

THE GLASGOW EDITION OF THE WORKS AND  
CORRESPONDENCE OF ADAM SMITH

*Commissioned by the University of Glasgow to celebrate the bicentenary of  
the Wealth of Nations*

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*Edited by D. D. RAPHAEL and A. L. MACFIE*

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

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ADAM SMITH

An Inquiry into the  
Nature and Causes of  
the Wealth of Nations

GENERAL EDITORS

R. H. CAMPBELL  
AND  
A. S. SKINNER

TEXTUAL EDITOR  
W. B. TODD

VOLUME I

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## Preface

WHILE this volume as a whole was prepared by the General Editors, the actual text of the *Wealth of Nations* was established by W. B. Todd following principles which are explained in a separate note.

As far as the general or non-textual editorial work is concerned, we have sought to provide a system of cross references within the WN, together with a comprehensive list of references from the WN to Smith's other works, including the Lecture Notes and Correspondence. In addition, Smith's own references have been traced and parallels with other writers indicated where it seems reasonably certain that he had actually used their works. Comment has been made on matters of historical fact where this might be of benefit to the modern reader.

In the introduction, we have tried to give some idea of the links which exist between Smith's economics and other parts of a wider system of social science, together with an account of the structure and scope of the WN itself. We have also sought to indicate the extent to which the WN was the reflection of the times in which Smith lived.

In executing a work of this kind we have incurred debts which are too numerous to mention. We should, however, like to acknowledge the great benefit which we have received from the work of Edwin Cannan, whose original index has been retained.

R.H.C.  
A.S.S.

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the revenue of the sovereign, or commonwealth. In this Book I have endeavoured to show; first, what are the necessary expences of the sovereign, or commonwealth; which of those expences ought to be defrayed by the general contribution of the whole society; and which of them, by that of some particular part only, or of some particular members of <sup>it</sup>it<sup>g</sup>; secondly, what are the different methods in which the whole society may be made to contribute towards defraying the expences incumbent on the whole society, and what are the principal advantages and inconveniences of each of those methods: and, thirdly and lastly, what are the reasons and causes which have induced almost all modern governments to mortgage some part of this revenue, or to contract debts, and what have been the effects of those debts upon the real wealth, the annual produce of the land and labour of the society.

<sup>o-o</sup> the society 1

[6]

## BOOK I

Of the Causes of Improvement in the productive Powers of Labour, and of the Order according to which its Produce is naturally distributed among the different Ranks of the People

### CHAPTER I

#### *Of the Division of Labour*

THE greatest <sup>o-o</sup>improvement<sup>a</sup> in the productive powers of labour, and the greater part of the skill, dexterity, and judgment with which it is any where directed, or applied, seem to have been the effects of the division of labour.<sup>1</sup>

<sup>o-o</sup> improvements x

<sup>1</sup> The first considered exposition of the term division of labour by a modern writer was probably by Sir William Petty: 'Those who have the command of the Sea Trade, may Work at easier Freight with more profit, than others at greater: for as Cloth must be cheaper made, when one Cards, another Spins, another Weaves, another Draws, another Dresses, another Presses and Packs; than when all the Operations above-mentioned, were clumsily performed by the same hand; so those who command the Trade of Shipping, can build long slight Ships for carrying Masts, Fir-Timber, Boards, Balks, etc.' (*Political Arithmetick* (London, 1690), 19, in C. H. Hull, *The Economic Writings of Sir William Petty* (Cambridge, 1899), i. 260). 'For in so vast a City *Manufactures* will beget one another, and each *Manufacture* will be divided into as many parts as possible, whereby the work of each *Artisan* will be simple and easie: As for Example. In the making of a *Watch*, If one Man shall make the *Wheels*, another the *Spring*, another shall Engrave the *Dial-plate*, and another shall make the *Cases*, then the *Watch* will be better and cheaper, than if the whole Work be put upon any one Man.' (*Another Essay in Political Arithmetick, concerning the Growth of the City of London* (London, 1683), 36-7, in C. H. Hull, ii.473.)

Later use was by Mandeville and Harris: 'There are many Sets of Hands in the Nation, that, not wanting proper Materials, would be able in less than half a Year to produce, fit out, and navigate a First-Rate [Man of War]: yet it is certain, that this Task would be impracticable, if it was not divided and subdivided into a great Variety of different Labours; and it is as certain, that none of these Labours require any other, than working Men of ordinary Capacities.' (B. Mandeville, *The Fable of the Bees*, pt. ii.149, ed. F. B. Kaye (Oxford, 1924), ii.142.) 'No number of Men, when once they enjoy Quiet, and no Man needs to fear his Neighbour, will be long without learning to divide and subdivide their Labour.' (*Ibid.*, pt. ii.335, ed. Kaye ii.284.) 'The advantages accruing to mankind from their betaking themselves severally to different occupations, are very great and

- 2 The effects of the division of labour, in the general business of society, will be more easily understood, by considering in what manner it operates in some particular manufactures. It is commonly supposed to be carried furthest in some very trifling ones; not perhaps that it really is carried further in them than in others of more importance: but in those trifling manufactures which are destined to supply the small wants of but a small number of people, the whole number of workmen must necessarily be small; and those employed in every different branch of the work can often be collected into the same [7] workhouse, and placed at once under the view of the spectator. In those great manufactures, on the contrary, which are destined to supply the great wants of the great body of the people, every different branch of the work employs so great a number of workmen, that it is impossible to collect them all into the same workhouse. We can seldom see more, at one time, than those employed in one single branch. Though <sup>b</sup>in such manufactures,<sup>b</sup> therefore, the work may really be divided into a much greater number of parts, than in those of a more trifling nature, the division is not near so obvious, and has accordingly been much less observed.
- 3 To take an example, therefore, from a very trifling manufacture; but one in which the division of labour has been very often taken notice of, the trade of the pin-maker; a workman not educated to this business (which the division of labour has rendered a distinct trade), nor acquainted with the use of the machinery employed in it (to the invention of which the same division of labour has probably given occasion), could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make twenty.<sup>2</sup> But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar

<sup>b-b</sup> in them 1

obvious: For thereby, each becoming expert and skilful in his own particular art; they are enabled to furnish one another with the products of their respective labours, performed in a much better manner, and with much less toil, than any one of them could do of himself.' (J. Harris, *An Essay upon Money and Coins* (London, 1757), i. 16.)

The advantages of the division of labour are also emphasized by Turgot in sections III and IV of his *Reflections on the Formation and Distribution of Riches* (1766). The translation used is by R. L. Meek and included in his *Turgot on Progress, Sociology and Economics* (Cambridge, 1973).

<sup>2</sup> Cf. ED 2.4: 'to give a very frivolous instance, if all the parts of a pin were to be made by one man, if the same person was to dig the metall out of the mine, seperate it from the ore, forge it, split it into small rods, then spin these rods into wire, and last of all make that wire into pins, a man perhaps could with his utmost industry scarce make a pin in a year.' Smith added that even where the wire alone was furnished an unskilled man could probably make only about 20 pins a day. Similar examples occur in LJ (A) vi.29-30 and LJ (B) 213-14, ed. Cannan 163. It is remarked in LJ (A) vi.50 that the wire used in pin manufacture generally came from Sweden.

trades. One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head; to make the head requires [8] two or three distinct operations; to put it on, is a peculiar business, to whiten the pins is another; it is even a trade by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations,<sup>3</sup> which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them. I have seen a small manufactory of this kind where ten men only were employed, and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day.<sup>4</sup> There are in a pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day. Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day; that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth part of what they are at present capable of performing, in consequence of [9] a proper division and combination of their different operations.

<sup>4</sup> In every other art and manufacture, the effects of the division of labour are similar to what they are in this very trifling one; though, in many of them, the labour can neither be so much subdivided, nor reduced to so great a simplicity of operation. The division of labour, however, so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labour. The separation of different trades and employments from one another, seems to have taken place, in consequence of this advantage. This separation too is generally carried furthest in those countries which enjoy the highest degree of industry and improvement; what is the work of one man, in a rude state of society, being generally that of several in an improved one. In every improved society, the

<sup>3</sup> Eighteen operations are described in the *Encyclopédie* (1755), v.804-7. See also Chambers' *Cyclopaedia* (4th ed. 1741), s.v. Pin.

<sup>4</sup> A very similar passage occurs in ED 2.4 which also concludes that where the processes of manufacture are divided among 18 persons, each should in effect be capable of producing 2,000 pins in a day. These figures are also cited in LJ (A) vi.30 and 51 and LJ (B) 214, ed. Cannan 163. In referring to the disadvantages of the division of labour in LJ (B) 329, ed. Cannan 255, the lecturer mentions the example of a person engaged on the 17th part of a pin or the 80th part of a button. See below, V.i.f.50.

farmer is generally nothing but a farmer; the manufacturer, nothing but a manufacturer.<sup>5</sup> The labour too which is necessary to produce any one complete manufacture, is almost always divided among a great number of hands. How many different trades are employed in each branch of the linen and woollen manufactures, from the growers of the flax and the wool, to the bleachers and smoothers of the linen, or to the dyers and dressers of the cloth! The nature of agriculture, indeed, does not admit of so many subdivisions of labour, nor of so complete a separation of one business from another, as manufactures.<sup>6</sup> It is impossible to separate so entirely, the business of [10] the grazier from that of the corn-farmer, as the trade of the carpenter is commonly separated from that of the smith. The spinner is almost always a distinct person from the weaver; but the ploughman, the harrower, the sower of the seed, and the reaper of the corn, are often the same.<sup>7</sup> The occasions for those different sorts of labour returning with the different seasons of the year, it is impossible that one man should be constantly employed in any one of them. This impossibility of making so complete and entire a separation of all the different branches of labour employed in agriculture, is perhaps the reason why the improvement of the productive powers of labour in this art, does not always keep pace with their improvement in manufactures. The most opulent nations, indeed, generally excel all their neighbours in agriculture as well as in manufactures; but they are commonly more distinguished by their superiority in the latter than in the former.<sup>8</sup> Their lands are in general better cultivated, and having more labour and expence bestowed upon them, produce more, in proportion to the extent and natural fertility of the ground. But 'this<sup>c</sup>' superiority of produce is seldom much more than in proportion to the superiority of labour and expence. In agriculture, the labour of the rich country is not always much more productive than that of the poor; or, at least, it is never so much more productive, as it commonly is in manufactures. The corn of the rich country, therefore, will not always, in the same degree of goodness, come cheaper to [11] market than that of the poor. The corn of Poland, in the same degree of goodness, is as cheap as that of France, notwithstanding

<sup>e-c</sup> the <sup>x</sup>

<sup>5</sup> See below, I.x.b.52.

<sup>6</sup> The same point is made at IV.ix.35. The limitation imposed on the division of labour in agriculture is stated to require greater knowledge on the part of the workman at I.x.c.24. At the same time, agriculture was regarded by Smith as the most productive form of investment, II.v.12.

<sup>7</sup> LJ (A) vi.30-1 comments that: 'Agriculture however does not admit of this separation of employment in the same degree as the manufactures of wool or lint or iron work. The same man must often be the plougher of the land, sower, harrower, reaper and thresher of the corn (tho' here there may be some distinctions.)' Similar points are made in LJ (B) 214, ed. Cannan 164.

<sup>8</sup> The two preceding sentences follow the text of ED 2.5 very closely.

the superior opulence and improvement of the latter country. The corn of France is, in the corn provinces, fully as good, and in most years nearly about the same price with the corn of England, though, in opulence and improvement, France is perhaps inferior to England. The <sup>d</sup>'corn-lands<sup>d</sup> of England, however, are better cultivated than those of France, and the <sup>e</sup>'corn-lands<sup>e</sup> of France are said to be much better cultivated than those of Poland. But though the poor country, notwithstanding the inferiority of its cultivation, can, in some measure, rival the rich in the cheapness and goodness of its corn, it can pretend to no such competition in its manufactures; at least if those manufactures suit the soil, climate, and situation of the rich country. The silks of France are better and cheaper than those of England, because the silk manufacture, <sup>f</sup>'at least under the present high duties upon the importation of raw silk,<sup>f</sup> does not <sup>g</sup>'so well<sup>g</sup> suit the climate of England <sup>h</sup>'as that of France.<sup>h</sup> But the hard-ware and the coarse woollens of England are beyond all comparison superior to those of France, and much cheaper too in the same degree of goodness.<sup>9</sup> In Poland there are said to be scarce any manufactures of any kind, a few of those coarser household manufactures excepted, without which no country can well subsist.

<sup>5</sup> This great increase <sup>i</sup>'of' the quantity of work, which, <sup>j</sup>'in consequence of the division of labour,<sup>j</sup> [12] the same number of people are capable of performing, <sup>k</sup> is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.<sup>10</sup>

<sup>6</sup> First, the improvement of the dexterity of the workman necessarily

<sup>a-d</sup> lands <sup>x</sup>	<sup>e-e</sup> lands <sup>x</sup>	<sup>f-f</sup> 2-6	<sup>g-g</sup> 2-6	<sup>h-h</sup> 2-6	<sup>i-i</sup> in 6
<sup>j-j</sup> 2-6	<sup>k</sup> in consequence of the division of labour, <sup>x</sup>				

<sup>9</sup> ED 2.5 ends with the statement that: 'The corn of France is fully as good and in the provinces where it grows rather cheaper than that of England, at least during ordinary seasons. But the toys of England, their watches, their cutlery ware, their locks & hinges of doors, their buckles and buttons are in accuracy, solidity, and perfection of work out of all comparison superior to those of France, and cheaper too in the same degree of goodness.' A précis of this argument appears in LJ (A) vi.31-2, and LJ (B) 214, ed. Cannan 164; and see below, I.xi.0.4, where Smith states that manufactures which use the coarser metals have probably the greatest scope for the division of labour.

ED 2.6 and 7 are omitted from the WN. In these passages Smith elaborated on the advantages of the division of labour in pin making and added that these advantages were such as to suggest that any rich country which faced a loss of markets in international trade to a poor one 'must have been guilty of some great error in its police.' There is no corresponding passage in LJ (B), but a similar argument occurs in LJ (A) vi.34.

<sup>10</sup> This paragraph is evidently based on ED 2.8. Similar points appear in LJ (A) vi.38; LJ (B) 215-16, ed. Cannan 166. The advantages are also cited in the *Encyclopédie* (1755), i.713-17.

increases the quantity of the work he can perform, and the division of labour, by reducing every man's business to some one simple operation, and by making this operation the sole employment of his life, necessarily increases very much the dexterity of the workman. A common smith, who, though accustomed to handle the hammer, has never been used to make nails, if upon some particular occasion he is obliged to attempt it, will scarce, I am assured, be able to make above two or three hundred nails in a day, and those too very bad ones. A smith who has been accustomed to make nails, but whose sole or principal business has not been that of a nailer, can seldom with his utmost diligence make more than eight hundred or a thousand nails in a day. I have seen several boys under twenty years of age who had never exercised any other trade but that of making nails, and who, when they exerted themselves, could make, each of them, upwards of two thousand three hundred nails in a day. The making of a nail, however, is by no means one [13] of the simplest operations. The same person blows the bellows, stirs or mends the fire as there is occasion, heats the iron, and forges every part of the nail: In forging the head too he is obliged to change his tools. The different operations into which the making of a pin, or of a metal button, is subdivided, are all of them much more simple, and the dexterity of the person, of whose life it has been the sole business to perform them, is usually much greater. The rapidity with which some of the operations of those manufactures are performed, exceeds what the human hand could, by those who had never seen them, be supposed capable of acquiring.<sup>11</sup>

7 Secondly, the advantage which is gained by saving the time commonly lost in passing from one sort of work to another, is much greater than we should at first view be apt to imagine it. It is impossible to pass very quickly from one kind of work to another, that is carried on in a different place, and with quite different tools. A country weaver, who cultivates a small farm, must lose a good deal of time in passing from his loom to the field, and from the field to his loom. When the two trades can

<sup>11</sup> This whole paragraph follows ED 2.9, save that the boy is there said to have been 19 years old. A similar argument occurs in LJ (A) vi.38, where a nailsmith of 15 is said to be capable of producing 3,000–4,000 nails in a day. See also LJ (B) 216, ed. Cannan 166:

A country smith not accustomed to make nails will work very hard for 3 or 400 a day, and these too very bad. But a boy used to it will easily make 2000 and these incomparably better; yet the improvement of dexterity in this very complex manufacture can never be equal to that in others. A nail-maker changes postures, blows the bellows, changes tools etc. and therefore the quantity produced cannot be so great as in manufactures of pins and buttons, where the work is reduced to simple operations.

(The manufacture of nails was common in central and east Scotland. In the village of Pathhead and Gallatown near Kirkcaldy a number of nailers worked domestically, using iron supplied by merchants from Dysart. The growth of the iron industry in central Scotland provided local supplies later.)

be carried on in the same workhouse, the loss of time is no doubt much less. It is even in this case, however, very considerable. A man commonly saunters a little in turning his hand from one sort of employment to another. When he first begins the new work he is seldom very keen and hearty; his mind, as they say, does not go to it, and for some time he rather trifles than applies to good purpose.<sup>12</sup> The [14] habit of sauntering and of indolent careless application, which is naturally, or rather necessarily<sup>13</sup> acquired by every country workman who is obliged to change his work and his tools every half hour, and to apply his hand in twenty different ways almost every day of his life; renders him almost always slothful and lazy, and incapable of any vigorous application even on the most pressing occasions. Independent, therefore, of his deficiency in point of dexterity, this cause alone must always reduce considerably the quantity of work which he is capable of performing.<sup>14</sup>

8 Thirdly, and lastly, every body must be sensible how much labour is facilitated and abridged by the application of proper machinery. It is unnecessary to give any example.<sup>15</sup> I shall<sup>1</sup> only observe, "therefore,"

<sup>1</sup> therefore, <sup>2</sup>

<sup>m-m</sup> 2-6

<sup>12</sup> Cf. ED 2.10: 'A man of great spirit and activity, when he is hard pushed upon some particular occasion, will pass with the greatest rapidity from one sort of work to another through a great variety of businesses. Even a man of spirit and activity, however, must be hard pushed before he can do this.'

<sup>13</sup> Smith often juxtaposes the terms 'naturally' and 'necessarily'. See, for example, I.viii.57, III.i.3, IV.i.30, IV.ii.4, 6, IV.vii.c.80, V.i.b.12, V.i.f.24, V.i.g.23.

<sup>14</sup> The preceding two sentences follow the concluding passages of ED 2.10 very closely. Similar arguments appear in LJ (A) vi.39–40 and LJ (B) 216–17, ed. Cannan 166–7.

<sup>15</sup> Smith cites three major improvements apart from the fire engines mentioned below, in I.xi.o.12, and see also II.ii.7. The 'condensing engine' and 'what is founded upon it, the wind gun' are cited as 'ingenious and expensive machines' in External Senses, 16. Cf. ED 2.11: 'By means of the plough two men, with the assistance of three horses, will cultivate more ground than twenty could do with the spade. A miller and his servant, with a wind or water mill, will at their ease, grind more corn than eight men could do, with the severest labour, by hand mills.' A similar example occurs in LJ (B) 217, ed. Cannan 167, save that it is said that the miller and his servant 'will do more with the water miln than a dozen men with the hand miln, tho' it too be a machine'. LJ (B) does not mention the windmill and it is also interesting to note that the example provided at LJ (A) vi.40 is exactly the same as that provided in ED. It is stated at I.xi.o.12 that neither wind nor water mills were known in England at the beginning of the sixteenth century.

Cf. Montesquieu, *Esprit des Lois*, trans. Thomas Nugent, ed. F. Neumann (New York, 1959), XXIII.xv.3, where it is stated that machines are not always useful, for example, in cases where their effect is to reduce employment. He added that 'if water-mills were not everywhere established, I should not have believed them so useful as is pretended'. In commenting on this remark Sir James Steuart confirmed that the advantages of using machines were 'so palpable that I need not insist upon them', especially in the current situation of Europe. He did, however, agree that the introduction of machines could cause problems of employment in the very short run, and that they might have adverse consequences in an economy incapable of further growth. See especially the *Principles of Political Economy* (London, 1767), I.xix.

that the invention of all those machines by which labour is so much facilitated and abridged, seems to have been originally owing to the division of labour. Men are much more likely to discover easier and readier methods of attaining any object, when the whole attention of their minds is directed towards that single object, than when it is dissipated among a great variety of things. But in consequence of the division of labour, the whole of every man's attention comes naturally to be directed towards some one very simple object. It is naturally to be expected, therefore, that some one or other of those who are employed in each particular branch of labour should soon find out easier and readier methods of performing their own particular work, wherever the nature of it admits of such [15] improvement.<sup>16</sup> A great part of the machines "made use of" in those manufactures in which labour is most subdivided, were originally the inventions of common workmen, who, being each of them employed in some very simple operation, naturally turned their thoughts towards finding out easier and readier methods of performing it.<sup>17</sup> Whoever has been much accustomed to visit such manufactures, must frequently have been shewn very pretty machines, which were the inventions of "such" workmen, in order to facilitate and quicken their own particular part of the work.<sup>18</sup> In the first fire-engines,<sup>19</sup> a boy was constantly employed to open and shut alternately the communication between the boiler and the cylinder, according as the piston either ascended or descended. One of those boys, who loved to play with his companions, observed that, by tying a string from the handle of the valve, which opened this communication, to another part of the machine, the valve would open and shut without his assistance, and leave him at liberty to divert himself with his play-fellows. One of the greatest improvements that has been made upon this machine,

<sup>n--n</sup> employed *x*      <sup>o--o</sup> common *x*

<sup>16</sup> Exactly these views are expressed in ED 2.11 and LJ (B) 217, ed. Cannan 167. The brief statement in LJ (A) vi.41 reads that 'When one is employed constantly on one thing his mind will naturally be employed in devising the most proper means of improving it.'

<sup>17</sup> It is stated at IV.ix.47 that invention of this kind is generally the work of freemen. On the other hand Smith argues at V.i.f.50 that the mental faculties of the workers are likely to be damaged by the division of labour, thus affecting the flow of invention from this source.

<sup>18</sup> Cf. LJ (A) vi.54: 'if we go into the workhouse of any manufacturer in the new works at Sheffield, Manchester, or Birmingham, or even some towns in Scotland, and enquire concerning the machines, they will tell you that such or such an one was invented by some common workman.' See also Astronomy, II.11: 'When we enter the work-houses of the most common artizans; such as dyers, brewers, distillers; we observe a number of appearances, which present themselves in an order that seems to us very strange and wonderful.'

<sup>19</sup> In the Fourth Dialogue, Cleo refers to 'those Engines that raise Water by the Help of Fire; the Steam you know, is that which forces it up.' Mandeville, *The Fable of the Bees*, pt. ii.181-2, ed. Kaye ii.167. Fire engine was the name for the earliest steam engines. The story that follows seems untrue. See T. K. Derry and T. I. Williams, *A Short History of Technology* (Oxford, 1960), 316-19.

since it was first invented, was in this manner the discovery of a boy who wanted to save his own labour.<sup>20</sup>

9 All the improvements in machinery, however, have by no means been the inventions of those who had occasion to use the machines. Many improvements have been made by the ingenuity of the makers of the machines, when [16] to make them became the business of a peculiar trade,<sup>21</sup> and some by that of those who are called philosophers or men of speculation, whose trade it is, not to do any thing, but to observe every thing; and who, upon that account, are often capable of combining together the powers of the most distant and dissimilar objects.<sup>22</sup> In the progress of society, philosophy or speculation becomes, like every other employment, the principal or sole trade and occupation of a particular class of citizens. Like every other employment too, it is subdivided into a great number of different branches, each of which affords occupation

<sup>20</sup> In general, Smith concluded that machines would tend to become simpler as the result of improvement; a point made in Astronomy, IV.19 and First Formation of Languages, 41. He also commented in LRBL i.v.34, ed. Lothian 11, that 'machines are at first vastly complex but gradually the different parts are more connected and supplied by one another.' In ED 2.11 Smith ascribes the invention of the Drill Plow to the farmer while claiming that some 'miserable slave' probably produced the original hand-mill (cf. below, IV.ix.47). On the other hand, some improvements were ascribed to those who made the instruments involved, as distinct from using them, and to the 'successive discoveries of time and experience, and of the ingenuity of different artists'. This subject is briefly mentioned in LJ (B) 217-18, ed. Cannan 167. LJ (A) vi.42-3 provides a more elaborate illustration of the kind found in ED, while stating that the inventions of the mill and plough are so old that history gives no account of them (54).

<sup>21</sup> The 'fabrication of the instruments of trade' is described as a specialized function at IV.viii.1.

<sup>22</sup> Cf. ED. 2.11. Smith here suggests that it was probably a philosopher who first thought of harnessing both wind and water, especially the former, for the purposes of milling. Smith added that while the application of powers already known was not beyond the ability of the ingenious artist, innovation amounting to 'the application of new powers, which are altogether unknown' is the contribution of the philosopher (i.e. scientist):

When an artist makes any such discovery he shewes himself to be not a meer artist but a real philosopher, whatever may be his nominal profession. It was a real philosopher only who could invent the fire-engine, and first form the idea of producing so great an effect by a power in nature which had never before been thought of. Many inferior artists, employed in the fabric of this wonderful machine, may afterwards discover more happy methods of applying that power than those first made use of by its illustrious inventor.

In a note to the passage just cited W. R. Scott suggested that Smith was probably referring to James Watt. Similar points regarding the role of the philosopher are made in LJ (A) vi.42-3, and more briefly in LJ (B) 218, ed. Cannan 167-8.

Mandeville (*The Fable of the Bees*, pt. ii.152, ed. Kaye ii.144) was more sceptical with regard to the rôle of the philosopher: 'They are very seldom the same Sort of People, those that invent Arts, and Improvements in them, and those that enquire into the Reason of Things: this latter is most commonly practis'd by such, as are idle and indolent, that are fond of Retirement, hate Business, and take delight in Speculation: whereas none succeed oftener in the first, than active, stirring, and laborious Men, such as will put their Hand to the Plough, try Experiments, and give all their Attention to what they are about.'

to a peculiar tribe or class of philosophers; and this subdivision of employment in philosophy, as well as in every other business, improves dexterity, and saves time. Each individual becomes more expert in his own peculiar branch, more work is done upon the whole, and the quantity of science is considerably increased by it.<sup>23</sup>

10 It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people.<sup>24</sup> Every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for; and every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity, or, what comes to the same thing, for the price of a great quantity of theirs. He supplies them abundantly with what they have occasion for, and they accommodate him as amply with what he has occasion for, and a general plenty diffuses itself through all the different ranks of the society.

11 Observe the accommodation of the most common artificer or day-labourer in a civilized and thriving country, and you will perceive that the number of people of whose industry a part, though but a small part, has been employed in procuring him this accommodation, exceeds all computation. The woollen coat, for example, which covers the day-labourer, as coarse and rough as it may appear, is the produce of the joint labour of a great multitude of workmen.<sup>25</sup> The shepherd, the sorter of the wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many others, must all join their different arts in order to complete even this homely production.

<sup>23</sup> The last two paragraphs are considered in ED 2.11, but in a form which suggests that this section of the WN was considerably redrafted, although the preceding three sentences correspond very closely to the concluding sentences of ED 2.11. In the ED Smith provides examples drawn from the separate trades of 'mechanical, chemical, astronomical, physical, metaphysical, moral, political, commercial, and critical philosophers'. LJ (A) vi.43 includes a shorter list, but mentions 'ethical' and 'theological' philosophers.

<sup>24</sup> This sentence corresponds to the opening sentence of ED 2.6 save that Smith there refers to an 'immense multiplication' and 'all civilised societies'. He also alluded to 'the great inequalities of property' in the modern state. See below, p. 24 n. 29.

<sup>25</sup> Related arguments occur in LJ (A) vi.16–17; LJ (B) 211–12, ed. Cannan 161–3. The example of the 'coarse blue woollen coat' is cited in ED 2.1, LJ (A) vi.21 and LJ (B) 211, ed. Cannan 161. Cf. Mandeville (*The Fable of the Bees*, pt. i.182–3, ed. Kaye i.169–70): 'A Man would be laugh'd at, that should discover Luxury in the plain Dress of a poor Creature that walks along in a thick Parish Gown and a coarse Shirt underneath it; and yet what a number of People, how many different Trades, and what a variety of Skill and Tools must be employed to have the most ordinary *Yorkshire Cloth*? What depth of Thought and Ingenuity, what Toil and Labour, and what length of Time must it have cost, before Man could learn from a Seed to raise and prepare so useful a Product as Linen.' Cf. ibid., part i.411, ed. Kaye i.356: 'What a Bustle is there to be made in several Parts of the World, before a fine Scarlet or crimson Cloth can be produced, what Multiplicity of Trades and Artificers must be employ'd!'

How many merchants and carriers, besides, must have been employed in transporting the materials from some of those workmen to others who often live in a very distant part of the country! How much commerce and navigation in particular, how many ship-builders, sailors, sail-makers, rope-makers, must have been employed in order to bring together the different drugs made use of by the dyer, which often come from the remotest corners of the world! What a variety of labour too is necessary in order to produce the tools of the meanest of those workmen! To say nothing of such complicated ma-[18]chines as the ship of the sailor, the mill of the fuller, or even the loom of the weaver, let us consider only what a variety of labour is requisite in order to form that very simple machine, the shears with which the shepherd clips the wool.<sup>26</sup> The miner, the builder of the furnace for smelting the ore, the feller of the timber, the burner of the charcoal to be made use of in the smelting-house, the brick-maker, the brick-layer, the workmen who attend the furnace, the mill-wright, the forger, the smith, must all of them join their different arts in order to produce them. Were we to examine, in the same manner, all the different parts of his dress and household furniture, the coarse linen shirt which he wears next his skin, the shoes which cover his feet, the bed which he lies on, and all the different parts which compose it, the kitchen-grate at which he prepares his victuals, the coals which he makes use of for that purpose, dug from the bowels of the earth, and brought to him perhaps by a long sea and a long land carriage, all the other utensils of his kitchen, all the furniture of his table, the knives and forks, the earthen or pewter plates upon which he serves up and divides his victuals, the different hands employed in preparing his bread and his beer, the glass window which lets in the heat and the light, and keeps out the wind and the rain, with all the knowledge and art requisite for preparing that beautiful and happy invention, without which these northern parts of the world could scarce have afforded a very [19] comfortable habitation, together with the tools of all the different workmen employed in producing those different conveniences; if we examine, I say, all these things, and consider what a variety of labour is employed about each of them, we shall be sensible that without the assistance and co-operation of many thousands, the very meanest person in a civilized country could not be provided, even according to, what we very falsely imagine, the easy and simple manner in which he is commonly accommodated.<sup>27</sup> Compared, indeed, with the more extravagant luxury of the

<sup>26</sup> ED 2.1 refers to the variety of labour needed to 'produce that very simple machine, the shears of the clipper'.

<sup>27</sup> 'tis obvious that for the support of human life, to allay the painful cravings of the appetites, and to afford any of those agreeable external enjoyments which our nature is capable of, a great many external things are requisite; such as food, cloathing, habitations, many utensils, and various furniture, which cannot be obtained without a great

great, his accommodation must no doubt appear extremely simple and easy; and yet it may be true, perhaps, that the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant,<sup>28</sup> as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages.<sup>29</sup>

deal of art and labour, and the friendly aids of our fellows.' (Francis Hutcheson, *A System of Moral Philosophy* (London, 1755), i.287). John Locke (*Essay on Civil Government* (3rd ed. 1698), *Works* (London, 1823), v.363) also noted that:

'Twould be a strange catalogue of things, that industry provided and made use of, about every loaf of bread, before it came to our use, if we could trace them; iron, wood, leather, bark timber, stone, bricks, coals, lime, cloth, dyeing, drugs, pitch, tar, masts, ropes, and all the materials made use of in the ship, that brought any of the commodities used by any of the workmen, to any part of the work: all which it would be almost impossible, at least too long, to reckon up. See also Thomas Mun, *England's Treasure by Forraigne Trade* (London, 1664), iii.12.

<sup>28</sup> Cf. Mandeville (*The Fable of the Bees*, pt. i.181, ed. Kaye i.169): 'If we trace the most flourishing Nations in their Origin, we shall find that in the remote Beginnings of every Society, the richest and most considerable Men among them were a great while destitute of a great many Comforts of Life that are now enjoy'd by the meanest and most humble Wretches.'

<sup>29</sup> The phrase 'absolute master' occurs in ED 2.1 in contrasting the luxury of the common day-labourer in England with that of 'many an Indian prince, the absolute master of the lives and liberties of a thousand naked savages'. The same paragraph also contains a contrast with the 'chief of a savage nation in North America'. LJ (A) vi.21, 23 repeats the former example. Cf. LJ (B) 212, ed. Cannan 162. It is also remarked at 287, ed. Cannan 223, that one explanation of the contrast is to be found in the fact that 'An Indian has not so much as a pick-ax, a spade, nor a shovel, or any thing else but his own labour.'

There is a considerable difference in the order in which the argument of ED and this part of the WN develops. For example, ED opens chapter 2 with an analysis which is very similar to that set out in the last two paragraphs of this chapter. It is then argued that while it cannot be difficult to explain the contrast between the poor savage and the modern rich (i.e. by reference to the division of labour), yet 'how it comes about that the labourer and the peasant should likewise be better provided is not perhaps so easily understood'. Smith further illustrates the difficulty by reference to the 'oppressive inequality' of the modern state; a theme which is developed at considerable length (mainly in 2.2,3) before the paradox is resolved by reference to arguments similar to those developed in the first nine paragraphs of this chapter. In LJ (A) and (B) the argument follows a similar order to that found in ED, save that the discussion opens in each case with an account of the 'natural wants of mankind', introducing by this means the general point that even the simplest wants require a multitude of hands before they can be satisfied. The 'natural wants' thesis would, presumably, have figured in the (missing) first chapter of ED. See LJ (A) vi.8–18; LJ (B) 206–13, ed. Cannan 157–63. The link between the development of productive forces and the natural wants of man also features in Hume's essays 'Of Commerce' and 'Of Refinement in the Arts'.

## CHAPTER II

### *Of the Principle which gives occasion to the Division of Labour*

<sup>1</sup> THIS division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to [20] which it gives occasion.<sup>1</sup> It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.<sup>2</sup>

<sup>2</sup> Whether this propensity be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to enquire.<sup>3</sup> It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts. Two greyhounds, in running down the same hare, have sometimes the appearance of acting in some sort of concert. Each turns her towards his companion, or endeavours to intercept her when his companion turns her towards himself. This, however, is not the effect of any contract, but of the accidental

<sup>1</sup> LJ (B) 218–19, ed. Cannan 168 reads: 'We cannot imagine this to have been an effect of human prudence. It was indeed made a law by Sesostatis that every man should follow the employment of his father. But this is by no means suitable to the dispositions of human nature and can never long take place. Everyone is fond of being a gentleman, be his father what he would.' The law is also mentioned in LJ (A) vi.54. See below, I.vii.31 and IV.ix.43.

<sup>2</sup> This paragraph closely follows the first three sentences in ED 2.12. The propensity to truck and barter is also mentioned in LJ (A) vi.44, 48 and LJ (B) 219 ff., ed. Cannan 169. Cf. LJ (B) 300–1, ed. Cannan 232: 'that principle in the mind which prompts to truck, barter and exchange, tho' it is the great foundation of arts, commerce and the division of labour, yet it is not marked with any thing amiable. To perform any thing, or to give any thing without a reward is always generous and noble, but to barter one thing for another is mean.' In a *Letter from Governor Pownall to Adam Smith, being an Examination of Several Points of Doctrine laid down in his Inquiry, into the Nature and Causes of the Wealth of Nations* (London, 1776), the author objected that the analysis of this chapter stopped short in ascribing the division of labour directly to a propensity to barter (4–5). Pownall, a former Governor of Massachusetts, also criticized Smith's views on labour as a measure of value, paper money, the employments of capital, colonies, etc. Smith acknowledged Pownall's work in Letter 182 addressed to Pownall, dated 19 January 1777. In Letter 208 addressed to Andreas Holt, dated 26 October 1780 Smith remarked that: 'In the second edition I flattered myself that I had obviated all the objections of Governor Pownal. I find however, he is by no means satisfied, and as Authors are not much disposed to alter the opinions they have once published, I am not much surprized at it.' There is very little evidence to suggest that Smith materially altered his views in response to Pownall, but see below, p. 50, n. 15.

<sup>3</sup> In LJ (B) 221, ed. Cannan 171, Smith argued in referring to the division of labour that 'The real foundation of it is that principle to persuade which so much prevails in human nature.' The same point is made in LJ (A) vi.56.

concurrence of their passions in the same object at that particular time.<sup>4</sup> Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog. Nobody ever saw one animal by its gestures and natural cries signify to another, this is mine, that yours; I am willing to give this for that. When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favour of those whose service it requires. A puppy fawns upon its dam, and a spaniel endeavours by a thousand attractions to engage the attention of its master who is at dinner, when it wants to be fed by him. Man sometimes uses the same arts with his brethren, and when he has no other means of engaging them to act according to his inclinations, endeavours by every servile and fawning attention to obtain their good will. He has not time, however, to do this upon every occasion. In civilized society he stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals each individual, when it is grown up to maturity, is entirely independent, and in its natural state has occasion for the assistance of no other living creature.<sup>5</sup> But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only.<sup>6</sup> He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from

<sup>4</sup> The example of the greyhounds occurs in LJ (B) 219, ed. Cannan 169. LJ (A) vi.44 uses the example of 'hounds in a chace' and again at 57. Cf. LJ (B) 222, ed. Cannan 171: 'Sometimes, indeed, animals seem to act in concert, but there is never any thing like a bargain among them. Monkeys when they rob a garden throw the fruit from one to another till they deposit it in the hoard, but there is always a scramble about the division of the booty, and usually some of them are killed.' In LJ (A) vi.57 a similar example is based on the Cape of Good Hope.

<sup>5</sup> In ED 2.12 an additional sentence is added at this point: 'When any uncommon misfortune befalls it, its piteous and doleful cries will sometimes engage its fellows, and sometimes prevail even upon man, to relieve it.' With this exception, and the first sentence of this paragraph, the whole of the preceding material follows ED 2.12 very closely and in places verbatim. The remainder of the paragraph follows ED 2.12 to its close.

<sup>6</sup> 'To expect, that others should serve us for nothing, is unreasonable; therefore all Commerce, that Men can have together, must be a continual bartering of one thing for another. The Seller, who transfers the Property of a Thing, has his own Interest as much at Heart as the Buyer, who purchases that Property; and, if you want or like a thing, the Owner of it, whatever Stock of Provision he may have of the same, or how greatly soever you may stand in need of it, will never part with it, but for a Consideration, which he likes better, than he does the thing you want.' (Mandeville, *The Fable of the Bees*, pt. ii. 421-2, ed. Kaye, ii.349.)

the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their [22] regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.<sup>7</sup> Nobody but a beggar chuses to depend chiefly upon the benevolence of his fellow-citizens. Even a beggar does not depend upon it entirely. The charity of well-disposed people, indeed, supplies him with the whole fund of his subsistence. But though this principle ultimately provides him with all the necessaries of life which he has occasion for, it neither does nor can provide him with them as he has occasion for them. The greater part of his occasional wants are supplied in the same manner as those of other people, by treaty, by barter, and by purchase. With the money which one man gives him he purchases food. The old cloaths which another bestows upon him he exchanges for other old cloaths which suit him better, or for lodging, or for food, or for money, with which he can buy either food, cloaths, or lodging, as he has occasion.

3 As it is by treaty, by barter, and by purchase, that we obtain from one another the greater part of those mutual good offices which we stand in need of, so it is this same trucking disposition which originally gives occasion to the division of labour. In a tribe of hunters or shepherds a particular person makes bows and arrows, for example, with more readiness and dexterity than any other. He frequently exchanges them for cattle or for venison with his companions; and [23] he finds at last that he can in this manner get more cattle and venison, than if he himself went to the field to catch them. From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer.<sup>8</sup> Another excels in making the frames and covers of their

<sup>7</sup> Cf. LJ (B) 220, ed. Cannan 169: 'The brewer and the baker serve us not from benevolence but from selflove. No man but a beggar depends on benevolence, and even they would die in a week were their entire dependance upon it.' Also LJ (A) vi.46: 'You do not address his [the brewer's and baker's] humanity but his self-love. Beggars are the only persons who depend on charity for their subsistence; neither do they do so altogether. For what by their supplications they have got from one, they exchange for something else they more want. They give their old cloaths to a one for lodging, the mony they have got to another for bread, and thus even they make use of bargain and exchange.'

<sup>8</sup> Cf. LJ (A) vi.46: 'This bartering and trucking spirit is the cause of the separation of trades and the improvements in arts. A savage who supports himself by hunting, having made some more arrows than he had occasion for, gives them in a present to some of his companions, who in return give him some of the venison they have catched; and he at last finding that by making arrows and giving them to his neighbour, as he happens to make them better than ordinary, he can get more venison than by his own hunting, he lays it aside unless it be for his diversion, and becomes an arrow-maker.' Similar points are made in LJ (B) 220, ed. Cannan 169-70, and a similar passage occurs in ED 2.13. Mandeville (*The Fable of the Bees*, pt. ii. 335-6, ed. Kaye ii.284) also noted that: 'Man', as I have hinted before, naturally loves to imitate what he sees others do, which is the reason that savage People all do the same thing: This hinders them from meliorating their Condition, though they are always wishing for it: But if one will wholly apply himself to the making of Bows and Arrows, whilst another provides Food, a third builds

little huts or moveable houses. He is accustomed to be of use in this way to his neighbours, who reward him in the same manner with cattle and with venison, till at last he finds it his interest to dedicate himself entirely to this employment, and to become a sort of house-carpenter. In the same manner a third becomes a smith or a brazier, a fourth a tanner or dresser of hides or skins, the principal part of the clothing of savages.<sup>9</sup> And thus the certainty of being able to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genius he may possess for that particular species of business.<sup>10</sup>

- 4 The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour.<sup>11</sup> The difference between the [24] most dissimilar characters, between a philosopher and a common street porter, for example, Huts, a fourth makes Garments, and a fifth Utensils, they do not only become useful to one another, but the Callings and Employments themselves will in the same Number of Years receive much greater Improvements, than if all had been promiscuously follow'd by every one of the Five.'

<sup>9</sup> Cf. Hutcheson (*System*, i.288-9): 'Nay 'tis well known that the produce of the labours of any given number, twenty, for instance, in providing the necessaries or conveniences of life, shall be much greater by assigning to one, a certain sort of work of one kind, in which he will soon acquire skill and dexterity, and to another assigning work of a different kind, than if each one of the twenty were obliged to employ himself, by turns, in all the different sorts of labour requisite for his subsistence, without sufficient dexterity in any. In the former method each procures a great quantity of goods of one kind, and can exchange a part of it for such goods obtained by the labours of others as he shall stand in need of. One grows expert in tillage, another in pasture and breeding cattle, a third in masonry, a fourth in the chace, a fifth in iron-works, a sixth in the arts of the loom, and so on throughout the rest. Thus all are supplied by means of barter with the work of complete artists. In the other method scarce any one could be dextrous and skilful in any one sort of labour.'

<sup>10</sup> This paragraph is based on ED 2.13, which it follows very closely.

<sup>11</sup> 'When we consider how nearly equal all men are in their bodily force, and even in their mental powers and faculties, till cultivated by education; we must necessarily allow, that nothing but their consent could, at first, associate them together, and subject them to any authority.' (D. Hume, 'Of the Original Contract', in *Political Discourses* (1752); *Essays Moral, Political and Literary*, ed. T. H. Green and T. H. Grose (London, 1882), i.444-5.) Cf. *Treatise of Human Nature*, III.i: 'The skin, pores, muscles, and nerves of a day-labourer, are different from those of a man of quality: so are his sentiments, actions, and manners. The different stations of life influence the whole fabric, external and internal; and these different stations arise necessarily, because uniformly, from the necessary and uniform principles of human nature.' On the other hand, Harris (*Essay*, i.15) believed that: 'Men are endued with various talents and propensities, which naturally dispose and fit them for different occupations; and are . . . under a necessity of betaking themselves to particular arts and employments, from their inability of otherwise acquiring all the necessaries they want, with ease and comfort. This creates a dependence of one man upon another, and naturally unites men into societies.'

seems to arise not so much from nature, as from habit, custom, and education.<sup>12</sup> When they came into the world, and for the first six or eight years of their existence, they were<sup>a</sup>, perhaps,<sup>a</sup> very much alike, and neither their parents nor play-fellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance. But without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and conveniency of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents.<sup>13</sup>

- 5 As it is this disposition which forms that difference of talents, so remarkable among men of different professions, so it is this same disposition which renders that difference useful. Many tribes of animals acknowledged to be all of the same species, derive from nature a much more remarkable distinction of genius, than what, antecedent to custom and

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

<sup>12</sup> Cf. V.i.f 51. LJ (A) vi.47-8 reads: 'No two persons can be more different in their genius as a philosopher and a porter, but there does not seem to have been any original difference betwixt them. For the five or six first years of their lives there was hardly any apparent difference: their companions looked upon them as persons of pretty much the same stamp. No wisdom and ingenuity appeared in the one superior to that of the other. From about that time a difference was thought to be perceived in them. Their manner of life began to affect them, and without doubt had it not been for this they would have continued the same.' Similar arguments appear in LJ (B) 220, ed. Cannan 170. There is an interesting variant on this point in LJ (B) 327, ed. Cannan 253, where Smith commented on the fact that 'probity and punctuality' generally accompany the introduction of commerce. He added that varying degrees of these qualities were 'not at all to be imputed to national character as some pretend. There is no natural reason why an Englishman or a Scotchman should not be as punctual in performing agreements as a Dutchman. It is far more reducible to self interest, that general principle which regulates the actions of every man . . .'

<sup>13</sup> The whole of the preceding paragraph follows ED 2.14 to this point. In ED, however, the sentence ends with '... any great difference in character' and goes on: 'It is upon this account that a much greater uniformity of character is to be observed among savages than among civilized nations. Among the former there is scarce any division of labour and consequently no remarkable difference of employments; whereas among the latter there is an almost infinite variety of occupations, of which the respective duties bear scarce any resemblance to one another. What a perfect uniformity of character do we find in all the heroes described by Ossian? And what a variety of manners, on the contrary, in those who are celebrated by Homer? Ossian plainly describes the exploits of a nation of hunters, while Homer paints the actions of two nations, who, tho' far from being perfectly civilised, were yet much advanced beyond the age of shepherds, who cultivated lands, who built cities, and among whom he mentions many different trades and occupations, such as masons, carpenters, smiths, merchants, soothsayers, priests, physicians.' The texts then assume a similar form until the end of the following paragraph of the WN. The uniformity of character found among savages is also mentioned in LJ (A) vi.48, LJ (B) 221, ed. Cannan 170.

education, appears to take place among men. By nature a philosopher is not in genius and disposition half so different from a street porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this [25] last from a shepherd's dog. Those different tribes of animals, however, though all of the same species, are of scarce any use to one another. The strength of the mastiff is not, in the least, supported either by the swiftness of the greyhound, or by the sagacity of the spaniel, or by the docility of the shepherd's dog. The effects of those different geniuses and talents, for want of the power or disposition to barter and exchange, cannot be brought into a common stock, and do not in the least contribute to the better accommodation and conveniency of the species. Each animal is still obliged to support and defend itself, separately and independently, and derives no sort of advantage from that variety of talents with which nature has distinguished its fellows. Among men, on the contrary, the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for.<sup>14</sup>

<sup>14</sup> The text of ED continues beyond this point to include an additional folio (N8) which elaborates on the interdependence between the philosopher and the porter and the advantages to be gained from these separate trades. This passage opens with the statement that 'Every thing would be dearer if before it was exposed to sale it had been carried packt and unpackt by hands less able and less dexterous, who for an equal quantity of work, would have taken more time, and must consequently have required more wages, which must have been charged upon the goods.' It is interesting to note that FA begins with the words '... who for an equal quantity of work' and then continues in parallel with ED for some 25 lines. The fragment then proceeds to elaborate on the link between the division of labour and the extent of the market (a subject which is not mentioned in ED) whereas ED continues with the preceding theme. It is possible that the fragments represent an alternative, and a later, rewriting of this section of Smith's work. The interdependence of philosopher and porter is briefly mentioned in LJ (A) vi.49, LJ (B) 221, ed. Cannan 171.

### CHAPTER III

#### [26] *That the Division of Labour is limited by the Extent of the Market*<sup>1</sup>

- 1 As it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market.<sup>2</sup> When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for.
- 2 There are some sorts of industry, even of the lowest kind, which can be carried on no where but in a great town. A porter, for example, can find employment and subsistence in no other place. A village is by much too narrow a sphere for him; even an ordinary market town is scarce large enough to afford him constant occupation. In the lone houses and very small villages which are scattered about in so desert a country as the Highlands of Scotland, every farmer must be butcher, baker and brewer for his own family.<sup>3</sup> In such situations we can scarce expect to find even a smith, a carpenter, or a mason, within less than twenty miles of another of the same trade. The scattered families that [27] live at eight or ten miles distance from the nearest of them, must learn to perform themselves a great number of little pieces of work, for which, in more populous countries, they would call in the assistance of those workmen.<sup>4</sup> Country workmen

<sup>1</sup> The subjects of this chapter, as observed in the previous note, do not figure in ED. In LJ (A) vi Smith did develop the argument that the division of labour depends on the extent of the market, but did so in the course of offering a recapitulation of his treatment of price, i.e. outwith his main discussion of the division of labour. In LJ (B) the discussion of the extent of the market is brief, but integrated with the wider discussion of the division of labour. FA and FB thus provide the most elaborate examination of the subject; a fact which lends some support to the view that the fragments may have been written after ED. Paragraphs 1 and 2 of this chapter appear to be based on FA from the first complete paragraph of the latter 'As it is the power of exchanging . . .' while paragraphs 3–7 show the same close connection with the whole of FB.

<sup>2</sup> LJ (B) 222, ed. Cannan 172: 'From all that has been said we may observe that the division of labour must always be proportioned to the extent of commerce.' In LJ (A) vi.63 it is remarked that the division of labour 'is greater or less according to the market'.

<sup>3</sup> Cf. LJ (A) ii.40: 'It is found that society must be pretty far advanced before the different trades can all find subsistence: . . . And to this day in the remote and deserted parts of the country, a weaver or a smith, besides the exercise of his trade, cultivates a small farm, and in that manner exercises two trades; that of a farmer and that of a weaver.'

<sup>4</sup> The degree of correspondence between the preceding passages and FA ceases at this point and there is a long passage from the beginning of the following sentence, and ending 22 lines below ('a ship navigated by six') which has no counterpart in the fragment. This passage amounts to about three hundred words, which would make about one folio page in the hand of the amanuensis used. Smith may, therefore, have decided to omit the two final

are almost every where obliged to apply themselves to all the different branches of industry that have so much affinity to one another as to be employed about the same sort of materials.<sup>5</sup> A country carpenter deals in every sort of work that is made of wood: a country smith in every sort of work that is made of iron. The former is not only a carpenter, but a joiner, a cabinet-maker, and even a carver in wood, as well as a wheelwright, a plough-wright, a cart and waggon maker. The employments of the latter are still more various.<sup>6</sup> It is impossible there should be such a trade as even that of a nailer in the remote and inland parts of the Highlands of Scotland. Such a workman at the rate of a thousand nails a day, and three hundred working days in the year, will make three hundred thousand nails in the year. But in such a situation it would be impossible to dispose of one thousand, that is, of one day's work in the year.<sup>7</sup>

3 As by means of water-carriage a more extensive market is opened to every sort of industry than what land-carriage alone can afford it, so it is upon the sea-coast, and along the banks of navigable rivers, that industry of every kind naturally begins to subdivide and improve itself, and it is frequently not till a long time after that [28] those improvements extend themselves to the inland parts of the country.<sup>8</sup> A broad-wheeled waggon, attended by two men, and drawn by eight horses, in about six weeks time carries and brings back between London and Edinburgh near four ton

pages of FA and introduce a new page which is now lost. The passage from FA which is omitted from the WN had gone on to illustrate the link between the division of labour and the extent of the market by reference to primitive communities such as the North American Indians and the Hottentots, Arabs, and Tartars. In speaking of the Hottentots he pointed out that there was some separation of employments such as the tailor, physician, and smith, but that the people involved were *principally*, but not *entirely* supported by them. It was in this connection that Smith made the interesting point that 'The compleat division of labour however, is posterior to the invention even of agriculture.'

<sup>5</sup> See I.x.c.8 where it is stated that country labourers were excluded from the statute of apprenticeship by judicial interpretation, as a result of the nature of the employment.

<sup>6</sup> LJ (A) vi.64 notes that 'A wright in the country is a cart-wright, a house carpenter, a square wright or cabinet maker and a carver in wood; each of which in a town makes a separate business. A merchant in Glasgow or Aberdeen who deals in linnen will have in his ware-house, Irish, Scots and Hamburg linnens, but at London there are separate dealers in each of these.'

<sup>7</sup> Smith provides a further example, that of the shoemaker, at IV.ix.45.

<sup>8</sup> 'Great Cities are usually built on the seacoast or on the banks of large Rivers for the convenience of transport; because water-carriage of the produce and merchandise necessary for the subsistence and comfort of the inhabitants is much cheaper than Carriages and Land Transport.' (R. Cantillon, *Essai sur la Nature du Commerce* (1755), 22-3; edited and translated by Henry Higgs (London, 1931), 19.) See below, II.v.33 and III.iii.20. While Smith gives a prominent place to navigation in explaining the historical origins of cities and manufactures in III.iii, he did not neglect the importance of land carriage. It is pointed out in LJ (B) 223, ed. Cannan 172, that 'Since the mending of roads in England 40 or 50 years ago, its opulence has increased extremely.' In LJ (A) vi.65 he commented on the problem of bad roads and remarked that 'hence we see that the turnpikes of England have within these 30 or 40 years increased the opulence of the inland parts'. The advantages of good roads are also emphasized in I.xi.b.5 and V.i.d.17.

weight of goods. In about the same time a ship navigated by six or eight men, and sailing between the ports of London and Leith, frequently carries and brings back two hundred ton weight of goods. Six or eight men, therefore, by the help of water-carriage, can carry and bring back in the same time the same quantity of goods between London and Edinburgh, as fifty broad-wheeled waggons, attended by a hundred men, and drawn by four hundred horses.<sup>9</sup> Upon two hundred tons of goods, therefore, carried by the cheapest land-carriage from London to Edinburgh, there must be charged the maintenance of a hundred men for three weeks, and both the maintenance, and, what is nearly equal to the maintenance, the wear and tear of four hundred horses as well as of fifty great waggons. Whereas, upon the same quantity of goods carried by water, there is to be charged only the maintenance of six or eight men, and the wear and tear of a ship of two hundred tons burden, together with the value of the superior risk, or the difference of the insurance between land and water-carriage. Were there no other communication between those two places, therefore, but by land-carriage, as no goods could be transported from the one to the other, except such whose price was very consi-[29]derable in proportion to their weight, they could carry on but a small part of that commerce which <sup>a</sup> at present <sup>b</sup>subsists<sup>b</sup> between them, and consequently could give but a small part of that encouragement which they at present mutually afford to each other's industry.<sup>10</sup> There could be little or no commerce of any kind between the distant parts of the world. What goods could bear the expence of land-carriage between London and Calcutta? Or if there <sup>c</sup>were<sup>c</sup> any so precious as to be able to support this expence, with what

<sup>a</sup> is *x*

<sup>b</sup>-<sup>b</sup> carried on *x*

<sup>c</sup>-<sup>c</sup> was *x*

<sup>9</sup> The remainder of this paragraph finds a close parallel in the opening passages of FB, save that 8 or 10 men sailing from the port of Leith can transport 200 tons between Edinburgh and London more cheaply than 'Sixty six narrow wheeled waggons drawn by three hundred & ninety horses & attended by a hundred & thirty two men; or than forty broad wheeled waggons drawn by three hundred & twenty horses & attended by eighty men.' Cf. LJ (B) 223, ed. Cannan 172: 'Water carriage is another convenience as by it 300 ton can be conveyed at the expence of the tare and wear of the vessel, and the wages of 5 or 6 men, and that too in a shorter time than by a 100 waggons which will take 6 horses and a man each.' In LJ (A) vi.66 Smith compares the expense of a ship of 200 tons navigated by four or five men with that incurred in the use of wagons.

<sup>10</sup> Smith may exaggerate the relative advantage of water-carriage, particularly in his example of the costs of carriage between London and Edinburgh. Carriage by sea had its own dangers: natural hazards; pilfering; privateering in time of war. Fine woollen goods were often sent by land in spite of its other disadvantages (cf. IV.viii.21). Smith was writing at the end of the first major phase of passing turnpike acts, but before the improvements which followed were fully evident. Coaching times, a fairly reliable indicator of improvement, show the change. Edinburgh and London were about four days apart in the mid-eighteenth century; only 60 hours by 1786. Smith's concern over the contribution of navigable rivers is more to the point. He was writing at the end of an age when rivers played a more important part in the economic life of Britain than they had ever done before or since.

safety could they be transported through the territories of so many barbarous nations? Those two cities, however, at present carry on <sup>a</sup> a very considerable commerce <sup>e</sup>with each other<sup>e</sup>, and by mutually affording a market, give a good deal of encouragement to each other's industry.

4 Since such, therefore, are the advantages of water-carriage, it is natural that the first improvements of art and industry should be made where this conveniency opens the whole world for a market to the produce of every sort of labour, and that they should always be much later in extending themselves into the inland parts of the country. The inland parts of the country can for a long time have no other market for the greater part of their goods, but the country which lies round about them, and separates them from the sea-coast, and the great navigable rivers. The extent of their market, therefore, must for a long time be in proportion to the riches and populousness of that country, and consequently their improvement must always be pos-[30]terior to the improvement of that country. In our North American colonies the plantations have constantly followed either the sea-coast or the banks of the navigable rivers, and have scarce any where extended themselves to any considerable distance from both.<sup>11</sup>

5 The nations that, according to the best authenticated history, appear to have been first civilized, were those that dwelt round the coast of the Mediterranean sea. That sea, by far the greatest inlet that is known in the world, having no tides, nor consequently any waves except such as are caused by the wind only, was, by the smoothness of its surface, as well as by the multitude of its islands, and the proximity of its neighbouring shores, extremely favourable to the infant navigation of the world; when, from their ignorance of the compass, men were afraid to quit the view of the coast, and from the imperfection of the art of ship-building, to abandon themselves to the boisterous waves of the ocean.<sup>12</sup> To pass beyond the pillars of Hercules, that is, to sail out of the Straights of Gibraltar, was, in the antient world, long considered as a most wonderful and dangerous exploit of navigation. It was late before even the Phenicians and Carthaginians, the most skilful navigators and shipbuilders of those old times, attempted it, and they were for a long time the only nations that did attempt it.

6 Of all the countries on the coast of the Mediterranean sea, Egypt seems to have been the first in which either agriculture or manufactures were [31]

<sup>a</sup> together <sup>x</sup>      <sup>e-e</sup> 2-6

<sup>11</sup> This sentence appears verbatim in FB, which adds: 'What James the sixth of Scotland said of the county of Fife, of which the inland parts were at that time very ill while the sea coast was extremely well cultivated, that it was like a coarse woollen coat edged with gold lace, might still be said of the greater part of our North American colonies.' See below, I.ix.11.

<sup>12</sup> The passage from the beginning of this paragraph follows FB very closely, and often verbatim, although there is nothing corresponding to the two following sentences.

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

7 The improvements in agriculture and manufactures seem likewise to have been of very great antiquity in the provinces of Bengal in the East Indies, and in some of the eastern provinces of China; though the great extent of this antiquity is not authenticated by any histories of whose authority we, in this part of the world, are well assured. In Bengal the Ganges and several other great rivers <sup>f</sup>form a great number of navigable canals in the same manner as the Nile does in Egypt. In the Eastern provinces of China too, several great rivers form, by their different branches, a multitude of canals, and by communicating with one another afford an inland navigation much more extensive than that either of the Nile or the Ganges, or perhaps than both of them put together.<sup>15</sup> It is remarkable that neither the antient Egyptians, nor the Indians, nor the Chinese, encouraged foreign commerce, but [32] seem all to have derived their great opulence from this inland navigation.

8 All the inland parts of Africa, and all that part of Asia which lies any <sup>f-f</sup> break themselves into many <sup>x</sup>

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

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

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

considerable way north of the Euxine and Caspian seas, the antient Scythia, the modern Tartary and Siberia, seem in all ages of the world to have been in the same barbarous and uncivilized state in which we find them at present.<sup>16</sup> The sea of Tartary is the frozen ocean which admits of no navigation, and though some of the greatest rivers in the world run through that country, they are at too great a distance from one another to carry commerce and communication through the greater part of it. There are in Africa none of those great inlets, such as the Baltic and Adriatic seas in Europe, the Mediterranean and Euxine seas in both Europe and Asia, and the gulphs of Arabia, Persia, India, Bengal, and Siam, in Asia, to carry maritime commerce into the interior parts of that great continent: and the great rivers of Africa are at too great a distance from one another to give occasion to any considerable inland navigation. The commerce besides which any nation can carry on by means of a river which does not break itself into any great number of branches or canals, and which runs into another territory before it reaches the sea, can never be very considerable; because it is always in the power of the nations who possess that other territory to obstruct the communication between the upper country and the sea. The navigation of the Danube is of very little use to the different [33] states of Bavaria, Austria and Hungary, in comparison of what it would be if any <sup>of</sup> them possessed the whole of its course till it falls into the Black Sea.

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<sup>16</sup> Smith comments on the limited improvement in Arabia due to the poorness of the soil and difficulties of transport and uses this point to explain why the Arabs had not advanced beyond the shepherd state in LJ (A) iv.36, 56–62; see also LJ (B) 303, ed. Cannan 234: ‘in Asia and other eastern countries; all inland commerce is carried on by great caravans, consisting of several thousands, for mutual defence, with waggons etc.’ The passages from LJ (A) iv above cited make it plain that the preconditions for economic development include fertility of the soil, ease of defence, and of communication where the latter provides an opportunity for the export of surpluses. In LJ (A) iv.53 Smith also comments that the Tartars ‘have indeed some of the largest rivers in the world’ while adding that they ‘have always been a state of shepherds, which they will always be from the nature of their country, which is dry and raised above the sea, with few rivers, tho’ some very large ones, and the weather and the air is too cold for the produce of any grain.’ See also 62, and cf. LJ (B) 30–1, ed. Cannan 22.

## CHAPTER IV

### *Of the Origin and Use of Money<sup>1</sup>*

<sup>1</sup> WHEN the division of labour has been once thoroughly established, it is but a very small part of a man’s wants which the produce of his own labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men’s labour as he has occasion for. Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society.

<sup>2</sup> But when the division of labour first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations.<sup>2</sup> One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former consequently would be glad to dispose of, and the latter to purchase, a part of this superfluity. But if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them. [34] The butcher has more meat in his shop than he himself can consume, and the brewer and the baker would each of them be willing to purchase a part of it. But they have nothing to offer in exchange, except the different productions of their respective trades, and the butcher is already provided with all the bread and beer which he has immediate occasion for. No exchange can, in this case, be made between them. He cannot be their merchant, nor they his customers; and they are all of them thus mutually less serviceable to one another. In order to avoid the inconveniency of such situations, every prudent man in every period of society, after the first

<sup>1</sup> In both sets of lectures and the ED Smith considers the analysis of money immediately after that of market and natural price (which forms the subjects of I.vii. below). The subjects of this chapter, e.g. with regard to the inconvenience of barter, the usefulness of the metals as a medium of exchange, the need for coinage, debasement, etc., are considered in LJ (A) vi.97–117, LJ (B) 235–44, ed. Cannan 182–90, ED 4.1–3. In ED 4, however, Smith planned to introduce at this point a discussion of banks and paper money (the subjects of II.ii below) before proceeding directly to the examination of the fallacy that opulence consists in money (the subjects of IV). The lectures also follow this order of argument, save that LJ (B) includes an account of John Law’s scheme (see below, II.ii.78) and of the Bank of Amsterdam (below IV.iii.b). In ED Smith styled chapter 4 ‘Of money, its nature, origin and history, considered first, as the measure of value, and secondly as the instrument of commerce’ and remarked that ‘Under the first head I have little to say that is very new or particular; except a general history of the coins of France, England, & Scotland: the different changes they have undergone: their causes and effects.’

<sup>2</sup> It is remarked at I.xi.g.26 that the economy of Peru had been based on barter and that ‘there was accordingly scarce any division of labour among them’. See also IV.vii.b.7. In LJ (A) ii.53 Smith cites the ‘Negroes on the Coast of Guinea’ as still operating a barter economy.

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## CHAPTER II

*Of Restraints upon the Importation "from foreign Countries of such Goods<sup>a</sup> as can be produced at Home*

1 By restraining, either by high duties, or by absolute prohibitions, the importation of such goods from foreign countries as can be produced at home, the monopoly of the home-market is more or less secured to the domestick industry employed in producing them. Thus the prohibition<sup>1</sup> of importing either live cattle or salt provisions from foreign countries secures to the graziers of Great Britain the monopoly of the home-market for butchers-meat. The high duties upon the importation of corn, which in times of moderate plenty amount to a prohibition, give a like advantage to the growers of that commodity.<sup>2</sup> The prohibiton of the importation of foreign woollens is equally favourable to the woollen manufacturers.<sup>3</sup> The silk manufacture, though altogether employed upon foreign materials, has lately obtained the same advantage.<sup>4</sup> The linen manufacture has not yet obtained it, but is making great strides towards it.<sup>5</sup> Many other sorts of manufacturers have, in the same manner, obtained in Great Britain, either altogether, or very nearly a monopoly against their countrymen. <sup>b</sup>The variety of goods of which the importation into Great Britain is prohibited, [177] either absolutely, or under certain circumstances, greatly exceeds what can easily be suspected by those who are not well acquainted with the laws of the customs.<sup>b</sup><sup>6</sup>

<sup>a-a</sup> of such Goods from Foreign Countries I<sup>b-b</sup> 3-6<sup>1</sup> By 18 and 19 Charles II, c. 2 (1666) in *Statutes of the Realm*, v.597; 18 Charles II, c. 2 in Ruffhead's edition. Imports from Ireland were allowed from 1759 by 32 George II, c. 11 (1758). See above, III.iv.20, and below, IV.ii.16 and V.ii.k.13.<sup>2</sup> 22 Charles II, c. 13 (1670). See above, III.iv.20, and below, IV.ii.16, IV.v.a.23, IV.v.b.33 and 37, IV.vii.b.33, V.ii.k.13.<sup>3</sup> By 4 Edward IV, c. 1 (1464). Controls over the import and export of wool are discussed at IV.viii.17, where it is pointed out that the manufacturers of woollen products had been more successful than others in persuading the legislature to meet their special needs. Cf. Pownall, *Letter*, 29-31. In Letter 203 addressed to William Eden, dated 3 January 1780, Smith called for a repeal of all prohibitions on importation, and that on the exportation of wool.<sup>4</sup> 6 George III, c. 28 (1766), extended by 11 George III, c. 49 (1771). See below, IV.iv.7. See also above, II.v.15 and III.iii.19, where Smith comments on the fact that the silk manufacture was based on foreign materials.<sup>5</sup> Additional duties were imposed from 25 May 1767 by 7 George III, c. 28 (1766).<sup>6</sup> In the letter (203) to Eden just cited, Smith commented on the ineffectiveness of absolute prohibitions on importation, and added that:

About a week after I was made a Commissioner of the Customs, upon looking over the list of prohibited goods, (which is hung up in every Customhouse and which is well worth your considering) and upon examining my own wearing apparel, I found, to my great astonishment, that I had scarce a stock, a cravat, a pair of ruffles, or a pocket

2 That this monopoly of the home-market frequently gives great encouragement to that particular species of industry which enjoys it, and frequently turns towards that employment a greater share of both the labour and stock of the society than would otherwise have gone to it, cannot be doubted. But whether it tends either to increase the general industry of the society, or to give it the most advantageous direction, is not, perhaps, altogether so "evident".<sup>7</sup>

3 The general industry of the society never can exceed what the capital of the society can employ. As the number of workmen that can be kept in employment by any particular person must bear a certain proportion to his capital, so the number of those that can be continually employed by all the members of a great society, must bear a certain proportion to the whole capital of that society, and never can exceed that proportion. No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord.<sup>8</sup>

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handkerchief which was not prohibited to be worn or used in G. Britain. I wished to set an example and burnt them all. I will not advise you to examine either your own or Mrs Eden's apparel or household furniture, least you be brought into a scrape of the same kind.

See below, V.ii.k.64: 'to pretend to have any scruple about buying smuggled goods . . . would in most countries be regarded as one of those pedantic pieces of hypocrisy which . . . serve only to expose the person who affects to practice them, to the suspicion of being a greater knave than most of his neighbours.' Smith's appointment afforded Edward Gibbon an opportunity for some heavy humour; In Letter 187 addressed to Smith, dated 26 November 1777 he wrote that:

Among the strange reports, which are every day circulated in this wide town, I heard one to-day so very extraordinary, that I know not how to give credit to it. I was informed that a place of Commissioner of the Customs in Scotland had been given to a Philosopher who for his own glory and for the benefit of mankind had enlightened the world by the most profound and systematic treatise on the great objects of trade and revenue which had ever been published in any age or in any Country.

<sup>7</sup> See above, II.v.31. Smith comments frequently on the 'natural balance of industry' in this chapter and throughout Book IV. See, for example, IV.ii.12, 31, IV.iv.14, and IV.v.a.39. The claim that an artificial direction regarding the use of resources is less satisfactory than a 'natural' one is made at IV.v.a.3, 24, IV.vii.c.43, 97, and cf. IV.ix.51. The idea is applied in the analysis of taxation, for example, at V.ii.k.63. It will be observed that in making this point, the reference is to the dynamic analysis of II.v. and III.i rather than to the treatment of the static allocative mechanism offered in Book I.

<sup>8</sup> In LJ (B) 233-4, ed. Cannan 180-1, Smith refers to 'a natural balance of industry' and to the 'natural connection of all trades', and makes the point that regulation will break the 'balance of industry'. A similar point is made in LJ (A) vi.92. The doctrine is succinctly stated in ED 3.5.: [continues]

4 Every individual is continually exerting himself to find out the most advantageous employ-[178]ment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society.

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

6 Thus upon equal or nearly equal profits, every wholesale merchant naturally prefers the home-trade to the foreign trade of consumption, and the foreign trade of consumption to the carrying trade. In the home-trade his capital is never so long out of his sight as it frequently is in the foreign trade of consumption. He can know better the character and situation of the persons whom he trusts, and if he should happen to be deceived, he knows better the laws of the country from which he must seek redress. In the carrying trade, the capital of the merchant is, as it were, divided between two foreign countries, and no part of it is ever necessarily brought home, or placed under his own immediate view and command. The capital which an Amsterdam merchant employs in carrying corn from Konnigsberg to Lisbon, and fruit and wine from Lisbon to Konnigsberg, must generally be the one-half of it at Konnigsberg and the other half at Lisbon. No part of it need ever [179] come to Amsterdam. The natural residence of such a merchant should either be at Konnigsberg or Lisbon, and it can only be some very particular circumstances which can make him prefer the residence of Amsterdam. The uneasiness, however, which he feels at being separated so far from his capital, generally determines him to bring part both of the Konnigsberg goods which he destines for the market of Lisbon, and of the Lisbon goods which he destines for that of Konnigsberg, to Amsterdam: and though this necessarily subjects him to a double charge of loading and unloading, as well as to the payment of some duties and customs, yet for the sake of having some part of his capital always under his

there is in every country what may be called a natural balance of industry, or a disposition in the people to apply to each species of work precisely in proportion to the demand for that work. That whatever tends to break this balance tends to hurt national or public opulence; whether it be by giving extraordinary discouragement to some sorts of industry or extraordinary encouragement to others.

In this context, the criticism is extended to bounties (see below, IV.v.) and occurs in the discussion of policies which prevent the coincidence of market and natural price. See especially, LJ (B) 232-5, ed. Cannan 180-1, and above, I.vii. Compare Mandeville's comment in the Sixth Dialogue: 'we may learn, how the short-sighted Wisdom, of perhaps well-meaning People, may rob us of a Felicity, that would flow spontaneously from the Nature of every large Society, if none were to divert or interrupt the Stream.' (*The Fable of the Bees*, pt. ii. 425, ed. Kaye ii.353.)

own view and command, he willingly submits to this extraordinary charge; and it is in this manner that every country which has any considerable share of the carrying trade, becomes always the emporium, or general market, for the goods of all the different countries whose trade it carries on. The merchant, in order to save a second loading and unloading, endeavours always to sell in the home-market as much of the goods of all those different countries as he can, and thus, so far as he can, to convert his carrying trade into a foreign trade of consumption. A merchant, in the same manner, who is engaged in the foreign trade of consumption, when he collects goods for foreign markets, will always be glad, upon equal or nearly equal profits, to sell as great a part of them at home as he can. He saves himself the risk and trouble of exportation, [180] when, so far as he can, he thus converts his foreign trade of consumption into a home-trade. Home is in this manner the center, if I may say so, round which the capitals of the inhabitants of every country are continually circulating, and towards which they are always tending, though by particular causes they may sometimes be driven off and repelled from it towards more distant employments.<sup>9</sup> But a capital employed in the home-trade, it has already been shown,<sup>10</sup> necessarily puts into motion a greater quantity of domestic industry, and gives revenue and employment to a greater number of the inhabitants of the country, than an equal capital employed in the foreign trade of consumption: and one employed in the foreign trade of consumption has the same advantage over an equal capital employed in the carrying trade. Upon equal, or only nearly equal profits, therefore, every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestick industry, and to give revenue and employment to the greatest number of <sup>d</sup> people of his own country.

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

8 The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit [181] that any man employs a capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.<sup>11</sup>

9 But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is

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<sup>9</sup> Rather similar terms are used in the discussion of equilibrium price, in I.vii.15.

<sup>10</sup> Above, II.v.27.      <sup>11</sup> See above, II.iii.6.

precisely the same thing with that exchangeable value.<sup>12</sup> As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestick industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can.<sup>13</sup> He generally, indeed, neither intends to promote the publick interest, nor knows how much he is promoting it. By preferring the support of domestick to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.<sup>14</sup> Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the publick good. It is an [182] affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.<sup>15</sup>

10 What is the species of domestick industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.<sup>16</sup>

11 To give the monopoly of the home-market to the produce of domestick industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases, be either a useless or a hurtful regulation. If the produce of domestick can be brought there as cheap as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The taylor does not attempt to make his own shoes, but buys them of the

<sup>12</sup> A similar point is made at I.vi.17, I.xi.p.7, and II.ii.1.

<sup>13</sup> See below, IV.vii.c.88.

<sup>14</sup> Cf. TMS IV.i.1.10, where Smith also uses the concept of the 'invisible hand' in an economic context.

<sup>15</sup> There is an interesting variation on this theme in Steuart's *Principles*, i.165, ed. Skinner i.143-4.

<sup>16</sup> Similar sentiments are expressed in IV.v.b.16 and IV.ix.51, where intervention is said to be presumptuous and impolitic, not to mention unjust. The argument is also applied at I.x.c.12.

shoemaker. The shoemaker does not attempt to [183] make his own cloaths, but employs a taylor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase with a part of its produce, or what is the same thing, with the price of a part of it, whatever else they have occasion for.<sup>17</sup>

12 What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.<sup>18</sup> The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished, no more than that of the above-mentioned artificers; but only left to find out the way in which it can be employed with the greatest advantage. It is certainly not employed to the greatest advantage, when it is thus directed towards an object which it can buy cheaper than it can make. The value of its annual produce is certainly more or less diminished, when it is thus turned away from producing commodities evidently of more value than the commodity which it is directed to produce. According to the supposition, that commodity could be purchased from foreign countries cheaper than it can be made at home. It could, therefore, have been purchased with a [184] part only of the commodities, or, what is the same thing, with a part only of the price of the commodities, which the industry employed by an equal capital, would have produced at home, had it been left to follow its natural course. The industry of the country, therefore, is thus turned away from a more, to a less advantageous employment, and the exchangeable value of its annual produce, instead of being increased, according to the intention of the lawgiver, must necessarily be diminished by every such regulation.<sup>19</sup>

<sup>17</sup> See above, I.ii.5.

<sup>18</sup> Cf. LJ (B) 261-2, ed. Cannan 204: 'All commerce that is carried on betwixt any two countries must necessarily be advantageous to both. The very intention of commerce is to exchange your own commodities for others which you think will be more convenient for you. When two men trade between themselves it is undoubtedly for the advantage of both ... The case is exactly the same betwixt any two nations.' See also ED 4.9. The same example is provided in LJ (A) vi.159-60, with the qualification that exchange between individuals will always be beneficial only where they are 'prudent'. See above, 447 n. 55.

<sup>19</sup> See below, IV.ix.50, where it is pointed out that intervention with the use of capital is 'in reality subversive of the great purpose which it means to promote'. Without questioning this argument, Pownall adverted to the infant industry case as justifying protection on the ground that trades so protected might in the long run become competitive—citing as examples, the woollen and hardware manufactures. However, Pownall did not extend his argument to cases where manufactures were based on foreign materials, such as flax and silk: 'Against such your principle, in the full force of its arguments, stands unanswerable.' (Letter, 28-9.) Smith's main qualifications to the doctrine of free trade appear below, IV.ii.22f. See also III.iii.19 and IV.viii.4.

<sup>13</sup> By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a certain time may be made at home as cheap or cheaper than in the foreign country. But through the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total, either of its industry, or of its revenue, can ever be augmented by any such regulation. The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue, and what diminishes its revenue, is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both capital and industry been left to find out their natural employments.

<sup>14</sup> [185] Though for want of such regulations the society should never acquire the proposed manufacture, it would not, upon that account, necessarily be the poorer in any one period of its duration. In every period of its duration its whole capital and industry might still have been employed, though upon different objects, in the manner that was most advantageous at the time. In every period its revenue might have been the greatest which its capital could afford, and both capital and revenue might have been "augmented" with the greatest possible rapidity.

<sup>15</sup> The natural advantages which one country has over another in producing particular commodities are sometimes so great, that it is acknowledged by all the world to be in vain to struggle with them.<sup>20</sup> By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expence for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland? But if there would be a manifest absurdity in turning towards any employment, thirty times more of the capital and industry of the country, than would be necessary to purchase from foreign countries an equal quantity of the commodities wanted, there must be an absurdity, though not altogether so glaring, yet exactly of the same kind, in turning [186] towards any such employment a thirtieth, or even a three hundredth part more of either. Whether the advantages which one country has over another, be natural or acquired, is in this respect of no consequence. As long as the one country has those advantages, and the other wants them, it will always be more advantageous for the latter, rather to buy of the former than to make. It is

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<sup>20</sup> See above, I.vii.24.

an acquired advantage only, which one artificer has over his neighbour, who exercises another trade; and yet they both find it more advantageous to buy of one another, than to make what does not belong to their particular trades.<sup>21</sup>

<sup>16</sup> Merchants and manufacturers are the people who derive the greatest advantage from this monopoly of the home market. The prohibition<sup>22</sup> of the importation of foreign cattle, and of salt provisions, together with the high duties upon foreign corn, which in times of moderate plenty amount to a prohibition,<sup>23</sup> are not near so advantageous to the graziers and farmers of Great Britain, as other regulations of the same kind are to its merchants and manufacturers. Manufactures, those of the finer kind especially, are more easily transported from one country to another than corn or cattle. It is in the fetching and carrying manufactures, accordingly, that foreign trade is chiefly employed.<sup>24</sup> In manufactures, a very small advantage will enable foreigners to undersell our own workmen, even in the home market. It will require a very great one to enable them to do so in the rude produce [187] of the soil. If the free importation of foreign manufactures <sup>'was'</sup> permitted, several of the home manufactures would probably suffer, and some of them, perhaps, go to ruin altogether, and a considerable part of the stock and industry at present employed in them, would be forced to find out some other employment. But the freest importation of the rude produce of the soil could have no such effect upon the agriculture of the country.

<sup>17</sup> If the importation of foreign cattle, for example, <sup>"was"</sup> made ever so free, so few could be imported, that the grazing trade of Great Britain could be little affected by it. Live cattle are, perhaps, the only commodity of which the transportation is more expensive by sea than by land.<sup>25</sup> By land they carry themselves to market. By sea, not only the cattle, but their food and their water too must be carried at no small expence and inconveniency. The short sea between Ireland and Great Britain, indeed, renders the importation of Irish cattle more easy. But though the free importation of them, which was lately permitted only for a limited time,<sup>26</sup> were rendered perpetual, it should have no considerable effect upon the interest of the graziers of Great Britain. Those parts of Great Britain which border upon

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<sup>21</sup> See above, I.ii.4.

<sup>22</sup> 18 and 19 Charles II, c. 2 (1666) in *Statutes of the Realm*, v.597; 18 Charles II, c. 2 in Ruffhead's edition. See above, III.iv.20, IV.ii.1, and below, V.ii.k.13.

<sup>23</sup> 22 Charles II, c. 13 (1670). See above, III.iv.20 and IV.ii.1, and below, IV.v.a.23, IV.v.b.33 and 37, IV.vii.b.33, V.ii.k.13.

<sup>24</sup> See above, IV.i.29, and generally, III.iii.17-20.

<sup>25</sup> See above, I.iii.3, where Smith comments on the cheapness of water-carriage.

<sup>26</sup> 32 George II, c. 11 (1758), continued by 5 George III, c. 10 (1765) and 12 George III, c. 2 (1772). See above, III.iv.20, and below, V.ii.k.13.

the Irish sea are all grazing countries. Irish cattle could never be imported for their use, but must be drove through those very extensive countries, at no small expence and inconvenience, before they could arrive at their proper market. Fat cattle could be drove [188] so far. Lean cattle, therefore, only could be imported, and such importation could interfere, not with the interest of the feeding or fattening countries, to which, by reducing the price of lean cattle, it would rather be advantageous, but with that of the breeding countries only. The small number of Irish cattle imported since their importation was permitted, together with the good price at which lean cattle still continue to sell, seem to demonstrate that even the breeding countries of Great Britain are never likely to be much affected by the free importation of Irish cattle. The common people of Ireland, indeed, are said to have sometimes opposed with violence the exportation of their cattle. But if the exporters had found any great advantage in continuing the trade, they could easily, when the law was on their side, have conquered this mobbish opposition.

18 Feeding and fattening countries, besides, must always be highly improved, whereas breeding countries are generally uncultivated. The high price of lean cattle, by augmenting the value of uncultivated land, is like a bounty against improvement. To any country which was highly improved throughout, it would be more advantageous to import its lean cattle than to breed them. The province of Holland, accordingly, is said to follow this maxim at present. The mountains of Scotland, Wales, and Northumberland, indeed, are countries not capable of much improvement, and seem destined by nature to be the breeding countries of Great Britain. [189] The freest importation of foreign cattle could have no other effect than to hinder those breeding countries from taking advantage of the increasing population and improvement of the rest of the kingdom, from raising their price to an exorbitant height, and from laying a real tax upon all the more improved and cultivated parts of the country.<sup>27</sup>

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

<sup>27</sup> See above, I.xi.1.1-7.

from it. It does not appear that the price of butcher's-meat has ever been sensibly affected by it.

20 Even the free importation of foreign corn could very little affect the interest of the farmers of Great Britain. Corn is a much more bulky commodity than butcher's-meat.<sup>28</sup> A pound of wheat at a penny is as dear as a pound of but-[190]cher's-meat at fourpence. The small quantity of foreign corn imported even in times of the greatest scarcity, may satisfy our farmers that they can have nothing to fear from the freest importation. The average quantity imported, one year with another, amounts only, according to the very well informed author of the tracts upon the corn trade,<sup>29</sup> to twenty-three thousand seven hundred and twenty-eight quarters of all sorts of grain, and does not exceed the five hundredth and seventy-one part of the annual consumption.<sup>30</sup> But as the bounty upon corn occasions a greater exportation in years of plenty, so it must of consequence occasion a greater importation in years of scarcity, than <sup>in</sup> the actual state of tillage,<sup>h</sup> would otherwise take place. By means of it, the plenty of one year does not compensate the scarcity of another,<sup>31</sup> and as the average quantity exported is necessarily augmented by it, so must likewise, in the actual state of tillage, the average quantity imported. If there <sup>'was'</sup> no bounty, as less corn would be exported, so it is probable that, one year with another, less would be imported than at present. The corn merchants, the fetchers and carriers of corn, between Great Britain and foreign countries, would have much less employment, and might suffer considerably; but the country gentlemen and farmers could suffer very little. It is in the corn merchants accordingly, rather than in the country gentlemen and farmers, that I have observed the greatest anxiety for the renewal and continuation of the bounty.<sup>32</sup>

21 [191] Country gentlemen and farmers are, to their great honour, of all people, the least subject to the wretched spirit of monopoly.<sup>33</sup> The undertaker of a great manufactory is sometimes alarmed if another work of the same kind is established within twenty miles of him. The Dutch undertaker of the woollen manufacture at Abbeville, stipulated that no work of the

<sup>h-h</sup> 2-6      <sup>i-i</sup> were 4-6

<sup>28</sup> Cf. I.xi.b.12.

<sup>29</sup> Charles Smith, *Three Tracts on the Corn Trade and Corn Laws*, 144-5. Charles Smith is described as 'ingenious and well-informed' at IV.v.a.4. See also IV.v.a.8 and IV.v.b.28. There is a long discussion of the bounty in IV.v.a.

<sup>30</sup> The same figure is quoted at IV.v.b.28. Pownall, *Letter*, 30, disputed these figures: 'It is not the ratio of the quantity of corn exported or imported, and the quantity of the whole stock raised, but the ratio between the *surplus* and this quantity exported or imported, which creates the effect: it is not a ratio of 1/571, but a ratio of 1/15, which acts and operates on the market; it is not the 1/571 part but the 1/15 part which would operate to the depression of the market and the oppression of the farmer'.

<sup>31</sup> See above, I.xi.g.4, and below, IV.v.a.22.

<sup>32</sup> See below, IV.v.a.22, where it is stated that corn merchants are the only set of men to whom the bounty could be 'essentially serviceable'.

<sup>33</sup> Cf. I.xi.a, where Smith discusses the determinants of rent.

same kind should be established within thirty leagues of that city.<sup>34</sup> Farmers and country gentlemen, on the contrary, are generally disposed rather to promote than to obstruct the cultivation and improvement of their neighbours farms and estates. They have no secrets, such as those of the greater part of manufacturers, but are generally rather fond of communicating to their neighbours, and of extending as far as possible any new practice which they have found to be advantageous. *Pius Questus*, says old Cato, *stabilissimusque, minimeque invidiosus; minimeque male cogitantes sunt, qui in eo studio occupati sunt.*<sup>35</sup> Country gentlemen and farmers, dispersed in different parts of the country, cannot so easily combine<sup>36</sup> as merchants and manufacturers, who being collected into towns, and accustomed to that exclusive corporation spirit which prevails in them, naturally endeavour to obtain against all their countrymen, the same exclusive privilege which they generally possess against the inhabitants of their respective towns. They accordingly seem to have been the original inventors of those restraints upon the importation of foreign goods, which secure to them the monopoly of the home-market. It [192] was probably in imitation of them, and to put themselves upon a level with those who, they found, were disposed to oppress them, that the country gentlemen and farmers of Great Britain so far forgot the generosity which is natural to their station, as to demand the exclusive privilege of supplying their countrymen with corn and butcher's-meat.<sup>37</sup> They did not perhaps take time to consider, how much less their interest could be affected by the freedom of trade, than that of the people whose example they followed.

<sup>34</sup> The authority for the extreme statement is not clear. King stated: 'In 1665, He [the King of France] settled Mr. Josas van Robay, a foreign Protestant, at Abbeville in Picardy, and by Letters Patent granted to him and his Workmen the free Exercise of their Religion, and several other very considerable Privileges, which their Families enjoy to this Day. This Clothier fixed the Manufacture of all sorts of Spanish Cloth in that City, and the King lent him by Agreement 2,000 Livres for every Loom he set up, until he had 40 Looms at work; so that he received 80,000 Livres. And at last it was found, he had so well established that Manufacture, that by degrees the Payment of the whole was remitted.' (Charles King, *The British Merchant* (London 1743), ii.82.)

<sup>35</sup> 'At ex agricolis et viri fortissimi et milites strenuissimi gignuntur, maximeque pius quaestus stabilissimusque consequitur minimeque invidiosus, minimeque male cogitantes sunt qui in eo studio occupati sunt. . . . On the other hand, it is from the farming class that the bravest men and the sturdiest soldiers come, their calling is most highly respected, their livelihood is most assured and is looked on with the least hostility, and those who are engaged in that pursuit are least inclined to be disaffected.' (Cato, *De Re Rustica*, introduction, translated by W. D. Hooper, revised by H. B. Ash in Loeb Classical Library (1934), 2-3.)

<sup>36</sup> Smith makes much of the point regarding ease of combination in discussing positions of economic power. See, for example, I.x.c.19, IV.v.b.4,24, IV.viii.34; and cf. I.viii.12, where the point is brought into the discussion of wages. See also IV.viii.4, where Smith discusses the poor bargaining position of those people who were engaged in the production of linen on an outwork basis; and cf. I.x.b.50, where it is remarked that the low rates of return for such workers were partly due to the fact that this was not their sole employment.

<sup>37</sup> See above, IV.i.10. Smith comments on the generosity of country gentlemen at I.xi.p.10.

- 22 To prohibit by a perpetual law the importation of foreign corn and cattle, is in reality to enact, that the population and industry of the country shall at no time exceed what the rude produce of its own soil can maintain.
- 23 There seem, however, to be two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestick industry.
- 24 The first is when some particular sort of industry is necessary for the defence of the country. The defence of Great Britain, for example, depends very much upon the number of its sailors and shipping. The act of navigation,<sup>38</sup> therefore, very properly endeavours to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases, by absolute prohibitions, and in others by heavy burdens upon the shipping of foreign countries. The following are the principal dispositions of this act.
- 25 [193] First, all ships, of which the owners, masters, and three-fourths of the mariners are not British subjects, are prohibited, upon pain of forfeiting ship and cargo, from trading to the British settlements and plantations, or from being employed in the coasting trade of Great Britain.
- 26 Secondly, a great variety of the most bulky articles of importation can be brought into Great Britain only, either in such ships as are above described, or in ships of the country where those goods are produced, and of which the owners, masters, and three-fourths of the mariners, are of that particular country; and when imported even in ships of this latter kind, they are subject to double aliens duty. If imported in ships of any other country, the penalty is forfeiture of ship and <sup>1-2</sup>goods<sup>39</sup>. When this act was made, the Dutch were, what they still are, the great carriers of Europe, and by this regulation they were entirely excluded from being the carriers to Great Britain, or from importing to us the goods of any other European country.
- 27 Thirdly, a great variety of the most bulky articles of importation are prohibited<sup>39</sup> from being imported, even in British ships, from any country but that in which they are produced; under pain of forfeiting ship and cargo. This regulation too was probably intended against the Dutch. Holland was then, as now, the great emporium for all European goods, and by this regulation, British ships were hindered from [194] loading in Holland the goods of any other European country.
- 28 Fourthly, salt fish of all kinds, whale-fins, whale-bone, oil, and blubber,

<sup>1-2</sup> cargo 1-2

<sup>38</sup> 12 Charles II, c. 18 (1660). The provisions of the Navigation Acts are discussed at IV.vii.b.25-35. It is stated at IV.vii.c.19 that the restrictions thus imposed on trade with the colonies had the effect of raising the rate of profit in Great Britain. Smith remarks at IV.vii.c.23 that the provisions of the acts were not strictly enforced for several years after enactment. See also IV.vii.c.97.

<sup>39</sup> The prohibition applied to all foreign goods which could not be imported except in British ships, not only to 'bulky articles of importation'.

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

29 When the act of navigation was made, though England and Holland were not actually at war, the most violent animosity subsisted between the two nations. It had begun during the government of the long parliament, which first framed this act,<sup>40</sup> and it broke out soon after in the Dutch wars during that of the Protector and of Charles the Second. It is not impossible, therefore, that some of the regulations of this famous act may have proceeded from national animosity.<sup>41</sup> They are as wise, however, as if they had all been dictated by the most deliberate wisdom. National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended, the diminution of the naval power of Holland, the only naval power which could endanger the security of England.

30 The act of navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it. The interest of a nation in its commercial relations to foreign [195] nations is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap and to sell as dear as possible. But it will be most likely to buy cheap, when by the most perfect freedom of trade it encourages all nations to bring to it the goods which it has occasion to purchase; and, for the same reason, it will be most likely to sell dear, when its markets are thus filled with the greatest number of buyers. The act of navigation, it is true, lays no burden upon foreign ships that come to export the produce of British industry. Even the antient aliens duty, which used to be paid upon all goods exported as well as imported, has, by several subsequent acts, been taken off from the greater part of the articles of exportation.<sup>42</sup> But if foreigners, either by prohibitions or high duties, are hindered from coming to sell, they cannot always afford to come to buy; because coming without a cargo, they must lose the freight from their own country to Great Britain. By diminishing the number of sellers, therefore, we necessarily diminish that of buyers, and are thus likely not only to buy foreign goods dearer, but to sell our own cheaper, than if there was a more perfect freedom of trade.<sup>43</sup> As defence, however, is

<sup>40</sup> An Act for increase of Shipping, and Encouragement of the Navigation of this Nation (1651). *Acts and Ordinances of the Interregnum*, ed. C. H. Firth and R. S. Rait, ii.559–62.

<sup>41</sup> At IV.iii.a.1 Smith draws a distinction between policies based on partial interests and those which reflect national animosity.

<sup>42</sup> From all except coal by 25 Charles II, c. 6 (1672). The aliens duty is frequently mentioned, for example, at I.x.c.25, IV.iii.c.10, IV.iv.3, and V.ii.k.21.

<sup>43</sup> Cf. ‘Buying is Bartering, and no Nation can buy Goods of others that has none of her own to purchase them with. . . . We know that we could not continue long to purchase

of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.<sup>44</sup>

31 The second case, in which it will generally be advantageous to lay some burden upon foreign for the encouragement of domestick industry, is, when some tax is imposed at home upon the pro-[196]duce of the latter. In this case, it seems reasonable that an equal tax should be imposed upon the like produce of the former. This would not give the monopoly of the home market to domestick industry, nor turn towards a particular employment a greater share of the stock and labour of the country, than what would naturally go to it. It would only hinder any part of what would naturally go to it from being turned away by the tax, into a less natural direction,<sup>45</sup> and would leave the competition between foreign and domestick industry, after the tax, as nearly as possible upon the same footing as before it. In Great Britain, when any such tax is laid upon the produce of domestick industry, it is usual at the same time, in order to stop the clamorous complaints of our merchants and manufacturers, that they will be undersold at home, to lay a much heavier duty upon the importation of all foreign goods of the same kind.

32 This second limitation of the freedom of trade according to some people should, upon some occasions, be extended much <sup>k</sup>further<sup>k</sup> than to the precise foreign commodities which could come into competition with those which had been taxed at home. When the necessaries of life have been taxed in any country, it becomes proper, they pretend, to tax not only the like necessaries of life imported from other countries, but all sorts of foreign goods which can come into competition with any thing that is the produce of domestick industry. Subsistence, they say, becomes necessarily dearer in consequence [197] of such taxes; and the price of labour must always rise with the price of the labourers subsistence.<sup>46</sup> Every commodity, therefore, which is the produce of domestick industry, though not immediately taxed itself, becomes dearer in consequence of such taxes, because the labour which produces it becomes so. Such taxes, therefore, are really equivalent, they say, to a tax upon every particular commodity produced at home. In order to put domestick upon the same footing with

<sup>k-k</sup> farther 4–6

the Goods of other Nations, if they would not take our Manufactures in Payment for them; and why should we judge otherwise of other Nations.’ (Mandeville, *The Fable of the Bees*, pt. i. 111, ed. Kaye i.111.)

<sup>44</sup> It is stated at II.v.30 that the security of Great Britain depends on the ‘number of its sailors and shipping’. Smith also comments on the contribution to national defence which was made by the fishing bounty at IV.v.a. 27. The needs of defence are also cited at IV.v.a.36 as justification for granting bounties on the *exportation* of strategic materials such as gunpowder, in order to encourage their (domestic) manufacture.

<sup>45</sup> See above, IV.ii.3, where Smith distinguishes between the natural and ‘artificial’ uses of stock.

<sup>46</sup> See above, I.viii.52.

foreign industry, therefore, it becomes necessary, they think, to lay some duty upon every foreign commodity, equal to this enhancement of the price of the home commodities with which it can come into competition.

- 33 Whether taxes upon the necessities of life, such as those in Great Britain upon<sup>1</sup> soap, salt, leather, candles, &c. necessarily raise the price of labour, and consequently that of all other commodities, I shall consider hereafter, when I come to treat of taxes.<sup>47</sup> Supposing, however, in the mean time, that they have this effect, and they have it undoubtedly, this general enhancement of the price of all commodities, in consequence of that of labour, is a case which differs in the two following respects from that of a particular commodity, of which the price was enhanced by a particular tax immediately imposed upon it.
- 34 First, it might always be known with great exactness how far the price of such a commodity could be enhanced by such a tax: but how far the general enhancement of the price of labour [198] might affect that of every different commodity, about which labour was employed, could never be known with any tolerable exactness. It would be impossible, therefore, to proportion with any tolerable exactness the tax upon every foreign, to this enhancement of the price of every home commodity.
- 35 Secondly, taxes upon the necessities of life have nearly the same effect upon the circumstances of the people as a poor soil and a bad climate. Provisions are thereby rendered dearer in the same manner as if it required extraordinary labour and expence to raise them. As in the natural scarcity arising from soil and climate, it would be absurd to direct the people in what manner they ought to employ their capitals and industry, so "is it" likewise in the artificial scarcity arising from such taxes. To be left to accommodate, as well as they could, their industry to their situation, and to find out those employments in which, notwithstanding their unfavourable circumstances, they might have some advantage either in the home or in the foreign market, is what in both cases would evidently be most for their advantage. To lay a new tax upon them, because they are already overburdened with taxes, and because they already pay too dear for the necessities of life, to make them likewise pay too dear for the greater part of other commodities, is certainly a most absurd way of making amends.
- 36 Such taxes, when they have grown up to a certain height, are a curse equal to the barren-[199]ness of the earth and the inclemency of the heavens; and yet it is in the richest and most industrious countries that they have been most generally imposed. No other countries could support so great a disorder. As the strongest bodies only can live and enjoy health, under an unwholesome regimen; so the nations only, that in every sort of

<sup>1</sup> malt, beer; <sup>x</sup> <sup>m-m</sup> it is <sup>x</sup>

<sup>47</sup> See above, I.viii.35, and below, V.ii.k.1-12.

industry have the greatest natural and acquired advantages, can subsist and prosper under such taxes. Holland is the country in Europe in which they abound most, and which from peculiar circumstances continues to prosper, not by means of them, as has been most absurdly supposed, but in spite of them.<sup>48</sup>

- 37 As there are two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestick industry; so there are two others in which it may sometimes be a matter of deliberation; in the one, how far it is proper to continue the free importation of certain foreign goods; and in the other, how far, or in what manner it may be proper to restore that free importation after it has been for some time interrupted.
- 38 The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country. Revenge in this case naturally dictates retaliation, and that we should impose the like duties and prohibitions upon the importation of some [200] or all of their manufactures into ours. Nations, accordingly seldom fail to retaliate in this manner. The French have been particularly forward to favour their own manufactures by restraining the importation of such foreign goods as could come into competition with them. In this consisted a great part of the policy of Mr. Colbert,<sup>49</sup> who, notwithstanding his great abilities, seems in this case to have been imposed upon by the sophistry of merchants and manufacturers, who are always demanding a monopoly against their countrymen. It is at present the opinion of the most intelligent men in France that his operations of this kind have not been beneficial to his country.<sup>50</sup> That minister, by the tarif of 1667, imposed very high duties upon a great number of foreign manufactures. Upon his refusing to moderate them in favour of the Dutch, they in 1671 prohibited the importation of the wines, brandies, and manufactures of France. The war of 1672 seems to have been in part occasioned by this commercial dispute. The peace of Nimeguen put an end to it in 1678, by moderating some of those duties in favour of the Dutch, who in consequence took off their prohibition. It was about the same time that the French and English began mutually to oppress each other's industry, by the like duties and prohibitions, of which

<sup>48</sup> See below, V.ii.k.14, 79-80, for comment on this point. It is stated at IV.ix.28 that Quesnay was mistaken in imagining that a country could prosper only 'under a certain precise regimen, the exact regimen of perfect liberty and perfect justice'.

<sup>49</sup> Colbert is mentioned below, IV.ix.3,4, as a man of great industry and acuteness, who had 'unfortunately embraced all the prejudices of the mercantile system'.

<sup>50</sup> Presumably this is a reference to the physiocrats, whose doctrines are reviewed in IV.ix. Cf. IV.ix.49, where it is stated that from one point of view the inconsistencies of physiocratic policy were more marked than those of the mercantile system.

the French, however, seem to have set the first example. The spirit of hostility which has subsisted between the two nations ever since, has hitherto hindered them from being moderated on either [201] side. In 1697 the English prohibited the importation of bonelace, the manufacture of Flanders.<sup>51</sup> The government of that country, at that time under the dominion of Spain, prohibited in return the importation of English woollens. In 1700, the prohibition of importing bonelace into England, was taken off upon condition that the importation of English woollens into Flanders should be put on the same footing as before.<sup>52</sup>

39 There may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compensate the transitory inconveniency of paying dearer during a short time for some sorts of goods. To judge whether such retaliations are likely to produce such an effect, does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or politician,<sup>53</sup> whose councils are directed by the momentary fluctuations of affairs. When there is no probability that any such repeal can be procured, it seems a bad method of compensating the injury done to certain classes of our people, to do another injury ourselves<sup>n</sup>, not only to those classes, but<sup>n</sup> to almost all the other classes of them. When our neighbours prohibit some manufacture of ours, we generally prohibit, not only the same, for that alone would seldom affect them consider-[202]ably, but some other manufacture of theirs. This may no doubt give encouragement to some particular class of workmen among ourselves, and by excluding some of their rivals, may enable them to raise their price in the home-market. Those workmen, however, who suffered by our neighbours prohibition will not be benefited by ours. On the contrary, they and almost all the other classes of our citizens will thereby be obliged to pay dearer than before for certain goods. Every such law, therefore, imposes a real tax upon the whole country, not in favour of that particular class of workmen who were injured by our neighbours prohibition, but of some other class.

40 The case in which it may sometimes be a matter of deliberation, how far,

<sup>n-n</sup> both to those classes and <sup>r</sup>

<sup>51</sup> 14 Charles II, c. 13 (1662) in *Statutes of the Realm*, v.405-6; 13 and 14 Charles II, c. 13 in Ruffhead's edition, and 9 William III, c. 9 (1697) in *Statutes of the Realm*, vii. 304-6; 9 and 10 William III, c. 9 in Ruffhead's edition.

<sup>52</sup> 11 William III, c. 11 (1698) in *Statutes of the Realm*, vii.600; 11 and 12 William III, c. 11 in Ruffhead's edition, to become effective 'three months after the prohibition of the Woollen manufactures in Flanders shall be taken off'.

<sup>53</sup> Cf. LJ (B) 327, ed. Cannan 254: 'They whom we call politicians are not the most remarkable men in the world for probity and punctuality.'

or in what manner it is proper to restore the free importation of foreign goods, after it has been for some time interrupted, is, when particular manufactures, by means of high duties or prohibitions upon all foreign goods which can come into competition with them, have been so far extended as to employ a great multitude of hands.<sup>54</sup> Humanity may in this case require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection. Were those high duties and prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home market, as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence. The dis-[203]order which this would occasion might no doubt be very considerable. It would in all probability, however, be much less than is commonly imagined, for the two following reasons:

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

42 Secondly, though a great number of people should, by thus restoring the freedom of trade, be thrown all at once out of their ordinary employment and common method of subsistence, it [204] would by no means follow that they would thereby be deprived either of employment or subsistence. By the reduction of the army and navy at the end of the late war more than a hundred thousand soldiers and seamen, a number equal to what is employed in the greatest manufactures, were all at once thrown out of their ordinary employment; but, though they no doubt suffered some inconveniency, they were not thereby deprived of all employment and subsistence. The greater

<sup>54</sup> Smith discusses another problem of dislocation in IV.vi.c.44,45, arising from the likely loss of the American trade. He also introduces a qualification to the doctrine of free trade at IV.v.b.39, where he points out that the policy of one country may hinder another from establishing 'what would otherwise be the best policy'.

part of the seamen, it is probable, gradually betook themselves to the merchant-service as they could find occasion, and in the mean time both they and the soldiers were absorbed in the great mass of the people, and employed in a great variety of occupations. Not only no great convulsion, but no sensible disorder arose from so great a change in the situation of more than a hundred thousand men, all accustomed to the use of arms, and many of them to rapine and plunder. The number of vagrants was scarce anywhere sensibly increased by it, even the wages of labour were not reduced by it in any occupation, so far as I have been able to learn, except in that of seamen in the merchant-service.<sup>55</sup> But if we compare together the habits of a soldier and of any sort of manufacturer, we shall find that those of the latter do not tend so much to disqualify him from being employed in a new trade, as those of the former from being employed in any. The manufacturer has always been accustomed to look for his subsistence from his labour only: the soldier to expect it from his pay. [205] Application and industry have been familiar to the one; idleness and dissipation to the other. But it is surely much easier to change the direction of industry from one sort of labour to another, than to turn idleness and dissipation to any. To the greater part of manufactures besides, it has already been observed,<sup>56</sup> there are other collateral manufactures of so similar a nature, that a workman can easily transfer his industry from one of them to another. The greater part of such workmen too are occasionally employed in country labour. The stock which employed them in a particular manufacture before, will still remain in the country to employ an equal number of people in some other way. The capital of the country remaining the same, the demand for labour will likewise be the same, or very nearly the same, though it may be exerted in different places and for different occupations. Soldiers and seamen, indeed, when discharged from the king's service, are at liberty to exercise any trade, within any town or place of Great Britain or Ireland.<sup>57</sup> Let the same natural liberty of exercising what species of industry they please be restored to all his majesty's subjects, in the same manner as to soldiers and seamen; that is, break down the exclusive privileges of corporations, and repeal the statute of apprenticeship, both which are real encroachments upon natural liberty, and add to these the repeal of the law of settlements, so that a poor workman, when thrown out of employment either in one trade or in one place, may seek for it in [206] another trade or in another place, without the fear either of a prosecution or of a removal, and neither the publick nor the individuals will suffer much more from the occasional disbanding some particular classes of manufacturers, than from

<sup>55</sup> See above, I.x.b.45.

<sup>56</sup> Above, I.x.c.43.

<sup>57</sup> The privilege was given after particular wars by 12 Charles II, c. 16 (1660); 12 Anne, c. 14 (1712) in *Statutes of the Realm*, ix.791–3; 12 Anne, st.1, c. 13 in Ruffhead's edition, and 3 George III, c. 8 (1762). See above, I.x.c.9.

that of soldiers.<sup>58</sup> Our manufacturers have no doubt great merit with their country, but they cannot have more than those who defend it with their blood, nor deserve to be treated with more delicacy.

43 To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter enflame their workmen, to attack with violence and outrage the proposers of any such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature.<sup>59</sup> The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest publick services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.

44 The undertaker of a great manufacture who, by the home markets being suddenly laid open to the competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very considerably. That part of his capital which had usually been employed in purchasing materials and in paying his workmen, might, without much difficulty, perhaps, find another employment. But that part of it which was fixed in workhouses, and in the instruments of trade, could scarce be disposed of without considerable loss. The equitable regard, therefore, to his interest requires that changes of this kind should never be introduced suddenly, but slowly, gradually, and after a very long warning. The legislature, were it possible

<sup>58</sup> The obstructions caused by the corporation laws and the Poor Laws are discussed above, I.x.c.

<sup>59</sup> See above, I.xi.p.10, where Smith points out that mercantile groups may influence the legislature. Cf. I.viii.13, I.x.c.61, IV.vii.b.49, IV.viii.17, and V.i.e.4.

that its deliberations could be always directed, not by the clamorous [208] importance of partial interests, but by an extensive view of the general good, ought upon this very account, perhaps, to be particularly careful neither to establish any new monopolies of this kind, nor to extend further those which are already established. Every such regulation introduces some degree of real disorder into the constitution of the state,<sup>60</sup> which it will be difficult afterwards to cure without occasioning another disorder.

45 How far it may be proper to impose taxes upon the importation of foreign goods, in order, not to prevent their importation, but to raise a revenue for government, I shall consider hereafter when I come to treat of taxes.<sup>61</sup> Taxes imposed with a view to prevent, or even to diminish importation, are evidently as destructive of the revenue of the customs as of the freedom of trade.

<sup>60</sup> TMS VI.ii.2.8 states that: 'Upon the manner in which any state is divided into the different orders and societies which compose it . . . depends what is called the constitution of that particular state.' For a more conventional use of the term, see below, IV.vii.c.77. In the chapter of the TMS above cited, Smith spends a good deal of time in describing the 'subaltern' societies which comprise the state and the loyalties which they attract; an interesting emphasis when we recall that Part VI was the last major piece of work which Smith completed, together with the emphasis given to economic pressure groups, especially in WN IV.

<sup>61</sup> Below, V.ii.k.57–65.

### CHAPTER III

#### *Of the extraordinary Restraints upon the Importation of Goods of almost all Kinds, from those Countries with which the Balance is supposed to be disadvantageous*

##### <sup>a</sup>PART I

###### *Of the Unreasonableness of those Restraints even upon the Principles of the Commercial System<sup>a</sup>*

I To lay extraordinary restraints upon the importation of goods of almost all kinds, from those particular countries with which the balance of trade is supposed to be disadvantageous, is the second expedient by which the commercial system proposes to increase the quantity of gold and silver.<sup>b</sup> Thus in Great Britain Silesia lawns may be imported for home consumption, upon paying certain duties. But French cambricks and lawns are prohibited to be imported, except into the port of London, there to be warehoused for exportation.<sup>1</sup> Higher duties are imposed upon the wines of France than upon those of Portugal, or indeed of any other country. By what is called the impost 1692, a duty of five and twenty per cent., of the rate or value, was laid upon all French goods;<sup>2</sup> while the goods of other nations were, the greater part of them, subjected to much lighter duties, seldom exceeding-[210]ing five per cent. The wine, brandy, salt and vinegar of France were indeed excepted; these commodities being subjected to other heavy duties, either by other laws, or by particular clauses of the same law. In 1696, a second duty of twenty-five per cent., the first not having been thought a sufficient discouragement, was imposed upon all French goods, except brandy; together with a new duty of five and twenty pounds upon the ton of French wine, and another of fifteen pounds upon the ton of French vinegar.<sup>3</sup> French goods have never been omitted in any of those general subsidies, or duties of five per cent., which have been imposed upon all, or the greater part of the goods enumerated in the book of rates. If we count the one third and two third subsidies<sup>4</sup> as making a

<sup>a-a</sup> 2A-6

<sup>b-b</sup> [to 3rd last sentence of § 1] Thus in Great Britain higher duties are laid upon the wines of France than upon those of Portugal. German linen may be imported upon paying certain duties; but French linen is altogether prohibited. 1-2 text 2A-6

<sup>1</sup> 18 George II, c.36 (1744); 21 George II, c.26 (1747); 32 George II, c.32 (1758); 7 George III, c.43 (1766). See below, IV.iv.7 and IV.viii.4.

<sup>2</sup> 4 William and Mary, c.5 (1692). See below, IV.iv.9.

<sup>3</sup> 7 and 8 William III, c.20 (1695). Wine and vinegar, as well as brandy, were not subject to the general increase of 25 per cent. The additional duties on brandy were £30 a tun on single proof and £60 a tun on double proof. See below, IV.iv.8,9 and IV.viii.43.

<sup>4</sup> See below, IV.iv.9 and V.ii.k.23.