conventional language in order to express their value. Thus the Cooks of Paris and the Fish-mongers who provide great houses generally sell *by the piece*. A fat pullet is reckoned as one piece, a chicken as half a piece, more or less according to the season, and so on. In the Slave trade to the American Colonies a cargo of negroes is sold at the rate of so much a Negro head, *a piece of India*. The women and children are reckoned in such a way, for example, that three children or even one woman and one child are reckoned as one head of Negro. The valuation is increased or diminished in proportion to the strength and other quali-

¹ *Des denrées.*

ties of the slaves, in such a way that a particular slave may be counted as *two heads of Negro*

The *Mandingo* Negroes who carry on the gold-dust trade with the Arabian Merchants bring all their commodities to a fictitious scale whereof the parts are called *macutes*, so that they tell the merchants that they give them so many *macutes* in gold. They value likewise in *macutes* the commodities which they receive, and their chaffering with the Merchants turns upon this valuation. Thus also in Holland people reckon by *Bank florins*, which are nothing but a fictitious money, and which in commerce have sometimes a higher and sometimes a lower value than the money called *florins*.

§ XXXVIII

Every commodity is a pledge representing all the articles of Commerce, but it is more or less convenient in practice, according as it is more or less easy to transport & to keep without alteration.

The variation in the quality of commodities, and in their price in accordance with this quality, which renders them more or less suitable than others to serve as a common measure, is also an impediment more or less to their being a representative pledge of every other commodity of a like value. Nevertheless there is, in regard to this last property also, a very great difference between the different sorts of merchandise. It is evident, for example, that the man who possesses a piece of cloth is far more sure of being able to procure for himself, whenever he may wish it, a certain quantity of corn, than if he had a barrel of wine

of the same value, the wine being subject to an infinity of accidents which can in an instant cause him to lose its entire price.

§ XXXIX

Every commodity has the two essential properties of money, those of measuring and representing all value. &c, in this sense, every commodity is money

These two properties, of serving as a common measure of all values and of being a representative pledge of all the commodities of a like value, include all that constitutes the essence and utility of what is called money and it follows from the details into which I have just entered that all commodities are, in some respects, *money*, and share, more or less according to the nature of each, in these two essential properties. All are more or less suitable to serve as a common measure in proportion as they are in general use, of similar quality, and easy to divide into parts of an equal value. All are more or less fit to be a universal pledge of exchanges, in proportion as they are less or more susceptible to deterioration and alteration in their quantity or in their quality.

§ XL

Reciprocally, all money is essentially merchandise.

We can take for a common measure of values only that which has a value, and which is received in Commerce in exchange for other values and there is no pledge universally representative of a value save another equal value. A purely conventional money is therefore an impossibility.

§ XLI

Different articles have been able to serve & have served as ordinary money

Many Nations have adopted as a common measure of value in their language and in their Commerce different substances more or less precious, there are even to-day certain Barbarous Peoples who employ a kind of little shell called *Cauris*. I remember to have seen at College apricot stones exchanged and passed as a kind of money among the Scholars, who made use of them to play at different games. I have already spoken of the reckoning by head of cattle. One finds traces of it in the Laws of the ancient German Nations who destroyed the Roman Empire. The early Romans, or at least the Latins their ancestors, also made use of it. It is said that the first coin struck in copper represented the value of a sheep, and bore the imprint of that animal, and that it is from this that the word *pecunia* has come, from *pecus*. This conjecture has a good deal of probability.

§ XLII.

The Metals, and especially gold and silver, are more fit for this purpose than any other substance. & why.

We have thus come to the introduction of the precious metals into Commerce. All the metals, as one after the other they have been discovered, have been admitted into the exchanges in proportion to their real utility. Their brilliancy has caused them to be sought for to serve as

ornament, their ductility and solidity have rendered them fit to make vessels more durable and lighter than those of clay. But these substances could not be in Commerce without becoming almost immediately the universal Money, a piece of any metal, whatever it may be, has exactly the same qualities as another piece of the same metal, provided it is equally pure moreover the facility with which a metal can, by various operations of Chemistry, be separated from others with which it may be alloyed, makes it possible always to reduce them to the degree of purity, or, as they call it, to *the title*, that one desires and then the value of the metal can only vary according to its weight. In expressing, then, the value of each commodity by the weight of the metal one gives in exchange we have the clearest, the most convenient, and the most exact expression of all the values, and henceforth it is impossible that it should not in practice be preferred to every other. Nor are the metals less suitable than other commodities to become the universal pledge of all the values they can measure as they are susceptible of all imaginable divisions, there is no article of Commerce whose value, great or small, cannot be exactly paid for by a certain quantity of metal. To this advantage of lending themselves to every kind of division, they add that of being unalterable and those that are rare, like gold and silver, have a very great value in a very inconsiderable weight and bulk.

These two metals are, then, of all merchandise the most easy to verify as to their quality, to divide as to their quantity, to keep forever without alteration, and to trans-

port to all places at the least expense. Everyone who has a surplus commodity, and has not at the moment any need of another commodity for use, will hasten to exchange it for money. with which he is more sure, than with anything else, to be able to procure the commodity he shall wish for at the moment he is in want of it.

§. XLIII

Gold & silver are constituted, by the nature of things, money, & universal money, independently of all convention & of all law.

Thus, then, we come to the constitution of gold and silver as money and universal money, and that without any arbitrary convention among men, without the intervention of any law, but by the nature of things. They are not, as many people have imagined, signs of values, they have themselves a value. If they are susceptible of being the measure and the pledge of other values, they have this property in common with all the other articles that have a value in Commerce. They differ only because being at once more divisible, more unalterable, and more easy to transport than the other commodities, it is more convenient to employ them to measure and represent the values.

§ XLIV

The employment of the other metals for these purposes is only subsidiary.

All the metals would be capable of being employed as money. But those that are very common have too little

value in a too large bulk to be employed in the current exchanges of Commerce. Copper, silver, and gold are the only ones which have been brought into constant use. And even copper, except among certain Peoples, who have not yet been able to obtain a sufficient quantity of gold and silver from mines or Commerce, has only served in the exchanges of the smallest values

§ XIV

*The use of gold & silver as money has augmented their value as materials*¹

It is impossible but that the eagerness with which everyone has sought to exchange his superfluous products² for gold and silver rather than for any other produce should have greatly augmented the value of these two metals in Commerce. They have thereby become only the more suitable for their employment as pledge and as common measure.

§ XLVI.

Variations in the value of gold & of silver, compared with the other articles of Commerce & with one another.

This value is susceptible of change, and in fact does change continually, so that the same quantity of metal which corresponded to a certain quantity of such or such a commodity ceases to correspond to it, and more or less money is needed to represent the same commodity. When more is needed the commodity is said to be dearer, and

¹ Comme matière

² Dentrées

when less is needed it is said to be cheaper but one might just as well say that it is the money that is cheaper in the first case and dearer in the second. Not only do silver and gold vary in price as compared with all other commodities but they vary in price among themselves according as they are more or less abundant. It is well known that we now give in Europe from *fourteen to fifteen ounces of silver* for *one ounce of gold*, and that in earlier times only from *ten to eleven ounces of silver* were given for *one ounce of gold*. Even at present in China they give only about *twelve ounces of silver* to get *one ounce of gold* so that there is a very great advantage in taking silver to China to exchange for gold to bring back to Europe. It is evident that in the long run this Commerce is bound to make gold more common in Europe, and more rare for China, and that the value of these two metals is certain to come at last to the same proportion everywhere.

A thousand different causes concur to fix at each moment the value of commodities when compared either with one another or with money, and to cause them to change incessantly. The same causes determine the value of money, and cause it to vary when compared, either with the value of each particular commodity, or with the totality of the other values which are actually in Commerce. It would not be possible to disentangle these different causes and to unfold their effects without going into very extensive and very difficult detail, and I shall abstain from entering upon that discussion.

§ XLVII

The custom of payments in money has given rise to the distinction between the Buyer & the Seller.

In proportion as men have become accustomed to the practice of valuing everything in money, of exchanging all their superfluity for money, and of exchanging money only for the things which are useful or agreeable to them at the moment, they have become accustomed to consider the exchanges of Commerce from a new point of view. They have distinguished two persons in it, the Seller and the Buyer. The Seller was the one who gave the commodity for money, and the Buyer the one who gave money to get the commodity.

§. XLVIII.

The practice of using money has greatly facilitated the separation of different labours among the different Members of Society.

The more money came to stand for everything else, the more possible did it become for each person, by devoting himself entirely to the kind of cultivation or industry he had chosen, to relieve himself of all care for the satisfaction of his other wants, and to think only how he could obtain as much money as possible by the sale of his fruits or his labour, very sure that by means of this money he can get all the rest. It is thus that the employment of money has prodigiously hastened the progress of Society.

§. XLIX

Concerning the reserve of annual products, accumulated to form capitals.

As soon as men were found whose property in land assured them an annual revenue more than sufficient to satisfy all their wants, there were sure to be found men who, either because they were anxious about the future, or for mere prudence, put in reserve a part of what they gathered each year, either to meet possible chances, or to increase their comfort. When the produce they gathered was difficult to keep, they must have sought to procure for themselves in exchange articles of a more durable nature, whose value would not be destroyed by time, or which could be employed in such a fashion as to obtain profits which would repair the loss of value with still further gain.

§. L.

Moveable riches¹ Accumulation² of money.

Possessions of this kind, resulting from the accumulation of annual produce not consumed, are known by the name of *moveable riches*. Furniture, houses, plate, commodities in warehouses, the tools of each trade and cattle belong to this kind of wealth. It is evident that men worked hard to obtain as much as possible of this kind of wealth before they became acquainted with money; but it is no less clear that, as soon as it was known, as soon as it was proved to be

¹ Richesses mobilières.

² Amas. [*Amasser* and *Accumuler* are used interchangeably in this section.]

the most unchangeable of all the articles of Commerce and the easiest to keep without trouble, it could not fail to be sought after before everything else by anyone who wished to accumulate. It was not only the Proprietors of lands who thus accumulated their superfluity. Although the profits of industry are not, like the revenues of the earth, a gift of nature, and the man engaged in industry gets from his work nothing but the price given him for it by the person who pays his wages, although this latter economises as much as possible in this payment of wages, and competition obliges the man engaged in industry to content himself with a price less than he would like, it is nevertheless certain that this competition has never been numerous enough or keen enough in all the different kinds of labours to prevent at any time a man who was more expert, more active, and, above all, more economical than others in his personal consumption, from gaining a little more than was necessary for the subsistence of himself and his family and from saving this surplus to create therewith a little store.¹

§ LI

Moveable riches are an indispensable prerequisite for all lucrative works.

It is even necessary that in every trade the Workmen, or the Undertakers² who set them at work, should have a certain fund of moveable riches accumulated beforehand. Here we are again obliged to retrace our steps and recall several matters which at first were only hinted at on the

¹ Un petit pécule

² Les Entrepreneurs

way, when we spoke of the division of the several professions, and of the different means by which the Proprietors could make their estates productive, because we could not have explained them then without breaking the thread of ideas.

§. LII.

Necessity of advances¹ in agriculture.

All the various kinds of labours, whether in the cultivation of the land, in industry, or in Commerce, require advances. Even if one should till the land with one's hands, it would be necessary to sow before reaping: it would be necessary to live until after the harvest. The more perfect and energetic the cultivation of the land becomes, the more considerable are these advances. There is need of cattle, of implements of husbandry, of buildings to hold the cattle and store the produce, it is necessary to pay a number of persons proportioned to the extent of the undertaking, and to enable them to subsist until the harvest. It is only by means of considerable advances that we obtain a large return, and that the lands produce a good deal of revenue. In every craft, whatever it may be, it is necessary that the Workman should have tools in advance, that he should have a sufficient quantity of the materials upon which he has to labour; it is necessary that he should subsist while waiting for the sale of his finished goods.

¹ *Avances.*

§. LIII.

First advances furnished by the land while still uncultivated.

It is the earth which is always the first and only source of all wealth;¹ it is that which as the result of cultivation produces all the revenue, it is that also which has provided the first fund of advances² prior to all cultivation. The first Cultivator has taken the seed he has sown from plants which the earth had of itself produced; while waiting for the harvest he has lived by hunting and fishing, and upon wild fruits: his tools have been branches of trees, torn down in the forests, shaped with stones sharpened against other stones; he has himself captured in the chase animals wandering in the woods or caught them in his traps, he has brought them into subjection and trained them, he has made use of them first for food and afterwards to help him in his labour. This first fund has grown little by little; the cattle, especially, were of all moveable wealth that which was most sought after in those early times and that which was most easy to accumulate: they died, but they reproduced themselves, and the wealth which consists in them is in a way imperishable: this fund, moreover, grows by the mere process of generation, and gives an annual produce, either in milk, or in fleeces, in hides and other materials, which, with the wood obtained in the forests, have formed the first fund for the works of industry.

¹ Toute richesse.² Fond des avances.

§. LIV.

Cattle, moveable wealth even before the cultivation of the lands.

In a time when there was still a large quantity of uncultivated lands which belonged to no one, one might possess cattle without being a Proprietor of lands. It is even probable that mankind has almost everywhere begun to collect flocks and live on their produce before it gave itself up to the more toilsome labour of agriculture. It would seem that the Nations which cultivated the earth in the most ancient times are those which have found in their Country kinds of animals more susceptible of being tamed, and that have been led in this way from the wandering and restless life of the Peoples who live by the chase and fishing to the more tranquil life of Pastoral Peoples. Pastoral life necessitates dwelling for a longer time in the same place; it affords more leisure; more opportunities to study the difference of soils, to observe the march of nature in the production of those plants which serve for the support of cattle. Perhaps it is for this reason that the Asiatic Nations have been the first to cultivate the earth, and that the Peoples of America have remained so long in the state of Savages.

§. LV.

Another kind of moveable wealth & of advances of agriculture : the slaves.

The slaves were another kind of moveable riches, procured at first by violence and afterwards by way of Com-

merce and exchange. Those who had many of them employed them not only for the cultivation of lands, but also for different works of industry. The ease with which these two kinds of riches could be accumulated almost without limit, and made use of, even independently of the lands, made it possible to value the lands themselves and compare their value to that of moveable riches.

§ LVI

Moveable riches have a value exchangeable against the land itself.

A man who happened to have a good many pieces of land but no cattle or slaves would certainly have made an advantageous bargain if he surrendered part of his land to a man who gave him in exchange cattle and slaves to cultivate the rest. It is in this way chiefly that estates of land¹ themselves entered into Commerce and had a value comparable with that of all other commodities. If *four bushels* of corn, the net produce of an acre of land, were worth *six sheep*, the acre itself which produced them could be transferred at a certain value, larger of course but always easily determined in the same manner as the price of all other commodities, that is to say, first by chaffering² between the two parties to the contract, and afterwards in accordance with the current price established by the competition of those who wished to exchange lands for cattle and of those who wished to part with cattle in order to get lands. It is in accordance with this current price that lands are valued

¹ Les fonds de terre

² Par le débat.

when a Debtor is sued by his Creditor and compelled to give his estate up to him.

§ LVII

Valuation of lands in accordance with the proportion which the revenue bears to the amount of moveable wealth, or the value, for which they are exchanged this proportion is what is called the penny¹ of the price of lands.

It is evident that if a piece of land which produces a revenue equal to *six sheep* can be sold for a certain value which can always be expressed by a number of *sheep* equivalent to this value, this number will have a definite proportion to the number *six*, and will contain it a certain number of times. The price of an estate² then will be simply so many times its revenue, *twenty times* if the price is *a hundred and twenty sheep*, *thirty times* if it is *a hundred and eighty sheep*. Thus the current price of lands regulates itself in accordance with the relation in which the value of the estate stands to the value of the revenue, and the number of times that the price of the estate contains the revenue is called *the penny of the price of lands*. Lands are sold for the *twentieth penny*, the *thirtieth*, the *fortieth*,³ etc., when people pay twenty, thirty, or forty times their revenue in order to get them. It is also evident that this price, or this penny, must vary according as there are more or fewer people who wish to sell or buy lands; just

¹ Le denier du prix des terres. [The meaning of this phrase, equivalent to the English "number of years' purchase," is sufficiently explained in the section]

² Un fonds

³ 1 c denier vingt, trente, quarante

as the price of all other articles of commerce varies in accordance with the varying proportion between supply and demand.¹

§ LVIII.

Every capital in money, or every sum of value whatever it may be, is the equivalent of a piece of land producing a revenue equal to a definite fraction of that sum. First employment of capitals. Purchase of an estate of land.

Let us now go back to the time just after the introduction of money the ease with which it can be accumulated has soon made it the most sought after of moveable riches, and has furnished the means to augment its quantity unceasingly simply by means of economy. Whoever, either from the revenue of his land, or from the wages of his labour or of his industry, receives each year more values than he needs to spend, may place this superfluity in reserve and accumulate it these accumulated values are what is called *a capital*. The timid Miser, who amasses money only to quiet his imagination against the apprehension of needing the necessities of life in an uncertain future, keeps his money in a hoard. If the dangers he foresaw should be realised and if he should be reduced by poverty to live each year upon his treasure, or if it should happen that a prodigal Heir should spend it by degrees, this treasure would soon be exhausted and the capital entirely lost to the Possessor the latter can do much better with it. Since an estate of land of a certain revenue is but the

¹ L'offre et la demande.

equivalent of a sum of value equal to this revenue multiplied a certain number of times, it follows that any sum whatever of values is the equivalent of an estate of land producing a revenue equal to a definite fraction of that sum. It is absolutely indifferent whether this sum of values or this capital consists in a mass of metal or anything else, since the money represents every kind of value, just as every kind of value represents money. The Possessor of a *capital* can then, in the first place, employ it in the purchase of lands, but he has also other resources.

§ LIX

Another employment of money, in the advances of manufacturing and industrial enterprises.¹

I have already remarked that all labours, whether for agriculture or for industry, require advances. And I have shown how the earth, by the fruits and herbs which it produces of itself for the nourishment of men and animals, and by the trees whereof men have formed their first tools, had furnished the first advances of cultivation, and even of the first hand-made articles² that each man might fashion for his own use. For example, it is the earth which has furnished the stone, the clay, and the wood, wherewith the first houses were built; and, before the separation of professions, when the same man that cultivated the earth provided by his labour for his other needs, he required no other advances: but when a large part of the Society had

¹ En avances des entreprises de fabrication et d'industrie.

² Ouvrages manuels.

only their arms to maintain them, it was necessary that those who thus lived on wages should begin by having something in advance, either to procure the materials upon which to labour, or to maintain them while waiting for the payment of their wages.

§ LX

Further explanations as to the employment of the advance of capitals in enterprises of industry, as to their return,¹ & as to the profit they ought to yield.

In the earliest times he who set men to work furnished the materials himself and paid from day to day the wages of the Workman. It was the Cultivator or the Proprietor himself that gave to the Spinner the hemp he had gathered, and maintained her during the time of her working. then he handed over the yarn to a Weaver, to whom he gave every day the wages agreed upon, but these slight daily advances could be sufficient only for works of the simplest and roughest kind. A great number of Crafts,² and even of the Crafts engaged in by the poorest Members of the Society, require that the same material should pass through a crowd of different hands, and undergo for a very long time exceedingly difficult and various operations. I have already mentioned the preparation of the leather whereof shoes are made. whoever has seen the establishment of a Tanner realises the absolute impossibility of one poor man, or even of several poor men, providing themselves with hides, lime, tan, utensils, etc., getting the buildings erected which are necessary for setting a Tan-house in operation, and living

¹ Rentrée.

² Arts.

during several months until the leather is sold. In this Craft, and in many others, must not those who work at it have learned the trade before they venture to touch the materials, which they would spoil in their first attempts? Here, then, is another advance indispensable. Who, in the next place, will collect the materials for the work, the ingredients and the tools necessary for the process? Who will get canals, market halls, all the different kinds of buildings constructed? Who will enable that great number of Workmen to live until the leather is sold, of whom none could prepare a single skin by himself? Considering, moreover, that the profit on the sale of a single tanned hide could not furnish subsistence for any one of them. Who will defray the expenses for the instruction of Pupils and Apprentices? Who will procure for them the means of subsistence until they are taught, by enabling them to pass step by step from labour which is easy and proportioned to their age to labours which demand the utmost vigour and ability? It will be one of those Possessors of *capitals*, or of moveable accumulated values, who will employ them, partly in advances for the construction of the establishment and for the purchases of materials, partly for the daily wages of the Workmen who labour in the preparation (of the commodities). It is he who will wait for the sale of the leather to return to him not only all his advances but a profit in addition, sufficient to make up to him for what his money would have been worth to him if he had employed it in the purchase of an estate, and, furthermore, for the wages due to his labours, his cares, his risks, and even his skill, for doubtless, if the profit were the same,

he would have preferred to live without any exertion on the revenue of the land he could have acquired with the same capital. As fast as this capital comes back to him by the sale of the products, he uses it for new purchases in order to supply and maintain his Manufactory by this continual circulation on his profits he lives, and he places on one side what he can spare to increase his capital and put into his business, adding to the amount of his advances in order to add still more to his profits.

§. LXI.

Subdivision of the industrial stipendiary Class into capitalist Undertakers and simple Workmen.

Thus the whole Class occupied in supplying the different wants of the Society with the vast variety of industrial products finds itself, so to speak, subdivided into two orders: that of the Undertakers, Manufacturers, Employers,¹ all possessors of large capitals which they make profit from² by setting men at work, by means of their advances; and the second order, which is composed of simple Artisans who have no other property but their arms, who advance only their daily labour, and receive no profit but their wages.

§. LXII.

Another employment of capitals, in advances for the enterprises of Agriculture. Explanations as to the use, the return, & the indispensable profits of capitals in the enterprises of Agriculture.

¹ Maitres Fabricans.

² Qu'ils font valoir.

In speaking first of the employment of capitals in the enterprises of Manufacture, I have had as my object to present a more striking example of the necessity and effect of large advances, and of the course of their circulation: but I have a little reversed the natural order, which would have required that I should begin by speaking of the enterprises of agriculture, which in like manner can neither be carried on nor extended nor made profitable save by means of great advances. It is the Possessors of great capitals who, in order to profit by them in agricultural enterprises, take leases of lands¹ paying the Proprietors large rents,² and undertaking to make all the advances of the cultivation. Their position is necessarily the same as that of the Undertakers of Manufactories. like them they are obliged to make the first advances of the undertaking, to provide themselves with cattle, with horses, with tools of husbandry, and to purchase the first seed; like them they are obliged to maintain and feed the Carters, Reapers, Threshers, Servants, and Workmen of every kind who have nothing but their arms, advance only their labour, and get only their wages; like them they have to obtain from the harvests, besides the return of their capitals, that is to say, of all their advances both original and annual, 1. a profit equal to the revenue they could acquire with their capitals without labour; 2. the wages and the price of their labour, of their risks, and of their industry, 3. that wherewith to replace annually the wear and tear of the property employed in their undertaking, the cattle that die, the tools that wear out, etc. All this must first be deducted from³ the

¹ Affermant les terres.² Loyers.³ Prélevé sur

price of the products of the earth; the surplus serves the Cultivator for paying the Proprietor for the permission he has given him to make use of his field for setting his enterprise on foot. This is the price of the lease,¹ the revenue of the Proprietor, the *net produce*; for all the land produces, up to the exact amount of the advances of every kind and of the profits of every kind due to him who has made the advances, cannot be regarded as a *revenue*, but only as the *return of the expenses of cultivation*, when one considers that, if the Cultivator did not get them back, he would take care not to employ his riches and his toil in cultivating the field of another.

§. LXIII

The competition of Capitalist Undertakers in agriculture² establishes the current price of leases,³ & farming on a large scale.⁴

The competition of rich Undertakers in agriculture fixes the current price of leases in proportion to the fertility of the land and the price at which its products are sold, always according to the calculation the Farmers make, both of their expenses and of the profits they ought to draw from their advances: they cannot give the Proprietor more than the surplus. But, when the competition among them is very keen, they give him all this surplus, the Proprietor only letting his land to him who offers the highest rent.

¹ Le prix du fermage.

² Capitalistes Entrepreneurs de culture.

³ Fermages.

⁴ La grande culture.

§ LXIV

The lack of Capitalist Undertakers restricts agriculture to the small-farming method.¹

When, on the contrary, there are no rich men who have large capitals to put into agricultural enterprises, when, owing to the low price of the products of the land or for any other reason, the crops are not enough to ensure to the Undertakers, besides the return of their funds,² profits at least equal to those which they would derive from their money if they employed it in an entirely different way, then Farmers are not to be found who will be willing to take the lands on lease. The Proprietors are forced to get them cultivated by "Colons" or Métayers, who are unable to make any advances or to carry on a proper cultivation. The Proprietor himself makes some scanty³ advances which produce him a very scanty revenue if the land belongs to a Proprietor who is poor or in debt or neglectful, or to a Widow, or to a Minor, it stays out of cultivation. Such is the true principle of the difference I have already noticed between the Provinces where the land is cultivated by rich Farmers, as in Normandy and the Isle of France, and those where it is cultivated only by poor Métayers, like the Limousin, the Angoumois, the Bourbonnais, and several others.

¹ La petite culture.

² Fonds

³ Médiocres.

§ LXV

Subdivision of the Class of Cultivators into Undertakers or Farmers & mere Wage-earners, whether Servants¹ or Day-labourers.

Hence it follows that the Class of Cultivators divides itself, like that of the Manufacturers, into two orders of men, that of the Undertakers or Capitalists who make all the advances, and that of mere wage-earning Workmen. It is evident, also, that it is the capitals alone which enter upon and carry through the great enterprises of Agriculture, which give to the lands an invariable rental value, if I may venture to use the expression, and which assure the Proprietors a revenue which is always constant and as large as possible.

§. LXVI.

Fourth employment of capitals, in advances for undertakings in Commerce. Necessity of the interposition of Merchants, properly so-called, between the Producers of the commodity & the Consumers.

The Undertakers, either in the cultivation of the land or in Manufactures, get back their advances and their profits only from the sale of the fruits of the earth or of the manufactured commodities. It is always the wants and the means of the Consumer that set the price at the sale; but the Consumer does not always need the goods or produce at the moment of harvest or of the finishing of the manufacture; yet the undertakers find it necessary that their

¹ Valets (i.e. persons permanently employed).

funds should return to them immediately and regularly, in order that they may put them back into their businesses. The harvest must be followed without break by plowings and the sowing of the seed, the Workmen of a Manufacture must be kept in continuous employment, a fresh set of articles must be begun as soon as the first set is finished, materials must be replaced as they are being consumed. It would not be safe to interrupt the labours of an enterprise once set on foot, and they could not be taken up again just when one wished. The Undertaker has thus the greatest possible interest in getting his funds returned to him with the utmost promptitude by the sale of his crops or of his goods: on the other hand, it is the Consumer's interest to find the things he stands in need of when he wants them and where he wants them, it would be extremely inconvenient for him to be obliged to purchase his provision for a whole year at the moment of harvest. Among the articles that are commonly consumed there are many that require long and expensive labours, labours that can only be undertaken with profit upon a very large quantity of material, — so large that the consumption of a small number of men or of a limited district could not be enough to carry off the work of a single Manufactory. The undertakings which have to do with work of this kind must, then, necessarily be few in number, at a considerable distance from each other, and consequently very far from the homes of a great majority of the Consumers. there is no man above extreme poverty who is not in a position to consume several things which are neither gathered nor manufactured except in places far removed from his home and equally far removed from each

other. A man who could only procure the articles of his consumption by buying them directly from the hand of him who had gathered or manufactured them, would go without a good many things or spend his life in travel.

This double interest on the part both of the Producer and of the Consumer, of the first to find an opportunity to sell, of the other to find an opportunity to buy, and yet not to lose precious time in waiting for the Purchaser or seeking the Seller, must have suggested to third parties to act as intermediaries between the two. This is the purpose of the profession of Merchants who purchase the commodity from the hand of the Producer, in order to make a store of it or to furnish a warehouse whither the Consumer comes to get what he needs. In this way the Undertaker, assured of the sale and of the return of his funds, devotes himself undisturbedly and continuously to further production, and the Consumer finds within his reach and at any moment the things of which he is in want.

§. LXVII

Different orders of Merchants. All have this in common, that they purchase to sell again, and that their business depends upon advances which need to return with profit¹ in order to be once more put into the undertaking.

From the Huckster who displays her pot-herbs on the market-place up to the Ship-owner of Nantes or of Cadiz who carries on his sales and purchases as far as India or America, the profession of a merchant, or commerce

¹ Leur trafic roule sur des avances qui doivent rentrer avec profit.

properly so called, is divided into an infinity of branches and, so to speak, of steps. This merchant confines himself to getting in a supply of one or of several sorts of commodities which he sells in his shop to all who present themselves. That other goes to sell certain commodities in the place where they are wanted, in order to bring from thence in exchange such things as are produced there, and are wanting in the place from which he set out. One makes his exchanges in his own neighbourhood and by himself, another by means of Correspondents and by the help of Carriers whom he pays, and whom he sends and brings from one Province to another, from one Kingdom to another Kingdom, from Europe to Asia and from Asia to Europe. One sells his merchandise in small pieces to the several individuals who consume them, the other sells only in large quantities at the time to other Merchants who sell them over again at retail to the Consumers. But all have this in common that they *buy to sell again*, and that their first purchases are an advance which returns to them only in course of time. It is bound to return to them, like the advances of Undertakers in Agriculture and Manufacture, not only undiminished within a certain period, to be employed for new purchases, but also 1. with a profit equal to the revenue which they could acquire with their capital without any labour, 2. with the wages and the price of their labour, of their risks, and of their industry. Without the assurance of this return and of these indispensable profits, no Merchant would undertake Commerce, and no one could possibly go on with it. It is from this point of view that he guides himself in his purchases, when he calculates the

quantity and the price of the things which he can hope to sell in a certain time. The Retailer learns by experience, by the success of limited attempts made with care, what, more or less, is the quantity of the wants of the Consumers he is in a position to supply. The Trader learns by his Correspondents¹ as to the abundance or scarcity and as to the price of merchandise in the different countries to which he extends his Commerce, he directs his speculations accordingly, he sends the commodities from the place where they bear a low price to those where they are sold for a higher, it being understood, of course, that the expense of Carriage enters into the calculation of the advances which have to return to him.

Since Commerce is necessary, and it is impossible to undertake any commerce without advances proportionate to its extent, we see another employment of moveable wealth, a new use that the possessor of a mass of values saved² and accumulated, of a sum of money, of a capital in one word, can make of it in order to benefit by it, in order to obtain his subsistence, and to increase, if he can, his riches.

§ LXVIII.

True idea of the circulation of money.

We see, by what has just been said, how that the cultivation of land, manufactures of all kinds, and all branches of commerce depend upon³ a mass of capitals, or of moveable accumulated riches, which having been at first advanced

¹ Correspondances.

² Roulent sur.

³ Une masse de valeurs mise en réserve.

by the Undertakers in each of these different classes of labours, must return to them every year with a steady profit, that is, the capital to be again invested and advanced anew in the continuation of the same enterprises, and the profit to provide for the more or less comfortable subsistence of the Undertakers. It is this advance and this continual return of capitals which constitute *what one must call the circulation of money*, that useful and fruitful circulation which gives life to all the labours of the society, which maintains movement and life in the body politic, and which is with great reason compared to the circulation of blood in the animal body. For if, by any disorder, be it what it may, in the sequence of expenditures¹ on the part of the different classes of society, the Undertakers cease to get back their advances with the profit they have a right to expect from them, it is evident that they will be obliged to reduce their undertakings, that the amount of labour, the amount of consumption of the fruits of the earth, the amount of production and the amount of revenue will be reduced in like measure, that poverty will take the place of wealth, and that the common Workmen, ceasing to find employment, will fall into the extremest destitution.

§ LXIX

All economic undertakings,² particularly those of manufacture and commerce, could not fail to be extremely limited before the introduction of gold & silver in commerce.

¹ L'ordre des dépenses.

² Toutes les entreprises de travaux.

It is hardly necessary to remark that undertakings of all kinds, but especially those of manufacture and still more those of commerce, must needs have been greatly limited before the introduction of gold and silver in commerce. since it was almost impossible to accumulate considerable capitals, and still more difficult to multiply and divide payments, as much as is necessary to facilitate and multiply exchanges to the extent which is demanded by a thriving commerce and circulation. Agriculture alone could maintain itself a little, because cattle are the principal object of the advances it requires, moreover, it is probable that there was then no other agricultural undertaker but the proprietor. As to crafts of all kinds, they must have languished greatly before the introduction of money. They were limited to the roughest kinds of occupations, for which the Proprietors furnished the advances by feeding the Workmen and by providing them with materials, or which they caused to be carried on at home by their Domestics.

§. LXX.

Capitals being as necessary to all undertakings as labour and industry, the industrious man is ready to share the profits of his undertaking with the Capitalist who furnishes him with the funds of which he has need.

Since capitals are the indispensable foundation of every undertaking, since also money is a principal means for economising from small gains, amassing profits, and growing rich, those who, though they have industry and the love of labour, have no capitals or not enough for the

undertakings they wish to embark in, have no difficulty in making up their minds to give up to the Possessors of capitals or money, who are willing to trust them with it, a portion of the profits they expect to gain over and above the return of their advances.

§. LXXI

Fifth employment of capitals the loan upon interest Nature of the loan

The Possessors of money balance the risk their capital may run if the enterprise does not succeed, with the advantage of enjoying a definite profit without labour, and they are influenced thereby to demand more or less profit or interest for their money, or to consent to lend it in return for the interest the Borrower offers them. Here, then, is another outlet open to the Possessor of money, — lending on interest, or the trade in money. For one must not make a mistake, lending on interest is nothing in the world but a commercial transaction in which the Lender is a man who sells the use of his money and the Borrower a man who buys it, precisely as the Proprietor of an estate and his Farmer sell and buy respectively the use of a piece of land which is let out. This is what is perfectly expressed by the name the Latins gave to the interest of money placed on loan, — *usura pecunie*, a word the French Rendering of which has become hateful in consequence of the false ideas which have been formed as to the interest of money.

THE AUTHOR here adds some very wise reflections upon the loan at interest, and continues the explanation of his doctrine as to the formation & employment of Capitals. It is with much regret that we find ourselves obliged, by the abundance of our matter, to postpone this continuation of his Work to our next Volume, in which we shall give the conclusion of it.

CONTINUATION & conclusion of the Reflections upon the Formation & the Distribution of Riches, the commencement of which is to be found in the preceding Volumes.

§ LXXII

False ideas as to lending upon interest.¹

The price of the loan is by no means founded, as might be imagined, on the profit the borrower hopes to make with the capital of which he purchases the use. This price is determined, like the price of all merchandise, by the chaffering of seller and buyer, by the balance of the offer with the demand. People borrow with every kind of purpose and with every sort of motive. This one borrows to undertake an enterprise which will make his fortune, this other to purchase an estate another to pay a gaming debt, another to make up for the loss of his revenue of which some accident has deprived him, and another to keep himself alive until he can get something by his labour; but all these motives which influence the borrower are quite indifferent to the lender. He cares about two things only, the interest he is to receive, and the safety of his capital. He does not trouble himself about the use the borrower will make of it, any more than a Merchant concerns himself with the use a purchaser will make of the commodities he sells him.

¹ Le prêt à intérêt.

§ LXXIII

Errors of the Schoolmen refuted.

It is for want of having looked at lending on interest in its true light that certain moralists, more rigid than enlightened, have endeavoured to make us regard it as a crime. The Scholastic theologians have concluded from the fact that money produces nothing by itself that it was unjust to demand interest for money placed on loan. Full of their prejudices, they have believed their doctrine was sanctioned by this passage of the Gospel. *Mutuum date, nihil inde sperantes*. Those theologians who have adopted more reasonable principles on the subject of interest have had to endure the harshest reproaches from writers of the opposite party.

Nevertheless it needs but little reflection to realise the frivolity of the pretexts which have been made use of to condemn the taking of interest. A loan is a reciprocal contract, free between the two parties, which they make only because it is advantageous to them. It is evident that, if the Lender finds it to his advantage to receive something as the hire of his money, the Borrower is equally interested in finding the money of which he stands in need; as is shown by his making up his mind to borrow and to pay the hire¹ of the money but on what principle can one imagine a crime in a contract which is advantageous to the two parties, with which both are content and which certainly does not injure anyone else. To say that the Lender takes advantage of the Borrower's need of money

¹ Le loyer.

to demand interest for it is to talk as absurdly as if one should say that a Baker who demands money for the bread he sells takes advantage of the Purchaser's need of bread. If, in the latter case, the money is the equivalent of the bread the Purchaser receives, the money which the Borrower receives to-day is equally the equivalent of the capital and of the interest which he promises to return at the expiration of a certain time, for, in short, it is an advantage for the Borrower to have during this interval the money he stands in need of, and it is a disadvantage to the Lender to be deprived of it. This disadvantage is capable of being estimated,¹ and it is estimated, the interest is the price of it. This price ought to be higher if the Lender runs a risk of losing his capital by the insolvency of the Borrower. The bargain, therefore, is perfectly equal on both sides, and consequently fair. Money considered as a physical substance, as a mass of metal, does not produce anything, but money employed in advances for enterprises in Agriculture, Manufacture, and Commerce procures a definite profit. With money one can purchase an estate, and thereby procure a revenue. The person, therefore, who lends his money does not merely give up the barren possession of that money, he deprives himself of the profit or of the revenue which he would have been able to procure by it; and the interest which indemnifies him for this privation cannot be regarded as unjust. The Schoolmen, compelled to acknowledge the justice of these considerations, have allowed that interest for money may be taken provided that the capital is alienated, that is to say, provided that the

¹ Appréciable.

Lender renounces his right to demand the repayment of his money in a certain time, and leaves the Borrower free to keep it as long as he wishes on condition only that he pays the interest. The reason of this toleration was, that then it is no longer a loan for which interest was taken, it is a rent purchased with a sum of money, as one purchases an estate of land. This was a petty subtlety to which they had recourse, in order to yield to the absolute necessity there is of borrowing money in the course of the transactions of society, without distinctly recognising the falsity of the principles in accordance with which they had condemned it, but this condition of the alienation of the capital is not an advantage to the Borrower, inasmuch as he remains just as much charged with the debt until he shall have repaid this capital, and his property continues throughout to be burdened by the lien involved in its position as security for the capital.¹ It is even a disadvantage, in that he finds money to borrow, when he has need of it, with more difficulty. for a man who would readily agree to lend for a year or two a sum of money he intends to buy an estate with, would not be ready to lend it for an indefinite time. Moreover, if it is permitted to sell one's money for perpetual rent, why cannot one let² it for a certain number of years, in return for a rent to continue only for that number of years? If a rent of a thousand francs a year is the equivalent for a sum of twenty thousand francs in the case of a man who keeps that sum in perpetuity, a thousand francs will be the equivalent each year of the possession of that sum during a year.

¹ Les biens sont toujours affectés à la sûreté de ce capital.

² Louer.

§ LXXIV

True foundation of the interest of money

A man, then, may let his money as properly as he may sell it, and the possessor of money may do either one or the other, not only because the money is the equivalent of a revenue and a means to procure a revenue, not only because the lender loses during the time of the loan the revenue he might have secured by it, not only because he risks his capital, not only because the borrower may employ it in advantageous purchases or in undertakings from which he will draw large profits: the Proprietor of money may properly draw the interest of it in accordance with a more general and more decisive principle. Even if all the foregoing were not the case, he would none the less have a right to require the interest of the loan, simply because his money is his own. Since it is his own, he is free to keep it; nothing makes it his duty to lend: if, then, he does lend, he may attach to his loan such a condition as he chooses. In this he does no wrong to the borrower, since the latter acquiesces in the condition, and has no sort of right to the sum lent. The profit that a man may obtain by the use of the money is doubtless one of the commonest motives influencing the borrower to borrow on interest, it is one of the sources of the ease he finds in paying this interest; but this is by no means what gives a right to the lender to require it; it is enough for him that his money is his own, and this right is inseparable from that of property. He who buys bread does it for his support; but the right the Baker has to ask a price is quite independent of this

use of the bread it is the same right as he would have to sell him stones, a right founded entirely upon this, — that, as the bread is his own, nobody has a right to oblige him to give it for nothing.

§ LXXV

Reply to an objection.

This reflection makes us realise how false and how distant from the meaning of the Gospel is the application which the Rigorists make of the passage *Mutuum date, nihil inde sperantes* (Lend, hoping for nothing again). This passage is clear when it is understood, as by moderate and reasonable theologians, as a precept of charity. All men ought to succour one another: a rich man who, when he saw his fellow-creature in distress, instead of providing for his wants sold him his assistance, would fail alike in the duties of Christianity and in those of humanity. In such circumstances charity does not prescribe only lending without interest; it commands lending, and even giving if he needs it. To make out of this precept of charity a precept of rigorous justice is equally repugnant to reason and the sense of the text. Those whom I attack here do not maintain that it is a duty of (Christian) justice to lend one's money; they must then agree that the first words of the passage: *Mutuum date . . .*, contain only a precept of charity, then, I ask, why do they think that the close of the passage grows into a duty of (Christian) justice? What, shall the lending itself not be a strict precept, but its accessory, the condition of the loan, be made one? Then this is what men were told: "You are free to lend or not to lend, but, if

you lend, take care you do not take any interest for your money, and even if a merchant should ask a loan of you for an undertaking in which he hopes to make large profits, it will be a crime for you to accept the interest he offers you, you must absolutely either lend to him gratuitously or not lend to him at all. You have indeed one method of making interest lawful, that is, to lend your capital for an indefinite time, and to give up the right of demanding its repayment, and leave your debtor free to pay you when he pleases or when he can. If you find any inconvenience on the score of security, or if you foresee that you will need your money in a certain number of years, you have no other course to take but not to lend. It will be better to cause this merchant to miss a precious opportunity than to commit a sin so as to help him to take advantage of it." See what has been discovered in these five words, *Mutuum date, nihil inde sperantes*, when they have been looked at through the prejudices created by false metaphysics. Every man who reads this text without prejudice will see what it really means, and that is "As men, as Christians, you are all brothers, all friends; act toward each other as brethren and friends, help each other in your necessities, let your purses be open to one another, and do not sell the assistance which you owe each other by demanding interest for the loan which charity makes your duty." This is the true sense of the passage in question. The obligation to lend without interest and the obligation to lend are evidently connected together, they are of the same order, and both inculcate a duty of charity, and not a precept of rigorous justice applicable to all cases in which lending is possible.

§ LXXVI

The rate¹ of interest, like that of merchandise generally, should be fixed by nothing but the course of trade.

I have already said that the price of borrowed money is regulated, like that of all other merchandise, by the balance of supply and demand ² thus, when there are many borrowers who need money, the interest of money becomes higher, when there are many holders of money who offer to lend it, interest falls. It is, therefore, another mistake to suppose that the interest of money in commerce ought to be fixed by the laws of Princes. It is a current price, fixed like that of all other merchandise. This price varies a little, according to the greater or less security which the borrower has that he will not lose his capital, but, with equal security, it ought to rise or fall in proportion to the abundance and need, and the law ought no more to fix the rate of the interest of money than to set a price for any other merchandise that is circulated in commerce.

§. LXXVII.

Money³ has two different valuations⁴ in commerce: the one expresses the quantity of money we give to procure the different sorts of commodities, the other expresses the relation of a sum of money to the interest it procures in accordance with the course of commerce.

¹ Le taux

² Par la balance de l'offre à la demande.

³ L'argent [The use of this word both for *money* and for *silver* contributes to the ambiguity which Furgot here seeks to remove. It is here translated *silver*, whenever that is implied by the context]

⁴ Évaluations.

It would seem, from this explanation of the way in which money is sold or let for an annual interest, that there are two ways of valuing money in commerce. In purchases and sales, a certain weight of money represents a certain quantity of values, or of merchandise of every kind for example, an ounce of silver is the equivalent of a certain quantity of corn or a certain number of days' labour. In lending and in the money-trade, a capital is the equivalent of a rent equal to a certain fixed portion of that capital, and conversely an annual rent represents a capital equal to the amount of that rent repeated a certain number of times, according as interest is at a higher or lower penny.

§ LXXVIII

These two valuations are independent of each other, & are governed by quite different principles.

These two different reckonings¹ have much less connection and depend much less on each other than one would be tempted to believe at first sight. Money may be very common in ordinary commerce, may there have very little value, may answer to a very small quantity of commodities, and the interest of money may at the same time be very high.

Suppose that when there are *a million ounces of silver* circulating in commerce, *an ounce of silver* is given in the market for a measure of corn. Suppose there comes into the State, it matters not how, *a second million ounces of silver*, and that this increase is distributed to every purse

¹ Appréciations.

in the same proportion as the first million, so that the man who before had two ounces of silver now has four. The silver considered as a mass of metal will certainly diminish in price, or, what is the same thing, commodities will be paid for more dearly; and, to get the measure of corn which we got before with an ounce of silver, it will be necessary to give a good deal more silver, and perhaps *two ounces* instead of *one*. But it by no means will follow from thence that the interest of money falls, if all this money is carried to market and employed in the current expenditure of those who possess it, as by supposition the first million ounces were, for the interest of money falls only when there is more money to lend, in proportion to the wants of borrowers, than there was before. But the money which is carried to market is not to lend, it is the money which is placed in reserve, the accumulated capitals, that are lent, and so far from the increase of money in the market, or the diminution of its price in relation to commodities in ordinary trade, infallibly and by immediate sequence bringing about a decrease of the interest of money, it may on the contrary happen that the very cause which increases the money in the market, and which increases the prices of other commodities by lowering the price of money, is precisely that which increases the hire of money or the rate of interest.

Indeed, suppose for the moment that all the wealthy people in a nation, instead of saving from their revenues or from their annual profits, spend the whole of it; suppose that, not content with spending their revenue, they spend their capital, suppose a man who has a hundred thousand

francs in money, instead of employing them in a profitable manner or lending them, consumes them piecemeal in foolish expenses, it is evident that, on one side, there will be more money employed in current purchases, in the satisfaction of the wants or humours of each individual, and that consequently its price will fall, on the other hand, there will certainly be much less money to lend, and, as many people will ruin themselves, there will probably also be more borrowers. The interest of money will, then, increase, while money will become more common on the market and will there fall in price, and precisely for the same reason

We shall cease to be surprised at this apparent paradox,¹ if we remember that the money which is offered on the market to get corn is that which is daily spent to satisfy one's needs, and that the money which is offered on loan is precisely what is saved from one's daily expenditure to be laid by and formed into capitals.

§. LXXIX.

In the valuation of money with regard to commodities it is the money considered as metal that is the subject of the estimate. In the valuation of the "penny" of money, it is the use of the money during a definite time that is the subject of the estimate

In the market a measure of wheat is equivalent to² a certain weight of silver; it is a quantity of silver that one purchases with the commodity, it is this quantity on which

¹ Bisarrerie.

² Se balance avec.

one sets a price, and which one compares with other and different values. In a loan on interest, that on which we set a price is the use of a certain quantity of values during a certain time. It is no longer the comparison of a mass of silver with a mass of wheat; it is now a mass of values which is compared with a definite portion of itself, which becomes the price of the use of this mass during a certain time. Whether *twenty thousand ounces of silver* are on the market the equivalent of *twenty thousand measures of wheat* or only of *ten thousand*, the use of these twenty thousand ounces of silver during the year will none the less be worth in the money market the *twentieth* part of the principal sum, or a *thousand ounces* of silver, if the interest is at the *twentieth penny*.¹

§ LXXX.

The price of interest² depends immediately upon the relation between the demand of the borrowers and the offer of the lenders, & this relation depends chiefly on the quantity of moveable riches accumulated, by the saving of revenues & of annual products, to form capitals withal, whether these capitals exist in money or in any other kind of effects having a value in commerce.

The price of silver in the market is relative only to the quantity of this metal employed in current exchanges; but the rate of interest is relative to the quantity of values accumulated and laid by to form capitals. It is indifferent whether these values are in metal or in other effects, pro-

¹ Au denier vingt, i.e. 5%.

² Le prix de l'intérêt

vided that these effects are easily convertible into money. It is far from being the case that the mass of metal existing in a State is as large as the sum of the values lent on interest in the course of a year on the contrary all the capitals in furniture, in merchandise, in tools, in cattle, take the place of the silver and represent it. A paper signed by a man who has well-known effects worth *a hundred thousand francs*, and who promises to pay *a hundred thousand francs* at such a date, passes for a hundred thousand francs until that date all the capitals of the man who has signed this note answer for the payment, whatever may be the nature of the effects he has in his possession, provided they have a value of *a hundred thousand francs*. It is not, therefore, the quantity of silver existing as metal which causes the interest of money to rise or fall, or which brings into commerce more money ready to be lent; it is simply the sum of capitals to be found in commerce, that is to say, the actual sum of moveable values of every kind, accumulated, saved bit by bit¹ out of the revenues and profits, to be employed to obtain for the possessor new revenues and new profits. It is these accumulated savings that are offered to borrowers, and the more there are of them the lower is the rate of interest, at least if the number of borrowers is not augmented in proportion.

§. LXXXI.

The spirit of economy in a nation continually augments the sum of capitals, luxury continually tends to destroy them.

¹ Successivement.

The spirit of economy in a nation tends to augment incessantly the sum of its capitals, to increase the number of lenders, to diminish that of borrowers. The habit of luxury has precisely the contrary effect, and, from what has been already remarked as to the use of capitals in all the enterprises of agriculture, industry or commerce, we may judge if luxury enriches a nation or impoverishes it.

§ LXXXII

The fall in the rate of interest proves that, in general, economy has prevailed over luxury in Europe.

Since the interest of money has been constantly diminishing in Europe for some centuries, we must conclude that the spirit of economy has been more general than the spirit of luxury. It is only people already rich who give themselves up to luxury, and, even among the rich, all who are sensible limit themselves to the spending of their revenue, and are very careful not to touch their capitals. Those who wish to become rich are far more numerous in a nation than those who are already so. but, in the present state of things, in which all the lands are occupied, there is but one way to become rich; it is either to possess or to procure, in some way or other, a revenue or an annual profit above what is absolutely necessary for subsistence, and to lay up this superfluity every year so as to form a capital out of it, by means whereof one may obtain an increase of revenue or of annual profit, which one may again save and convert into capital. There are, consequently, a great number of men interested and occupied in amassing capitals

§. LXXXIII.

Recapitulation of the five different methods of employing capitals

I have reckoned five different methods of employing capitals or of profitably investing them.

The first is to buy a landed estate which brings in a definite revenue.¹

The second is to invest one's money in agricultural undertakings, by taking a lease of lands, — the produce of which ought to yield, over and above the price of the lease, the interest on the advances and the price of the labour of the man who devotes his riches and his toil to their cultivation.

The third is to invest one's capital in industrial or manufacturing undertakings.

The fourth is to invest it in commercial undertakings.

And the fifth is to lend it to those who want it, in return for an annual interest.

§ LXXXIV

The influence on one another of the different employments of money.

It is evident that the annual products that can be drawn from capitals invested in these different employments are limited by one another, and are all influenced by² the actual rate of the interest of money.

¹ Un certain revenu

² Sont relatifs au.

§ LXXXV.

Money invested in land is bound to bring¹ the least

The man who invests his money in the purchase of an estate which is leased to an entirely solvent Farmer procures himself a revenue which gives him very little trouble to receive, and which he can spend in the most agreeable manner by giving free play to all his tastes. There is the additional advantage that land is of all forms of property that whereof the possession is most secured against every kind of accident.

§ LXXXVI.

Money placed on loan is bound to bring rather more than the revenue of landed estates acquired with an equal capital

He who lends his money on interest has an even more peaceable and free enjoyment of it than the possessor of land; but the insolvency of his debtor may cause him to lose his capital. He will not, therefore, content himself with an interest equal to the revenue of the land which he might buy with the same capital. The interest of money placed on loan must, consequently, be larger than the revenue of an estate purchased with the same capital, for if the lender found an estate for sale with a revenue equal to the interest, he would prefer that way of using it.

¹ Doit rapporter.

§ LXXXVII

Money invested in agricultural, manufacturing, & commercial undertakings is bound to bring more than the interest of money on loan

For a like reason money employed in agriculture, in industry, or in commerce must produce a profit which is more considerable than the revenue of the same capital when invested in land, or the interest of the same money placed on loan, for as these employments, besides the capital advanced, require much care and labour, if they were not more lucrative it would be much better to procure a revenue of equal amount which might be enjoyed without needing to do anything. It is necessary, then, that besides the interest of his capital the undertaker should every year draw a profit to recompense him for his care, his labour, his talents and his risks, and to furnish him in addition with that wherewith he may replace the annual wear and tear of his advances, — which he is obliged to convert from the very first into effects which are susceptible of change, and which are, moreover, exposed to every kind of accident.

§. LXXXVIII

Nevertheless the products of these different employments are limited by one another, &, notwithstanding their inequality, preserve a kind of equilibrium.

The different employments of capitals produce, therefore, very unequal products; but this inequality does not prevent the exercise of a reciprocal influence one upon the other,

or the establishment between them of a sort of equilibrium, as between two liquids of unequal gravity which communicate with one another at the bottom of a reversed syphon of which they occupy the two branches, they will not be on a level, but the height of one cannot increase without the other also rising in the opposite branch.

Suppose that all of a sudden a very large number of proprietors of lands wish to sell them. It is evident that the price of lands will fall, and that with a less sum one will acquire a larger revenue this cannot come to pass without the interest of money rising, for the possessors of money would choose rather to buy estates than to lend at an interest which was no higher than the revenue of the land they could purchase. If, then, the borrowers want to have money, they will be constrained to pay a higher rate of hire for it. If the interest of money becomes higher, people will prefer lending it to making use of it in a more toilsome and hazardous fashion in agricultural, industrial and commercial undertakings, and those undertakings only will be entered upon which will produce, besides the wages of their labour, a profit much greater than the rate of money placed on loan. In a word, as soon as the profits resulting from an employment of money, whatever it may be, increase or diminish, capitals turn in that direction and withdraw from other employments, or withdraw and turn toward other employments; and this necessarily alters in each of these employments the relation between the capital and the annual produce. In general, money invested in landed property brings less than money placed on loan, and money placed on loan brings less than money

employed in undertakings which involve labour, but, whatever be the way in which money is employed, its produce cannot increase or decrease without all the other employments experiencing a proportionate increase or decrease.

§ LXXXIX

The current interest of money is the thermometer by which one may judge of the abundance or scarcity of capitals, it is the measure of the extent a Nation can give to its enterprises in agriculture, manufacture & commerce.

The current interest on money placed on loan can, then, be regarded as a kind of thermometer of the abundance or scarcity of capitals in a Nation, and of the extent of the undertakings of every sort on which it may embark. It is evident that the lower the interest of money is, the greater is the value of landed estates. A man who has a rent-roll of fifty thousand livres has a property worth only a million, if estates are sold at the twentieth penny; he has two millions if estates are sold at the fortieth penny. If interest is at five per cent. all uncleared land whose produce would not bring five per cent., over and above the replacement of the advances and the recompense for the care of the Cultivator, would remain uncultivated. No manufacture, no commerce will maintain itself which will not bring in five per cent., over and above the wages of the undertaker's exertions and the risks. If there is a neighbouring Nation in which the interest of money is only two per cent., not only will it carry on all the branches of commerce from which the Nation where interest is at five per cent. finds

itself excluded, but, moreover, as its manufacturers and merchants can content themselves with a lower profit, they will place their commodities on all the markets at a much lower price, and will draw to themselves the almost exclusive trade in all those commodities whereof the trade is not retained for the commerce of the Nation, where money is worth five per cent., by exceptional conditions or by the excessive expense of carriage.

§. XC

Influence of the rate of interest of money on all gainful undertakings.

The price of interest may be looked upon as a kind of level beneath which all labour, all agriculture, all industry, all commerce come to an end. It is like a sea spread over a vast area. the summits of the mountains rise above the waters, and form fertile and cultivated islands. If this sea happens to roll back, in proportion as it descends, first the slopes of the hills, then the plains and the valleys, appear, and are covered with every kind of produce. It is enough that the water should rise or fall a foot to inundate immense tracts, or throw them open to agriculture. It is the abundance of capitals which animates all undertakings; and the low interest of money is at once the effect and the indication of the abundance of capitals.

§. XCI

The total wealth of a nation is composed - 1st, of the net revenue of all the estates in land, multiplied by the rate at which

land is sold,¹ 2d, of the sum of all the moveable riches existing in the nation

Estates in land are equivalent to a capital equal to their annual revenue multiplied by the current penny at which lands are sold. If, then, we add up the revenue of all lands, that is to say, the net revenue they return to the proprietors and to all those who share in their ownership,² such as the Seigneur who takes a rent, the Parson³ who takes the tithe, the Sovereign who takes the taxes, if, I say, we add up all these sums, and multiply them by the rate at which lands are sold,⁴ we shall have the sum of the riches of the nation in landed property. To obtain the total of a nation's riches, we have to add to that the moveable riches, which consist of the sum of the capitals employed in all the enterprises of agriculture, industry and commerce, and which never come out of them, since all advances in every kind of enterprise must needs incessantly return to the undertakers to be incessantly put back into the undertaking, as otherwise it could not continue. It would be a very gross error to confound the immense mass of these moveable riches with the mass of money that exists in a State, the latter is but a very small thing in comparison. To convince one's self of this we need only remember the immense quantity of beasts, utensils and seed which constitute the advances of agriculture; of materials, tools, furniture of all sorts which constitute the stocks⁵ of the manufacturers, and which fill the warehouses of all the mer-

¹ Par le taux du prix des terres.

² Qui en partagent la propriété.

³ Le Curé.

⁴ I.e. the number of years' purchase.

⁵ Le fonds.

chants and of all those engaged in trade, and one will realise that, in the totality of the riches, landed and moveable, of a nation, the specie¹ makes a very small part. But as all these riches and money are continually exchangeable, they all represent money, and money represents them all

§ XCII

The amount of capitals on loan cannot be included in this total without being reckoned twice over.

We must not include in our calculation of the riches of the nation the amount of capitals which are placed on loan, for these capitals can only have been lent to proprietors of lands, or to undertakers who make use of them in their business, since it is only these two kinds of people that can answer for a capital and pay the interest: a sum of money lent to people who had neither estate nor industry would be a dead capital and not an active one.² If the proprietor of an estate of four hundred thousand francs borrows a hundred upon it, his land is charged with a rent which diminishes his revenue in like proportion, and if he sold his property, out of the four thousand francs he would receive, a hundred would belong to the creditor. The capital of the lender would occupy, then, in the calculation of existing wealth the same place as an equal part of the value of the land. The land is always worth four hundred thousand francs: when the proprietor has borrowed a hundred thousand francs, this does not make five hundred

¹ L'argent en nature.

² Un capital éteint et non un capital employé.

thousand francs, it only brings it about that out of the four hundred thousand francs a hundred belong to the lender, and that the borrower no longer owns more than three hundred.

The same double reckoning would take place if we included in the total sum of capitals the money lent to an undertaker to be employed in the advances of his enterprise, for this loan does not increase the total sum of the advances necessary for the enterprise, it only brings it about that that sum, and the part of the profits which represents its interest, belong to the lender. Whether a merchant employs ten thousand francs of his own property in his trade and takes the whole profit, or whether he has borrowed these ten thousand francs from another to whom he pays the interest, contenting himself with the surplus of the profit and with the wages for his industry, there are never more than ten thousand francs.

But though we cannot include, in calculating the riches of a nation, the capital which corresponds to the interests of money placed on loan¹ without reckoning it twice over, we ought to include all the other moveable property, which, although they formed originally the occasion of expenditure and bear no profit, nevertheless form, from their duration, a true capital which is constantly accumulating and which, inasmuch as it can at need be exchanged for money, makes, as it were, a reserve fund which may enter into commerce, and, when one pleases, make up for the loss of other capitals. Among these may be mentioned furniture of all kinds, jewels, plate, paintings, statues, ready money shut

¹ Le capital des intérêts de l'argent prêté.

up in the chests of misers all these things have a value, and the sum of all these values may reach a considerable amount in rich nations. but, considerable or no, it is still true that it ought to be added to the sum of the price of landed estates, and to that of the advances circulating in enterprise of every kind, in order to make up the sum total of the riches of a nation. However, it is not necessary to say that, although we may very well define, as we have just done, wherein the sum of the riches of a nation consists, it is probably impossible to discover how much they amount to, at least so long as one does not find some rule whereby to determine the relation between the total commerce of a nation and the revenue of its lands. a thing perhaps feasible, but which has not yet been executed in such a way as to dispel all doubts.

§ XCIII.

In which of the three classes of the Society the capitalist lenders of money are to be placed.

Let us see now how this exposition of the different ways of employing capitals agrees with what we have before established as to the division of all the members of the Society into three classes, the productive class or that of the husbandmen, the industrial or commercial class and the disposable class or that of the proprietors.

§. XCIV.

The capitalist lender of money belongs to the disposable class, so far as his person is concerned.

We have seen that every rich man is necessarily the possessor either of a capital in moveable riches, or of an estate in land equivalent to a capital. Every landed estate is the equivalent of a capital, consequently every proprietor is a capitalist, but every capitalist is not the proprietor of a landed estate, and the possessor of a moveable capital has his choice whether he will employ it in acquiring an estate or put it to a profitable use in the undertakings of the agricultural or industrial class. The capitalist who has become an undertaker either in agriculture or in industry is no more disposable — either as regards himself or his profits — than the mere workman of these two classes, both are set aside for¹ the carrying on of their enterprises. The capitalist who limits himself to being a lender of money, lends either to a proprietor or to an undertaker. If he lends to a proprietor, he would seem to belong to the class of proprietors, he becomes part-owner of the property, the revenue of the land is burdened by¹ the payment of the interest of his loan; the value of the estate is pledged¹ to provide security for his capital to the full amount. If the lender of money has lent to an undertaker, it is certain that his person belongs to the disposable class, but his capital is sunk in¹ the advances of the enterprise, and cannot be withdrawn from it without injuring the enterprise, unless it is replaced by a capital of equal value.

¹ [The four expressions to which this note is attached are all attempts to indicate the various shades of meaning of the one French expression, *af-
fecté à*]

§ XCV

The interest drawn by the lender of money is disposable, so far as concerns the use he can make of it.

The interest, it is true, which he draws from that capital seems to be disposable, since the undertaker and the undertaking can do without it, and it seems also that we may conclude from this that in the profits of the two working classes, whether they are employed in agriculture or in industry, there is a portion that is disposable, to wit, that which corresponds to the interest of the advances calculated at the current rate of interest on money placed on loan, and it appears, moreover, that this conclusion is in conflict with what we have before said, that only the class of proprietors had a revenue properly so called, a disposable revenue, and that all the members of the two other classes had only wages or profits. This deserves some explanation. When one looks at the thousand crowns drawn every year by a man who has lent sixty thousand francs to a merchant, and considers the use he can make of them, we cannot doubt that they are absolutely disposable, since the undertaking can do without them.

§ XCVI.

The interest of money is not disposable in this sense, that the State can without harm appropriate part of it for its wants.

But it does not follow that they are disposable in the sense that the State can with impunity appropriate part of them for the public wants. These thousand crowns are not

a return that agriculture or commerce gratuitously furnishes to him who has made the advances, it is the price and condition of that advance, without which the enterprise could not be carried on. If this return is diminished, the capitalist will withdraw his money, and the undertaking will come to an end. This return¹ ought, then, to be inviolable, and enjoy an entire immunity, because it is the price of an advance, made to an undertaking, without which the undertaking could not go on. To touch it, would be to augment the price of advances in all undertakings, and consequently to lessen the undertakings themselves, that is to say, agriculture, industry and commerce.

This should lead us to conclude that when we said that the capitalist who had lent to a proprietor *appeared* to belong to the proprietary class, this *appearance* had something equivocal in it which needed to be unravelled. In fact the exact truth is that the interest of his money is no more disposable, that is to say, is no more capable of being encroached upon than is that of the money lent to undertakers of agriculture and commerce. This interest is equally the price of a free agreement, and is equally incapable of being encroached upon without altering the price at which money is lent for it matters little to whom the loan has been made, if the price of the loan changes and increases for the proprietor, it will change and increase for the husbandman, the manufacturer, and the merchant. In a word, the capitalist lender of money ought to be considered as a dealer in a commodity which is absolutely necessary for the production of wealth, and which cannot

¹ Rétribution

be at too low a price. It will be as unreasonable to burden his trade with a tax as to lay a tax on the dung hill which serves to manure the land. Let us conclude from hence that, while it is true that the lender of money belongs to the disposable class so far as his person is concerned, because he is engaged in no business, he does not belong to it so far as the character of his wealth is concerned, whether the interest of his money is paid by the proprietor of lands from a part of his revenue, or is paid by an undertaker from the part of his profits which is pledged to provide the interest on the advances.

§. XCVII.

Objection

It will doubtless be replied that the capitalist may indifferently either lend his money or employ it in the purchase of land, that in the one case and in the other he draws nothing but a price which is the equivalent of his money, and that, in whichever way he may have employed it, he ought none the less to contribute to the public charges.

§. XCVIII

Answer to the objection.

I reply, in the first place, that it is true that, when the capitalist has purchased an estate, the revenue is the equivalent to him of what he would have drawn from his money if he had lent it; but there is this essential difference for the State — that the price he gives for his land does not contribute in any way to the revenue it produces; it would not

have given less revenue if he had not purchased it this revenue is, as we have explained, what the earth gives over and above the wages of the cultivators, their profits and the interest on their advances. It is not the same with the interest of a loan, it is the very condition of the loan, the price of the advance, without which neither the revenue nor the profits which serve to pay it would have existed.

I answer, in the second place, that if lands alone were burdened with contribution to the public charges, as soon as this contribution was regulated the capitalist who purchased lands would not reckon in the interest of his money the part of the revenue which had to be set aside for this contribution in the same way that a man who purchases a piece of land to-day does not buy the tithe the Parson receives, or even the tax so far as is known, but only the revenue which remains when tithe and tax are deducted.

§ XCIX.

There exists no truly disposable revenue in a State except the net produce of lands

We see, by what has been said, that the interest of money placed on loan is taken either from the revenue of lands or from the profits of undertakings in agriculture, industry or commerce. But as to these profits themselves, we have already shown that they were only a part of the produce of lands, that the produce of lands falls into two parts, that one was set aside for¹ the wages of the cultivator, for his profits, and for the return of his advances and the interest

¹ Affectée aux.

upon them and that the other was the share of the proprietor, that is to say, the revenue the proprietor expended at his pleasure, and from which he contributed to the general expenses of the State. We have shown that all that the other classes of the Society receive is merely the wages and the profits that are paid either by the proprietor from his revenue, or by the agents of the productive class from the part which is set aside to satisfy their needs, for which they are obliged to purchase commodities from the industrial class. Whether these profits be distributed in wages to workmen, in profits to undertakers, or in interest upon advances, they do not change their nature, and do not increase the sum of the revenue produced by the productive class over and above the price of its labour, — in which sum the industrial class participates only to the extent of the price of its labour.

The proposition, then, remains unshaken that there is no revenue save the net produce of lands, and that all other annual profit is either paid by the revenue, or forms part of the expenditure which serves to produce the revenue.

§ C.

The land has also furnished the whole amount of moveable riches, or capitals, in existence, & these are formed only by part of its produce being saved every year

Not only does there not exist nor can there exist any other revenue than the net produce of lands, but it is also the land which has furnished all the capitals which make

up the sum of all the advances of agriculture and commerce. It was that which offered without tillage the first rude advances which were indispensable for the earliest labours, all the rest is the accumulated fruit of the economy of the centuries that have followed one another since man began to cultivate the earth. This economizing has doubtless taken place not only out of the revenues of the proprietors, but also out of the profits of all the members of the working classes. It is even generally true that, although the proprietors have a greater superfluity, they save less because as they have more leisure, they have more desires and more passions, they regard themselves as more assured of their fortunes, they think more about enjoying it agreeably than about increasing it. luxury is their inheritance. The wage-receivers,¹ and especially the undertakers of the other classes, who receive profits proportionate to their advances, to their talent and to their activity, although they have no revenue properly so called, have yet a superfluity beyond their subsistence, and almost all of them, devoted as they are to their undertakings, occupied in increasing their fortunes, removed by their labour from expensive amusements and passions, save all their superfluity to invest it again in their business and so increase it. Most of the undertakers in agriculture borrow little, and scarcely any of them seek to make a profitable employment of anything but their own funds. The undertaker in other employments, who wish to make their fortune stable, also try to get into the same position: and, unless they have great ability, those who carry on their enter-

¹ Les salariés

prises upon borrowed funds run great risk of failing. But, although capitals are partly formed by saving from the profits of the working classes, yet, as these profits always come from the earth, — inasmuch as they are all paid, either from the revenue, or as part of the expenditure which serves to produce the revenue, — it is evident that capitals come from the land just as much as the revenue does, or, rather, that they are nothing but the accumulation of the part of the values produced by the land that the proprietors of the revenue, or those who share it with them, can lay by every year without using it for the satisfaction of their wants.

§ CI

Although money is the immediate subject of saving,¹ and is, so to speak, the first material of capitals when they are being formed, specie forms but an almost inappreciable part of the sum total of capitals.

We have seen that money plays scarcely any part in the sum total of existing capitals, but it plays a great part in the formation of capitals. In fact, almost all savings are made in nothing but money, it is in money that the revenues come to the proprietors, that the advances and the profits return to undertakers of every kind, it is, therefore, from money that they save, and the annual increase of capitals takes place in money but none of the undertakers make any other use of it than to convert it *immediately* into the different kinds of effects upon which their under-

¹ D'épargne

taking depends; and thus this money returns to circulation, and the greater part of capitals exists only in effects of different kinds, as we have already explained above

November, 1766



APPENDIX

EXCERPTS FROM TURGOT'S CORRESPONDENCE.

1. *Turgot to Hume, July 23, 1766.*

I AM tempted to send you at the same time a trifle of a very different sort, — the programme of an academic prize I think of offering, on a subject we have sometimes discussed. The best means of deciding this, like all other questions, is to get it discussed by the public. I have tried to set forth the state of the question in a clear fashion, as well as the different aspects under which it may be considered. I very much wish you could have the time to give us your ideas. We should take essays on the subject even in English. Our economic philosophers, who belong to Quesnay's sect,¹ will strongly maintain the system of their master. This is a system from which the English writers have been far removed, up to the present, and it is too hard to reconcile its principles with the ambition to monopolize the commerce of the universe for one to expect that they will adopt it from this side for a long time to come. It would, however, be very desirable that Mr. Pitt, and all those who lead the nations, should think as Quesnay does upon all these points. I fear greatly lest your famous deniagogue should follow altogether different principles, and think himself interested

¹ Sectateurs de Quesnay

in keeping up in your nation the prejudice you have called "The Jealousy of Trade." It would be a great misfortune for the two nations I believe, however, the almost equal exhaustion on both sides will prevent this folly from being long maintained.

2. *Hume to Turgot, Aug 5, 1766.*

. . I highly approve of your prize ; yet why so much restrict the essays of the competitors, by assuming, as a recognized truth, that all taxes fall on the proprietors of land ? You know that no government of any age or country has ever relied on this hypothesis it has always been supposed that taxes fell on those who paid them upon consuming the products , and this universal rule, added to the evident appearance of things, at any rate leaves some room for doubt. Perhaps it would not have been bad to set that very question itself as the subject of discussion.

3. *Turgot to Hume, Sept. 7, 1766*

I don't know why you have thought that those who would like to maintain that indirect taxation is favourable to the proprietors of landed estates will be excluded from competing for my prize. I assure you that if you will give us an essay looking at the question from that point of view, it will be very well received. It is true that the instructions seem to direct authors to look at it from another. But the fact is I have offered the prize rather to get people to see what they can do in the way of estimating the effects of indirect taxation, — for I am still uncertain how the exact share (of

each class in the burden? — *Ed*) should be reckoned,¹ — than to get a discussion of the general question, as to which my mind is entirely made up.²

I have said it was agreed that indirect taxation fell back altogether on the proprietors, since as a matter of fact I have supposed that most of those who defended indirect taxation for other reasons have agreed as to this, especially during the last fifteen or twenty years, and because most of the people agreed with it with whom I have had occasion to talk on the matter. I well know that the practice of no government at all conforms to the principle, but, in the first place, you know, as well as I do, that the principles put into practice by all the governments do not change as easily as speculative principles. The financial system of all the peoples was formed in periods when men gave little thought to these matters; and, although people might be quite convinced that it was established on weak foundations, it would still be a good deal of trouble, and take a good deal of time, to remove a machine in full working and substitute another for it. You know, also, as well as I do, what is the great aim of all the governments of the earth — obedience and money. The object is, as the saying goes, to pluck the hen without making it cry out; but it is the proprietors who cry out, and the government has always preferred to attack them indirectly, because then they do not perceive the harm until after the matter has become law; and, moreover, intelligence is not widely enough distributed, and the prin-

¹ Pour engager à travailler sur l'appréciation des effets de l'impôt indirect, évaluation encore incertaine pour moi quant à la quotité.

² J'ai une conviction entière

ciples involved are not clearly enough proved, for them to attribute the evil they suffer to its true cause. I am always sorry not to find myself in accord with you. But I rely upon your tolerance . . .

4. *Hume to Turgot, undated.*

. . . I am tempted to say a word on the political question which we have so often raised, as to the method of establishing taxes, and as to whether it is better to place them upon landed proprietors or upon consumption. You recognize that, as the public revenue is employed for the defence of the entire nation, it is more equitable to levy them upon everybody, but you say that this is impracticable, the taxes will ultimately fall upon the land, and it would be better to lay them there in the first instance. You suppose, then, that the labourers always raise the price of their labour in proportion to the taxes, but this is contrary to experience. Manual labour is dearer in the canton of Neuchâtel, and in other parts of Switzerland, where there are no taxes, than in the neighbouring provinces of France where there are a good many. There are scarcely any taxes in the English colonies; and yet labour is three times as dear there as in any country of Europe. There are heavy taxes upon consumption in Holland, and the Republic does not possess lands upon which these taxes can ultimately fall.

The price of labour will always depend on the quantity of offers of labour and the quantity of the demand,¹ and not

¹ *Dépendra de la quantité des offres du travail et de la quantité de la demande.*

upon the taxes. Tradesmen¹ who manufacture stuffs² to be exported cannot augment the price of their labour ; because, in that case, the stuffs would cost too much to be able to be sold in foreign markets. And tradesmen who manufacture stuffs for consumption within the country are equally unable to raise their price, because there cannot be two prices for the same sort of labour. This applies to all commodities whereof part is exported, — *i.e.* to almost all commodities. Even if there existed some commodities whereof no part was exported, the price of the labour employed in their production could not rise ; for the rise of the price would induce so many hands to turn to this kind of industry that the prices would immediately fall. It seems to me that, where there is a tax on consumption, the immediate consequence is that the workpeople either consume less or work more. There is no workman who is not nimble enough to be able to add a few additional hours to his week's work ; and there is hardly any individual so poor that he cannot retrench somewhat in his expenditure. What happens when corn goes up in price ? Does not the poor man live more meagrely and work harder ? A tax has the same effect.

I beg you to remember, also, that besides landed proprietors and poor labourers, there is, in every civilized nation, a very considerable and very opulent body of persons, which employs its capitals in commerce, and which enjoys a large revenue while giving work to the poorer class. I am persuaded that in France and in England the revenues of this nature are more considerable than those which come from

¹ Les commerçants

² Les étoffes.

the land · for besides merchants properly so called, I include in this class all the shopkeepers and notable tradesmen of every kind. Now it is very just that these should pay for the maintenance of the community, — and this cannot be brought about unless the taxes are placed upon consumption. It seems to me that there is no warrant for saying that this class of taxpayers is compelled to shift its taxes upon the landed proprietors, for its profits¹ and its revenues can certainly bear a deduction.

5 *Turgot to Hume, March 25, 1767.*

I should very much have liked to enter into some detail on the subject of taxation; but to reply to your objections it would have been necessary, so to speak, to write a book and earn my own prize. I will only indicate to you the principle from which I set out, and which I believe incontestable: it is, that there is no other revenue possible in a State than the sum of the annual productions of the land, that the total mass of these productions falls into two parts: one set aside for² the reproduction of the following year, which comprises not only the portion of the crops that the undertakers of agriculture consume in kind, but also all they use to pay the wages of the workmen of every kind who labour for them. blacksmiths, wheelwrights, saddlers, weavers, tailors &c, it includes, also, their profits and the interests upon their advances. The other part is the net produce, which the farmer pays over to the proprietor, when the person of the latter is distinguished from that of the culti-

¹ Bénéfices.

² Affectée à.

vator,—which is not always the case ; the proprietor employs it to pay all that labour for him. If this is granted,¹ it necessarily follows that that taxation which does not bear directly upon the proprietor, falls either upon the wage-earners² who live upon the net produce, or upon those whose labour is paid on the part of the cultivator. If wages³ have been reduced by competition to their just price, they cannot go up ; and as they cannot go up except at the expense of those who pay them, one part falls ultimately upon the proprietor for the expenditure he engages in with his net product, the other part increases the expenditure of the cultivators, who are consequently obliged to give less to the proprietor. It is, therefore, in all cases the proprietor who pays.

You remark that I am supposing that wages increase in proportion to taxes, and that experience proves the falsity of this principle : and you justly observe that it is not taxes, high or low, which determine the price of wages, but simply the relation of supply and demand.⁴

This principle has certainly never been disputed ; it is the only principle which fixes at the time⁵ the price of all the things which have a value in commerce. But one must distinguish two prices, the current price,⁶ which is established by the relation of supply to demand, and the fundamental price,⁷ which, in the case of a commodity, is what the thing costs the workman. In the case of the workman's wages, the fundamental price is what his subsistence costs the

¹ Cela posé.

² Les salariés.

³ Le salaire.

⁴ Le rapport de l'offre à la demande.

⁵ Immédiatement.

⁶ Le prix courant.

⁷ Le prix fondamental.

workman. You cannot tax the man who receives wages without increasing the price of his subsistence, since he has to add to his old expenditure that involved by the tax. You thus increase the fundamental price of labour. But although the fundamental price be not the immediate principle of the current value,¹ it is nevertheless a minimum below which it cannot fall. For if a merchant loses by his trade, he ceases to sell or manufacture ; if a workman cannot live by his labour, he becomes a mendicant or leaves the country. That is not all : it is necessary that the workman obtain a certain profit,² to provide for accidents, to bring up his family. In a nation where trade and industry are free and vigorous, competition fixes this profit at the lowest possible rate.³ A kind of equilibrium establishes itself between the value of all the productions of the land, the consumption of the different kinds of commodities, the different sorts of works, the number of men employed at them, and the price of their wages.

Wages can be fixed and remain constantly at a definite point only in virtue of this equilibrium, and of the influence which all the parts of the society, all the branches of production and commerce, exercise upon one another. This granted, if you change one of the weights, a movement cannot but result from it in the whole of the machine which tends to restore the old equilibrium. The proportion which the current value of wages bears to their fundamental value was established by the laws of this equilibrium and by the

¹ Le principe immédiat de la valeur courante.

² Un certain profit.

³ Au taux le plus bas qu'il soit possible.

combination of all the circumstances under which all the parts of the society are placed.

You augment the fundamental value: the circumstances which have before fixed the proportion which the current value bears to this fundamental value cannot but cause the current value to rise until the proportion is re-established. I am aware that this result will not be sudden; and that in every complicated machine there are frictions¹ which delay the results¹ most infallibly demonstrated by theory. Even in the case of a fluid perfectly homogeneous, it takes time for the level to be restored; but with time it always is restored. It is the same with the equilibrium of the values which we are examining. The workman, as you say, taxes his ingenuity to work more or consume less; but all this is only temporary.² Doubtless there is no man who works as much as he could. But it is no more natural for men to work as much as they can than for a cord to be stretched as much as it can be. There is a degree of relaxation necessary in every machine, without which it would run the risk of breaking at any moment. This degree of relaxation in the case of labour is fixed by a thousand causes which continue to operate after the tax is imposed; and consequently, even if by a first effort the tension had increased, things would not be long in regaining their natural shape.

What I have said about the augmentation of labour I also say about the diminution of consumption. Wants are always the same.³ That kind of superfluity out of which

¹ Des frottements qui ralentissent les effets.

² Passager.

³ Les besoins sont toujours les mêmes.

retrenchment can, strictly speaking, be made, is nevertheless a necessary element in the usual subsistence of the workmen and their families. Molière's miser says that when dinner is laid for five, a sixth can always make a meal ; but by pushing this reasoning a little further one would quickly fall into absurdity. I add that the diminution of consumption has another effect upon the revenue of the proprietor which is very serious, — through the diminution of the value of commodities and of the products of his land.

I do not enter into the details of the objection drawn from foreign trade, which I cannot regard as a very important matter¹ in any nation, save in so far as it contributes to augment the revenue from lands ; and which, moreover, you cannot tax without causing it to diminish. But the time fails me, and I am forced to conclude, although I should have a good deal to say as to the inconveniences caused to the consumers by a tax whereof the very collection involves a perpetual assault on the liberty of the citizens : they have to be searched in custom-houses, their houses have to be entered for *aides* and excises ; not to mention the horrors of smuggling, and of the sacrifice of human life to the pecuniary interest of the treasury, — a fine sermon legislation preaches to highwaymen !

6.* *Turgot to Du Pont, December 9, 1766.*

. . . I have drawn up some questions for the two Chinese I have mentioned to you ; and to enable them to see their object and meaning, I have prefaced them by a sketchy

¹ Un objet bien considérable

sort of analysis¹ of the labours of Society and of the distribution of riches. I have put no algebra into it, and there is nothing of the *Tableau économique*² but the metaphysical part; moreover I have left a good many questions on one side which one would have to treat to make the work complete. But I have gone pretty thoroughly into what concerns the formation and the movement³ of capitals, the interest of money &c . . .

7. *Turgot to Du Pont, February 2, 1770.*

. . . The passage about the original agricultural advances⁴ has especially troubled me; you know how I have argued on this point with the abbé Baudeau in your presence. I may be wrong, but everybody likes to be himself and not somebody else. . . . These additions all tend to make me out an economist, which I don't wish to be any more than an encyclopædist.

8. *Turgot to Du Pont, February 20, 1770.*

. . . Although the advances which you call *foncières* contribute their share to the production of the crops,—as I should have said if my object had been to expound the principles of the *Tableau économique*, yet it is false that the

¹ Une espèce d'esquisse de l'analyse.

² [Quesnay's *Tableau économique* (1758) has been reproduced in facsimile for the British Economic Association, 1894. (New York. The Macmillan Co.)]

³ La marche.

⁴ L'endroit des avances foncières. [Adam Smith, *Wealth of Nations*, Bk. iv, Ch. ix, translates *dépenses foncières* "ground expenses."]

avances foncières are the principle of property.¹ . . . It is this alteration which has given me most annoyance.

. . . I will content myself with simply telling you this: that no one can argue from what I have said that slavery was good for any society, even in its infancy. As to individuals who have slaves, that is another matter. I should be glad to think you are right in maintaining that slavery is for no one's advantage, for it is an abominable and barbarous injustice; but I very much fear that you are mistaken, and that this injustice may sometimes be useful to the man that perpetrates it. . . .

9. *Turgot to Du Pont, March 23, 1770.*

To suppose that saving and hoarding² are synonymous, what a confusion of ideas, or rather of language! and that to cover certain mistaken expressions which fell from the good doctor³ in his earlier writings. Oh, this sectarian spirit!⁴

10. *Hume to Morellet, July 10, 1769.*

I see you take care in your prospectus not to offend your economists by a declaration of your views; and in this I commend your prudence. But I hope in your work you will batter them, crush them, pound them, reduce them to dust and ashes! The fact is they are the most fanciful⁵ and arrogant set of men to be found nowadays, since the destruction of the Sorbonne. . . . I ask myself with amazement what can have induced our friend M. Turgot to join them.⁶

¹ Le principe de la propriété.

² [Quesnay]

³ Chimérique.

⁴ Épargner et thésauriser.

⁵ Esprit de secte.

⁶ S'associer à eux.