

Principles of Political Economy
Considered with a View to Their
Practical Application

Chapter I
Of the Definitions of Wealth and of
Productive Labour.

by
T. R. Malthus

The Rev. T. R. Malthus,
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Introduction, and
Chapter I—Of the Definitions of Wealth and of Productive Labour
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Introduction.

It has been said, and perhaps with truth, that the conclusions of Political Economy partake more of the certainty of the stricter sciences than those of most of the other branches of human knowledge. Yet we should fall into a serious error if we were to suppose that any propositions, the practical results of which depend upon the agency of so variable a being as I can, and the qualities of so variable a compound as the soil, can ever admit of the same kinds of proof, or lead to the same certain conclusions, as those which relate to figure and number. There are indeed in political economy great general principles, to which exceptions are of the most rare occurrence, and prominent land-marks which may almost always be depended upon as safe guides; but even these, when examined, will be found to resemble in most particulars the great general rules in morals and politics founded upon the known passions and propensities of human nature: and whether we advert to the qualities of man, or of the earth he is destined to cultivate, we shall be compelled to acknowledge, that the science of political economy bears a nearer resemblance to the science of morals and politics than to that of mathematics.

This conclusion, which could hardly fail to be formed merely from a view of the subjects about which political economy is conversant, is further strengthened by the differences of opinion which have prevailed among those who have directed a large share of talent and attention to this study.

During the prevalence of the mercantile system, the interest which the subject excited was confined almost exclusively to those who were engaged in the details of commerce, or expected immediate benefit from its results. The differences which prevailed among merchants and statesmen, which were differences rather in practice than principle, were not calculated to attract much attention. But no sooner was the subject raised into a science by the works of the French Economists and of Adam Smith, than a memorable schism divided, for a considerable time, the students of this new branch of knowledge, on the fundamental questions—What is wealth? and from what source or sources is it derived?

Happily for the interests of the science and its usefulness to society, the Economists and Adam Smith entirely agreed on some of

those great general principles which lead to the most important practical conclusions; such as the freedom of trade, and the leaving every person, while he adheres to the rules of justice, to pursue his own interest his own way, together with some others: and unquestionably their agreement on these principles affords the strongest presumption of their truth. Yet the differences of the Economists and Adam Smith were not mere differences in theory; they were not different interpretations of the same phenomena, which would have no influence on practice; but they involved such views of the nature and origin of wealth, as, if adopted, would lead, in almost every country, to great practical changes particularly on the very important subject of taxation.

Since the æra of these distinguished writers, the subject has gradually attracted the attention of a greater number of persons, particularly during the last twenty or thirty years. All the main propositions of the science have been examined, and the events which have since occurred, tending either to illustrate or confute them, have been repeatedly discussed. The result of this examination and discussion seems to be, that on some very important points there are still great differences of opinion. Among these, perhaps, may be reckoned—The definitions of wealth and of productive labour—The nature and measures of value—The nature and extent of the principles of demand and supply—The origin and progress of rent—The causes which determine the wages of labour and the profits of stock—The causes which practically retard and limit the progress of wealth—The level of the precious metals in different countries—The principles of taxation, &c. On all these points, and many others among the numerous subjects which belong to political economy, differences have prevailed among persons whose opinions are entitled to attention. Some of these questions are to a certain degree theoretical; and the solution of them, though obviously necessary to the improvement of the science, might not essentially affect its practical rules; but others are of such a nature, that the determination of them one way or the other will necessarily influence the conduct both of individuals and of governments; and their correct determination therefore must be a matter of the highest practical importance.

In a science such as that of political economy, it is not to be expected that an universal assent should be obtained to all its important

propositions; but, in order to give them their proper weight and justify their being acted upon, it is extremely desirable, indeed almost necessary, that a considerable majority of those who, from their attention to the subject, are considered by the public as likely to be the most competent judges, should agree in the truth of them. Among those writers who have treated the subject scientifically, there is not perhaps, at the present moment, so general an agreement as would be desirable to give effect to their conclusions; and the writers who peculiarly call themselves practical, either draw no general inferences, or are so much influenced by narrow, partial, and sometimes interested views, that no reliance can be placed on them for the establishment of general rules. The last twenty or thirty years have besides been marked by a train of events of a most extraordinary kind; and there has hardly yet been time so to arrange and examine them as to see to what extent they confirm or invalidate the received principles of the science to which they relate.

The present period, therefore, seems to be unpropitious to the publication of a new systematic treatise on political economy. The treatise which we already possess is still of the very highest value; and till a more general agreement shall be found to take place, both with respect to the controverted points of Adam Smith's work, and the nature and extent of the additions to it, which the more advanced stage of the science has rendered necessary, it is obviously more advisable that the different subjects which admit of doubt should be treated separately. When these discussions have been for some time before the public, and a sufficient opportunity has been given, by the collision of different opinions and an appeal to experience, to separate what is true from what is false, the different parts may then be combined into a consistent whole, and may be expected to carry with it such weight and authority as to produce the most useful practical results.

The principal cause of error, and of the differences which prevail at present among the scientific writers on political economy, appears to me to be a precipitate attempt to simplify and generalize. While their more practical opponents draw too hasty inferences from a frequent appeal to partial facts, these writers run into a contrary extreme, and do not sufficiently try their theories by a reference to that

enlarged and comprehensive experience which on so complicated a subject, can alone establish their truth and utility.

To minds of a certain cast there is nothing so captivating as simplification and generalization. It is indeed the desirable and legitimate object of genuine philosophy, whenever it can be effected consistently with truth; and for this very reason, the natural tendency towards it has, in almost every science with which we are acquainted, led to crude and premature theories.

In political economy the desire to simplify has occasioned an unwillingness to acknowledge the operation of more causes than one in the production of particular effects; and if one cause would account for a considerable portion of a certain class of phenomena, the whole has been ascribed to it without sufficient attention to the facts, which would not admit of being so solved. I have always thought that the late controversy on the bullion question presented a signal instance of this kind of error. Each party being possessed of a theory which would account for an unfavourable exchange, and an excess of the market price above the mint price of bullion, adhered to that single view of the question, which it had been accustomed to consider as correct; and scarcely one writer seemed willing to admit of the operation of both theories, the combination of which, sometimes acting in conjunction and sometimes in opposition, could alone adequately account for the variable and complicated phenomena observable.¹

It is certain that we cannot too highly respect and venerate that admirable rule of Newton, not to admit more causes than are necessary to the solution of the phenomena we are considering; but the rule itself implies, that those which really are necessary must be admitted. Before the shrine of truth, as discovered by facts and experience, the fairest theories and the most beautiful classifications must fall. The chemist of thirty years ago may be allowed to regret, that new discoveries in the science should disturb and confound his previous systems and arrangements; but he is not entitled to the rank of

¹ It must be allowed, however, that the theory of the Bullionists, though too exclusive, accounted for much the largest proportion of the phenomena in question; and perhaps it may be said with truth that the *Bullion Report* itself was more free from the error I have adverted to than any other work that appeared.

philosopher, if he does not give them up without a struggle, as soon as the experiments which refute them are fully established.

The same tendency to simplify and generalize, produces a still greater disinclination to allow of modifications, limitations, and exceptions to any rule or proposition, than to admit the operation of more causes than one. Nothing indeed is so unsatisfactory, and gives so unscientific and unmasterly an air to a proposition as to be obliged to make admissions of this kind; yet there is no truth of which I feel a stronger conviction than that there are many important propositions in political economy which absolutely require limitations and exceptions; and it may be confidently stated that the frequent combination of complicated causes, the action and reaction of cause and effect on each other, and the necessity of limitations and exceptions in a considerable number of important propositions, form the main difficulties of the science, and occasion those frequent mistakes which it must be allowed are made in the prediction of results.

To explain myself by an instance. Adam Smith has stated, that capitals are increased by parsimony, that every frugal man is a public benefactor,² and that the increase of wealth depends upon the balance of produce above consumption.³ That these propositions are true to a great extent is perfectly unquestionable. No considerable and continued increase of wealth could possibly take place without that degree of frugality which occasions, annually, the conversion of some revenue into capital, and creates a balance of produce above consumption; but it is quite obvious that they are not true to an indefinite extent, and that the principle of saving, pushed to excess, would destroy the motive to production. If every person were satisfied with the simplest food, the poorest clothing, and the meanest houses, it is certain that no other sort of food, clothing, and lodging would be in existence; and as there would be no adequate motive to the proprietors of land to cultivate well, not only the wealth derived from conveniences and luxuries would be quite at an end, but if the same divisions of land continued, the production of food would be prematurely checked, and population would come to a stand long before the soil had been well cultivated. If consumption exceed production, the

² *Wealth of Nations*, Book II. c. iii. pp. 15-18, 6th edit.

³ Book IV. c. iii. p. 250.

capital of the country must be diminished, and its wealth must be gradually destroyed from its want of power to produce; if production be in a great excess above consumption, the motive to accumulate and produce must cease from the want of an effectual demand in those who have the principal means of purchasing. The two extremes are obvious; and it follows that there must be some intermediate point, though the resources of political economy may not be able to ascertain it, where, taking into consideration both the power to produce and the will to consume, the encouragement to the increase of wealth is the greatest.

The division of landed property presents another obvious instance of the same kind. No person has ever for a moment doubted that the division of such immense tracts of land as were formerly in possession of the great feudal proprietors must be favourable to industry and production. It is equally difficult to doubt that a division of landed property may be carried to such an extent as to destroy all the benefits to be derived from the accumulation of capital and the division of labour, and to occasion the most extended poverty. There is here then a point as well as in the other instance, though we may not know how to place it, where the division of property is best suited to the actual circumstances of the society, and calculated to give the best stimulus to production and to the increase of wealth and population. It follows clearly that no general rule can be laid down respecting the advantage to be derived from saving, or the division of property, without limitations and exceptions; and it is particularly worthy of attention that in cases of this kind, where the extremes are obvious and striking, but the most advantageous mean cannot be marked, that in the progress of society effects may be produced by an unnoticed approximation to this middle point, which are attributed to other causes, and lead to false conclusions.

The tendency to premature generalization occasions also, in some of the principal writers on political economy, an unwillingness to bring their theories to the test of experience. I should be the last person to lay an undue stress upon isolated facts, or to think that a consistent theory, which would account for the great mass of phenomena observable, was immediately invalidated by a few discordant appearances, the reality and the bearings of which there might not have been an opportunity of fully examining. But certainly no theory can

have any pretension to be accepted as correct, which is inconsistent with general experience. Such inconsistency appears to me at once a full and sufficient reason for its rejection. Under such circumstances it must be either radically false, or essentially incomplete; and in either case, it can neither be adopted as a satisfactory solution of existing phenomena, nor acted upon with any degree of safety for the future.

The first business of philosophy is to account for things as they are; and till our theories will do this, they ought not to be the ground of any practical conclusion. I should never have had that steady and unshaken confidence in the theory of population which I have invariably felt, if it had not appeared to me to be confirmed, in the most remarkable manner, by the state of society as it actually exists in every country with which we are acquainted. To this test I appealed in laying it down; and a frequent appeal to this sort of experience is pre-eminently necessary in most of the subjects of political economy, where various and complicated causes are often in operation, the presence of which can only be ascertained in this way. A theory may appear to be correct, and may really be correct under given premises; it may further appear that these premises are the same as those under which the theory is about to be applied; but a difference which might before have been unobserved, may shew itself in the difference of the results from those which were expected; and the theory may justly be considered as failing, whether this failure arises from an original error in its formation, or from its general inapplicability, or specific misapplication, to actual circumstances.

Where unforeseen causes may possibly be in operation, and the causes that are foreseen are liable to great variations in their strength and efficacy, an accurate yet comprehensive attention to facts is necessary, both to prevent the multiplication of erroneous theories, and to confirm and sanction those that are just.

The science of political economy is essentially practical, and applicable to the common business of human life. There are few branches of human knowledge where false views may do more harm, or just views more good. I cannot agree, therefore, with a writer in one of our most popular critical journals, who considers the subjects of population, bullion, and corn laws in the same light as the scholastic questions of the middle ages, and puts marks of admiration to

them expressive of his utter astonishment that such perishable stuff should engage any portion of the public attention.⁴

In the very practical science of political economy perhaps it might be difficult to mention three subjects more practical than those unfortunately selected for a comparison with scholastic questions. But in fact, most of the subjects which belong to it are peculiarly applicable to the common concerns of mankind. What shall we say of all the questions relating to taxation, various and extensive as they are? It will hardly be denied that they come home to the business and bosoms of mankind. What shall we say of the laws which regulate exchangeable value, or every act of purchase and exchange which takes place in our markets? What of the laws which regulate the profits of stock, the interest of money, the rent of land, the value of the precious metals in different countries, the rates of exchange, &c. &c.?

The study of the laws of nature is, in all its branches, interesting. Even those physical laws by which the more distant parts of the universe are governed, and over which, of course, it is impossible for man to have the slightest influence, are yet noble and rational objects of curiosity; but the laws which regulate the movements of human society have an infinitely stronger claim to our attention, both because they relate to objects about which we are daily and hourly conversant, and because their effects are continually modified by human interference.

There are some eminent persons so strongly attached to the general rules of political economy, that, though they are aware that in practice some exceptions to them may occasionally occur; yet they do not think it wise and politic to notice them, for fear of directing the public attention too much and too frequently to exceptions, and thus weakening the force and utility of the general rules. In this conclusion, however, I cannot agree with them. If the consequences of not attending to such exceptions were of sufficient magnitude and frequency to be conspicuous to the public, I should be decidedly of opinion that the cause of general principles was much more likely to lose than to gain by concealment.

It is, for instance, a just and general rule in political economy, that the wealth of a particular nation is increased by the increasing wealth

⁴ *Quarterly Review*, No. xxix. Art. viii.

and prosperity of surrounding states; and unquestionably there cannot be a more obvious truth than that, if these states are not successful competitors in those branches of trade in which the particular nation had excelled, their increasing wealth must tend to increase the demand for its products, and call forth more effectively its resources. But if this rule be repeatedly insisted upon without noticing the above most important limitation, how is the student in political economy to account for some of the most prominent and best attested facts in the history of commerce. How is he to account for the rapid failure of the resources of Venice under the increasing wealth of Portugal and the rest of Europe, after the discovery of a passage to India by the Cape of Good Hope; the stagnation of the industry of Holland, when the surrounding nations grew sufficiently rich to undertake their own carrying trades, the increasing trade and wealth of Great Britain, during the war of the French Revolution, under the diminishing trade and increasing poverty of the greatest part of Europe, and the comparative distress of America, when other states were enabled to participate in those trades, which as a neutral she had carried on during a great part of the late war with such signal success. It is not favourable to the science of political economy, that the same persons who have been laying down a rule as universal should be obliged to found their explanations of most important existing phenomena on the exceptions to it. It is surely much better that such a rule should be laid down at first with its limitations. Nothing can tend so strongly to bring theories and general principles into discredit as the occurrence of consequences, from particular premises, which have not been foreseen. Though in reality such an event forms no just objection to theory, in the general and proper sense of the term; yet it forms a most valid objection to the specific theory in question, as proving it in some way or other wrong; and with the mass of mankind this will pass for an impeachment of general principles, and of the knowledge or good faith of those who are in the habit of inculcating them. It appears to me, I confess, that the most perfect sincerity, together with the greatest degree of accuracy attainable, founded upon the most comprehensive view of all the circumstances of the case, are necessary to give that credit and circulation to general principles which is so desirable. And no views of temporary advantage, nor, what is more likely to operate, the fear of destroying

the simplicity of a general rule, should ever tempt us to deviate from the strict line of truth, or to conceal or overlook any circumstances that may interfere with the universality of the principle.

There is another class of persons who set a very high value upon the received general rules of political economy, as of the most extensive practical use. They have seen the errors of the mercantile system, refuted and replaced by a more philosophical and correct view of the subject; and having made themselves masters of the question so far, they seem to be satisfied with what they have got, and do not look with a favorable eye on new and further inquiries, particularly if they do not see at once clearly and distinctly to what beneficial effects they lead.

This indisposition to innovation, even in science, may possibly have its use, by tending to check crude and premature theories; but it is obvious that, if carried too far, it strikes at the root of all improvement. It is impossible to observe the great events of the last twenty-five years in their relation to subjects belonging to political economy, and sit down satisfied with what has been already done in the science. But if the science be manifestly incomplete, and yet of the highest importance, it would surely be most unwise to restrain inquiry, conducted upon just principles, even where the immediate practical utility of it was not visible. In mathematics, chemistry, and every branch of natural philosophy, how many are the inquiries necessary to their improvement and completion, which, taken separately, do not appear to lead to any specifically advantageous purpose! How many useful inventions, and how much valuable and improving knowledge would have been lost, if a rational curiosity and a mere love of information had not generally been allowed to be a sufficient motive for the search after truth!

I should not, therefore, consider it as by any means conclusive against further inquiries in political economy, if they would not always bear the rigid application of the test of *cui bono*? But such, in fact, is the nature of the science, so intimately is it connected with the business of mankind, that I really believe more of its propositions will bear this test than those of any other department of human knowledge.

To trace distinctly the operations of that circle of causes and effects in political economy which are acting and re-acting on each

other, so as to foresee their results, and lay down general rules accordingly, is, in many cases, a task of very great difficulty. But there is scarcely a single inquiry belonging to these subjects, however abstruse and remote it may at first sight appear, which in some point or other does not bear directly upon practice. It is unquestionably desirable, therefore, both with a view to the improvement and completion of the science, and the practical advantages which may be expected from it, that such inquiries should be pursued; and no common difficulty or obscurity should be allowed to deter those who have leisure and ability for such researches.

In many cases, indeed, it may not be possible to predict results with certainty, on account of the complication of the causes in action, the different degrees of strength and efficacy with which they may operate, and the number of unforeseen circumstances which are likely to interfere; but it is surely knowledge of the highest importance to be able to draw a line, with tolerable precision, between those cases where the expected results are certain, and those where they are doubtful; and further to be able satisfactorily to explain, in the latter case, the reasons of such uncertainty.

To know what can be done, and how to do it, is beyond a doubt, the most valuable species of information. The next to it is, to know what cannot be done, and why we cannot do it. The first enables us to attain a positive good, to increase our powers, and augment our happiness: the second saves us from the evil of fruitless attempts, and the loss and misery occasioned by perpetual failure.

But these inquiries demand more time and application than the practical statesman, whom of all others they most nearly concern, can give to them. In the public measures of every state all are, no doubt, interested; but a peculiar responsibility, as well as interest, must be felt by those who are the principal advisers of them, and have the greatest influence in their enactment; and if they have not leisure for such researches themselves, they should not be unwilling, under the guidance of a sound discretion, to make use of the advantages which may be afforded by the leisure of others. They will not indeed be justified in taking any decided steps, if they do not themselves see, or at least think they see, the way they are going; but they may be fairly expected to make use of all the lights which are best

calculated to illumine their way, and enable them to reach the object which they have in view.

It may perhaps be thought that, if the great principle so ably maintained by Adam Smith be true, namely, that the best way of advancing a people towards wealth and prosperity is not to interfere with them, the business of government, in matters relating to political economy, must be most simple and easy.

But it is to be recollected, in the first place, that there is a class of duties connected with these subjects, which, it is universally acknowledged, belongs to the Sovereign; and though the line appears to be drawn with tolerable precision, when it is considered generally; yet when we come to particulars, doubts may arise, and certainly in many instances have arisen, to the subjects to be included in this classification. To what extent education and the support of the poor should be public concerns? What share the Government should take in the construction and maintenance of roads, canals, public docks? What course it should adopt with regard to colonization and emigration, and in the support of forts and establishments in foreign countries? On all these questions, and many others, there may be differences of opinion; and on all these questions the sovereign and his ministers are called upon to decide.

Secondly, every actual government has to administer a body of laws relating to agriculture, manufactures, and commerce, which was formed at a period comparatively unenlightened, and many of which, therefore, it must be very desirable to repeal. To remain inactive in such a state of things, can only be justified by a conviction, founded on the best grounds, that in any specific change contemplated, taken in all its consequences, the balance of evil will preponderate; while to proceed straight forward in the rigid application of general principles without any reference to the difficulties created by the existing laws of the country, and its actual situation and circumstances, might plunge it into such complicated distress, as not only to excite the public indignation against the authors of such measures, but to bring permanent discredit upon the principles which had prompted them.⁵

⁵ Measures calculated to terminate in a rise in the value of money might be little felt in a country without a national debt; but with a large money amount to be paid

Thirdly, there is one cause in every state which absolutely impels the government to action, and puts an end to the possibility of letting things alone. This is the necessity of taxation; and as taxes cannot, in the nature of things, be imposed without interfering with individual industry and wealth, it becomes a matter of the very highest importance to know how they may take place with the least possible prejudice to the prosperity of the state, and the happiness of individuals.

With regard to this latter subject indeed, it bears on so many points, that the truth or falsehood of the theories on all the principal questions in political economy would occasion, or at least ought to occasion, a practical difference in the mode of raising some of the actual taxes. It is well known that, if the theory of the Economists were true, all taxes should be laid on the land; and it depends entirely upon the general laws which regulate the wages of labour, the profits of stock, the rent of land, exchangeable value, the currencies of different countries, the production and distribution of wealth, &c. &c. whether any existing system of taxation be the best, or whether it might be altered for the better.

It is obviously, therefore, impossible for a government strictly to let things take their natural course; and to recommend such a line of conduct, without limitations and exceptions, could not fail to bring disgrace upon general principles, as totally inapplicable to practice.

It may, however, safely be asserted, that a propensity to govern too much is a certain indication of ignorance and rashness: The ablest physicians are the most sparing in the use of medicine, and the most inclined to trust to the healing power of nature. The statesman, in like manner, who knows the most of his business, will be the most unwilling to interrupt the natural direction of industry and capital. But both are occasionally called upon to interfere, and the more science they respectively possess, the more judiciously will they do it; nor will the acknowledged propriety of interfering but little supersede, in any degree, the use of the most extensive professional knowledge in both cases.

One of the specific objects of the present work is to prepare some of the most important rules of political economy for practical appli-

annually to public creditors, they might occasion a distribution of property most unfavourable to production.

cation, by a frequent reference to experience, and by endeavouring to take a comprehensive view of all the causes that concur in the production of particular phenomena.

In this mode of conducting inquiry, there is, no doubt, a chance of falling into errors of an opposite kind to those which arise from a tendency to simplification. Certain appearances, which are merely co-existent and incidental, may be mistaken for causes; and a theory formed upon this mistake will unite the double disadvantage of being both complex and incorrect. Adam Smith has occasionally fallen into this error, and drawn inferences from actual appearances, not warranted by general principles. From the low price of wheat, for instance, during the first half of the last century, he seems to have inferred that wheat is generally cheaper in rich than in poor countries; and from the small quantity of corn actually imported during that period, even in the scarcest years, he has inferred generally, that the quantity imported can never be such as to interfere with the home growth. The actual state of things at a subsequent period, and particularly during the last twenty-five years, has sufficiently shewn that these appearances were merely incidental; that a very rich country may have its corn extremely dear, as we should naturally expect; and that importation in England has amounted to more than 1/10 instead of 1/517⁶ part of the crop raised in the country; and may, therefore, to a considerable extent, interfere with the home growth.

Aware, however, of my liability to this error on the one side, and to the error of not referring sufficiently to experience on the other, my aim will be to pursue, as far as I am able, a just mean between the two extremes, and to approach, as near as I can, to the great object of my research—the truth.

Many of the doctrines of Adam Smith, which had been considered as settled, have lately been called in question by writers entitled to great attention; but they have often failed, as it appears to me, to make good their objections; and in all such cases I have thought it desirable to examine anew, with reference to such objections, the grounds on which his doctrines are founded.

It has been my wish to avoid giving to my work a controversial air. Yet to free it entirely from controversy, while one of my pro-

⁶ *Wealth of Nations*, B. IV. c. ii. p. 190. 6th edit.

fessed objects is to discuss controverted opinions, and to try their truth by a reference to an enlarged experience, is obviously not possible. There is one modern work, in particular, of very high reputation, some of the fundamental principles of which have appeared to me, after the most mature deliberation, to be erroneous; and I should not have done justice to the ability with which it is written, to the high authority of the writer, and the interests of the science of which it treats, if it had not specifically engaged a considerable portion of my attention. I allude to Mr. Ricardo's work, *On the Principles of Political Economy and Taxation*.

I have so very high an opinion of Mr. Ricardo's talents as a political economist, and so entire a conviction of his perfect sincerity and love of truth, that I frankly own I have sometimes felt almost staggered by his authority, while I have remained unconvinced by his reasonings. I have thought that I must unaccountably have overlooked some essential points, either in my own view of the subject, or in his; and this kind of doubt has been the principal reason of my delay in publishing the present volume. But I shall hardly be suspected of not thinking for my self on these subjects, or of not feeling such a degree; of confidence in my own conclusions, after having taken full time to form them, as to be afraid of submitting them to the decision of the public.

To those who are not acquainted with Mr. Ricardo's work, and do not properly appreciate the ingenuity and consistency of the system which it maintains and develops with so much ability, I am apprehensive that I shall appear to have dwelt too long upon some of the points on which we differ. But as they are, for the most part, of great importance both theoretically and practically, and as it appeared to me extremely desirable, with a view to the interests of the science, that they should, if possible, be settled, I did not feel myself justified in giving less time to the consideration of them.

I am far from saying that I may not be wrong in the conclusions at which I have arrived, in opposition to those of Mr. Ricardo. But I am conscious that I have taken all the means to be right, which patient investigation and a sincere desire to get at the truth can give to the actual powers of my understanding. And with this consciousness, both with respect to the opinions I have opposed, and those which I

have attempted to establish, I feel no reluctance in committing the results to the decision of the public.

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East India College, Dec. 1, 1819.

Chapter I.—Of the Definitions of Wealth and of Productive Labour.

Section I.—On the Definitions of Wealth.

Of the subjects which have given rise to differences of opinion among political economists, the definition of wealth is not the least remarkable. Such differences could hardly have taken place, if the definition had been obvious and easy; but in reality, the more the subject is considered, the more it will appear difficult, if not impossible to fix on one not liable to some objection. In a work, however, on a science, the great object of which is, to inquire into the causes which influence the progress of wealth, it must be of use to describe as distinctly as the nature of the subject will admit, what is meant by that wealth the increase or decrease of which we are about to estimate: and if we cannot arrive at perfect accuracy, so as to embrace all we wish, and to exclude all we wish in some short definition, it seems desirable to approach as near to it as we can. It is known not to be very easy to draw a distinct line between the animal, vegetable, and mineral kingdoms; yet the advantages of such a classification are universally acknowledged; and no one on account of a difficulty, in a few cases of little importance would refuse to the use of so convenient an arrangement.

It has sometimes been said, that every writer is at liberty to define his terms as he pleases, provided he always uses them strictly in the sense proposed. Such a liberty however may be fairly questioned; at least, it must be allowed that if a person chooses to give a very unusual and inadequate definition in reference to the subject on which he proposes to treat, he may at once render his inquiries completely futile. If for instance, a writer professing to treat of the wealth of nations were to define wealth as consisting exclusively of broad cloth, it is obvious that however consistent he might be in the use of his terms, or however valuable a treatise he might produce on this one article, he would have given very little information to those who were looking for a treatise on wealth according to any common or useful acceptance of the term.

So important indeed is an appropriate definition, that perhaps it is not going too far to say, that the comparative merits of the system of

the *Economists*,⁷ and of that of Adam Smith depend upon their different definitions of wealth, and of productive labour. If the definitions which the economists have given of wealth and of productive labour, be the most useful and correct, their system, which is founded on them, is the correct one. If the definitions which Adam Smith has given of these terms accord best with the sense in which they are usually applied, and embrace more of the objects, the increase or decrease of which we wish to make the subject of our inquiry, his system must be considered as superior both in utility and correctness.

Of those writers who have either given a regular definition of wealth, or have left the sense in which they understand the term to be collected from their works, some appear to have confined it within too narrow limits, and others to have extended it greatly too far. In the former class the *Economists* stand preeminent. They have confined wealth or riches to the neat produce derived from the land, and in so doing they have greatly diminished the value of their inquiries in reference to the most familiar and accustomed sense in which the term wealth is understood.

Among the definitions which have extended the meaning of the term wealth too far, Lord Lauderdale's may be taken as an example. He defines wealth to be, "All that man desires as useful and delightful to him."

This definition obviously includes every thing whether material or intellectual, whether tangible or otherwise, which contributes to the advantage or pleasure of mankind, and of course includes the benefits and gratifications derived from religion, from morals, from political and civil liberty, from oratory, from instructive and agreeable conversation, from music, dancing, acting, and all personal qualities and services. It is certain, however, that an inquiry into the nature and causes of all these kinds of wealth, would not only extend beyond the bounds of any single science, but would occasion so great a change in the use of common terms as to introduce the utmost confusion into the language of political economists. It would be impossible

⁷ The reader will understand that when the term the *Economists* is used, it is intended to apply to the French economists, of the school of Quesnay. In order the better to mark the distinction from other economists, without circumlocution, italics are used.

to form any judgment of the state of a country from the use of the terms rich or richer. A nation might be said to be increasing in wealth, when to all common eyes, and in all common language, it might be growing poorer. This would be the case, according to the definition, if a diminution of the manufacturing and mercantile products had been balanced in the opinions of some persons by the gratifications derived from the intellectual attainments, and the various personal qualities and services of the inhabitants. But how is this balance to be ascertained? how is it possible to estimate the degree of wealth derived from these sources? Yet it is quite obvious that we cannot practically apply any discussions respecting the relative increase in the wealth of different nations, without having some means, however rough, of estimating the amount of such increase.

Some modern writers who do not choose to adopt the language of Adam Smith, and yet see the confusion which would arise from including under the head of wealth, every kind of benefit or gratification of which man is susceptible, have confined the definition to those objects alone, whether material or immaterial, which have value in exchange.

This definition is certainly preferable to the more comprehensive one just noticed, but by no means to the extent which might at first be supposed. When it is considered attentively, it will be found to be open to a very great portion of the objections to which the more general one is liable, and to draw the line of demarcation between what ought, and what ought not to be considered as wealth, in the most indistinct and unsatisfactory manner.

Passing over the incorrectness of introducing a term open to so much controversy as value into a definition of wealth, it may be observed,

1st. That if by an object which has value in exchange, be understood its susceptibility of being purchased or hired, then there is scarcely any quality or accomplishment of the mind or body that would not come under the category of wealth. The possessor of the lowest species of literary knowledge, that of reading and writing, may be hired to teach others; and as all or nearly all who had acquired these useful arts are susceptible of such employment, an estimate of national wealth ought to include the value of these attainments, however various in degree, and widely extended.

2dly. All the knowledge acquired by a superior education and superior talents, on account of a similar susceptibility, would have a greater claim to be included in the estimate. The possessors of religious and moral knowledge, though obtained without any view to the instruction of others for a pecuniary remuneration, would be ready to sell such instruction under a reverse of fortune. The same may be said of a knowledge of classical literature, mathematics, history, natural philosophy, chemistry, geology, mineralogy, botany, &c. &c. On the same principle, those who had learnt to dance, to sing, or to fence for their amusement might more or less imperfectly teach dancing, singing, or fencing, for money.

In short, if we include under the denomination of wealth all the qualities of the mind and body which are susceptible of being hired, we shall find that by the restriction of the term wealth, to that which has exchangeable value, we have advanced but little towards removing the confusion and uncertainty attendant upon the former definition; and all idea of estimating the increase of wealth in any country, or making any moderate approaches towards it, must be absolutely hopeless.

On the other hand, if we confine the definition of wealth to those objects which either have been exchanged, or are specifically intended to be exchanged, we shall attempt to draw a broad line of demarcation between things which in regard to their qualities are precisely similar; and further exclude from the category of wealth a great mass of articles, which have been included, and most correctly so, by Adam Smith, and by almost every person who makes use of the term, either in writing or conversation.

The various information acquired by private study, and destined for private use and enjoyment, may be exactly of the same kind as that which is intended to be let out if any body will hire it; yet the first, in this classification, is not to be called wealth, and the other is. The person who buys instruction, buys an amount of wealth, which it must be presumed is equal in value to what he has paid for it, while the self-taught person, who is in possession of much superior knowledge, has acquired no wealth. According to this definition wealth cannot be given; it can only be bought. The instructions of the schoolmaster are wealth; the same instructions given by a friend or father are not wealth. This is sufficiently inconsistent; but this is not

all. By this definition of wealth, a very large and most important portion of material commodities is excluded from the denomination. In the business of agriculture, a considerable share of the produce is always destined to be consumed on the spot without being exchanged. The common farmer calculates how much of what he produces must go the support of his own family and working cattle, before he can determine how much he will have to sell. The gentleman farmer supports perhaps a large private establishment upon his farm, lives hospitably, receives numerous guests, and sells comparatively very little. Our feudal ancestors pursued this course in a much greater degree. In fact it was the only way in which they could spend the principal part of the products of their large possessions. The great Earl of Warwick is said to have supported thirty thousand people daily on his different manors; and at an earlier period, the elder Spencer in his petition to Parliament complains of the ravages made by the barons on his estates, and enumerates 20,000 sheep, 1,000 oxen and heifers, 12,000 cows with their breed for two years, 560 cart horses, 2,000 hogs, 10 tons of cyder, together with 600 bacons, 80 carcasses of beef, and 600 muttons in the larder. From this enumeration, Hume observes, "the plain inference is, that the greater part of Spencer's vast estates, as well as the estates of the other nobility was farmed by the landlord himself, managed by his stewards or bailiffs, and cultivated by his villains."

Little or none of it was let on lease to husbandmen. Its produce was consumed in rustic hospitality by the baron, or his officers.

Now this large mass of material commodities, increased as it would be by the flax and wool raised, spun, and wove for home consumption, few, it is conceived, would venture to exclude from the denomination of wealth; and yet this produce has neither actually been exchanged for money or other goods, nor has it been raised with the intention of being so exchanged, and therefore, according to the last definition, it ought not to be considered as wealth.

It must be allowed nevertheless, that it has exchangeable value; and here one of the great characteristic differences between material objects and objects which are not material appears in a striking point of view. Of the quantity and quality of the material commodities here noticed it would not be difficult to make an inventory. Many household books indeed furnish one; and knowing pretty nearly the quan-

tity and quality of such articles, a fair approximation to their value might be attained by estimating them according to the market prices of the district at the time. But in regard to immaterial objects, the difficulty seems to be insurmountable. Where is an inventory to be found, or how is one to be made of the quantity and quality of that large mass of knowledge and talents reserved for the use and consumption of the individual possessors and their friends. Or supposing it were possible to form such an inventory, how could we make any moderate approaches towards a valuation of the articles it contained.

Consequently, if by objects which have value in exchange we mean objects which are susceptible of being exchanged, we shall include such a mass of the mental and physical qualities of mankind as to make the term wealth convey no tolerably distinct and useful meaning.

And, if by objects which have value in exchange we mean only those objects which have actually been, or are specifically intended to be exchanged, we shall exclude from the denomination of wealth a large mass of material commodities which have always, and most justly, been classed under that head?

To get rid of these obvious embarrassments, it has sometimes been the practice to consider the labour which is hired, as the wealth which is purchased without reference to its results. But it seems very strange and incorrect to consider mere labour as wealth. No one would give anything for it if he were sure that it would yield no gratifying result. It is in the expectation of this result alone that labour is employed. The sick man employs a physician, not because he is pleased with the trouble which he gives him, but because he expects that his health may be benefited by the advice which he receives. The lawyer is consulted and fees, only because his client expects to derive some advantage from the opinion to be given, or the cause to be pleaded. And even the menial servant is not hired on account of the desire to see a man work, but on account of the trouble which he will save his master in performing certain offices for him, or the gratification afforded to his vanity by the shew of having a person at his command.

The natural consequences of these difficulties is, that the ablest writers who have deserted matter, in their definition of wealth, have fallen almost inevitably into contradictions and inconsistencies.

M. Say, for instance, in his chapter on immaterial products, which he defines to be, "des valeurs qui sont consommées au moment de leur production," and of such a nature "qu'on ne saurait les accumuler,"⁸ can only refer to the personal services which are hired, or to some particular kinds of immaterial products. He cannot refer to immaterial products in general, because it is quite impossible to deny that knowledge, talents, and personal qualities are capable of being accumulated. Yet he says, "Une nation où il se trouverait une foule de musiciens, de prêtres, d'employés pourrait être une nation fort divertie, bien endoctrinée, et admirablement bien administrée; mais voila tout; son capital ne recevrait de tons les travaux de ces hommes industriels aucun accroissement direct, parce que leurs travaux seraient consommés, mesure qu'ils seraient créés." A few pages further on, he observes that most immaterial products "sont le résultât d'un talent; tout talent suppose une étude préalable; et aucune étude ne peut avoir lieu sans des avances." He applies this to the advice of the physician, the consultation of the lawyer, and the song of the musician, and then expressly states that, "le talent d'un fonctionnaire public lui-même est un capital accumulé."⁹ Now if it be true that the talents which produce music and good administrations are accumulated capitals, on what possible ground can it be asserted that musicians and employees, who can alone be the teachers of their arts to others, do not increase the national capital, particularly as the rapid consumption of the products of such capitals, so far from impeding accumulation, tends greatly to facilitate it, and to increase the number and skill of the capitalists.

M. Say, in a note to the second part of M. Storch's *Cours d'Economie Politique*, adverting to those objects which he thinks should be considered as riches, observes, "que, ce n'est que la possibilité de les déterminer, de connaître par conséquent quand, et comment les biens augmentent, quand et comment ils diminuent, et dans quelles proportions ils se distribuent qui a fait de l'économie politique une science positive qui a ses expériences, et fait connaître des résultats."¹⁰

⁸ Traite d'Econ. Polit. Liv. I. c. xiii. 5th edit, t Id. lb. p. 148.

⁹ Traite d'Econ. Polit. pp. 150, 151. t

¹⁰ Livre I. c. ii. p. 229.

Nothing can be more just than this. It is the main criterion to which, with a view to useful and practical conclusions, I should wish to refer. But M. Say, both in the last edition of his *Traits d'Economie Politique*, and still later in his *Cours Complet*¹¹ includes under the name of riches, all talents, natural and acquired; and I would ask in reference to such qualities, how it is possible to ascertain, "quand et comment ils augmentent, quand et comment ils diminuent, et dans quelles proportions ils se distribuent." In every improved country there must always be a vast mass of natural and acquired talents, which are never made the subject of regular exchange or valuation; and of this vast mass which would be included in M. Say's definition of riches, it may safely be affirmed that it is not composed of objects, "dont la quantité soit rigoureusement assignable, et dont l'accroissement ou le déclin soit soumis à des lois déterminées."¹²

One motive which seems to have induced M. Say to force into his definition of riches, "les plus nobles vertus, et les plus rare talents,"¹³ is to enlarge and exalt the domain of political economy, which he says has been reproached with occupying itself upon worldly goods, and encouraging a spirit of avarice. But even if such a classification would give the subject more importance, this additional importance would be dearly purchased at the expense of the precision of its conclusions. The question, however, is not whether the results of useful labours may not very properly find a place in a *Treatise on Political Economy*, as they have done in the Inquiry of Adam Smith; but whether the specific term wealth should be so defined, as to make not only its own meaning quite indistinct, but to introduce still greater indistinctness into the terms of the science of morals.

Every moral writer, from the most ancient to the most modern, has instructed us to prefer virtue to wealth; and though it has been generally allowed that they may be united in the same person; yet it has always been supposed that they were essentially different in themselves, and that it was often necessary to place them in direct contradistinction one to the other.

¹¹ Tome I. p. 7.

¹² Cours d'Econ. Pol. Tome I. p. 99.

¹³ Id. lb. p. 100.

If, however, virtue be wealth, how are we to interpret all those moral admonitions which instruct us to underrate the latter in comparison with the former? What is the meaning of not setting our hearts upon riches, if virtue be riches? What do we intend to express when we say of a person of our acquaintance, that he is a very virtuous and excellent man, but poor. The commonest terms used in moral discussions will become quite uncertain without constant circumlocutions, and the meanings of virtue, morals; rich and poor, in our dictionaries, if applied in the ordinary way, and according to the best authorities, will lead us into perpetual error.

It will be recollected that it has never been a question, whether a preacher of the gospel, or a lecturer in moral philosophy who is remunerated for his instructions obtains wealth in exchange for them. The only question is, whether it would be a convenient and useful classification to consider all that was obtained by his hearers, as wealth under the absolute impossibility of appreciating it. That such knowledge has not in the ordinary language of society been called wealth, except metaphysically, must be allowed, and it is equally certain that there is no way of arriving at its amount. In estimating the usual cost of a material object, we are pretty sure of coming near to its usual price. Generally speaking, those commodities, the conditions of the supply of which have been the same, are found to have nearly the same exchangeable value, or if not, the estimate is very soon rectified by an appeal to the next market. But in regard to moral and intellectual qualities, the same expenses of production terminate in results as different as can well be imagined. Even in the learned professions of law and physic, in which the students acquire their knowledge for the express purpose of exchanging it, an attempt to estimate the skill and attainments of each person by the expenses of his education would lead to the most fallacious conclusions. And in the more general education obtained by the great mass of the higher classes of society, such an attempt would be perfectly ridiculous. Those who have paid the most for their instruction, are often those who have the least profited by it. If the products were material, and sold with a view to gain, their production would very soon come to an end; but education still goes on, and most properly so, although the inequality of possessions arising from the same outlay is known to be prodigious, while in reference to the great mass of them, there

are no means of rectifying the estimate founded on cost, by an appeal to their market values. How then is it possible to say with any truth, that morals, talents, and personal attainments may be placed with propriety in the category of wealth, because they are capable of being rigorously appreciated.

On the other hand, there seems to be no kind of incongruity in allowing that wealth, according to the most common acceptation of the term, may be employed in obtaining gratifications which it would be most inconvenient and embarrassing to call by the same name as the material products which were given for them. A man of fortune has the means of purchasing the gratification of leisure; he has often the means of collecting at his table persons from whom he is likely to hear the most agreeable and instructive conversation; he has the means of travelling into different countries, seeing the beauties of nature in her grandest forms, contemplating the finest models of art, ancient and modern, studying the character and polity of different nations, and laying in a stock of taste and information calculated to refine, improve, and enlarge his mind.

It will not be denied, that these are some of the modes of employing wealth, which are always, and most justly, considered as much superior in respectability, to the purchase of fine clothes, splendid furniture, or costly jewels. It is equally certain that the power of wealth to purchase these sources of intellectual gratification forms a most natural encouragement to the acquisition of it, and may therefore, with perfect propriety, be said to be indirectly productive of it. But it is a wide step in advance of these concessions, at once to place in the category of wealth, leisure, agreeable conversation, cultivated tastes, and general information. And yet if the gratification and information derived from a lecture on chemistry or the *belles lettres*, are to be considered as wealth, in consequence of a specific sum being paid for attendance, why should the taste and information acquired by a larger outlay in foreign travels be refused the same title.

The fact really is, that if we once desert matter in the definition of wealth, there is no subsequent line of demarcation which has any tolerable degree of distinctness, or can be maintained with any tolerable consistency, till we have included such a mass of immaterial objects as utterly to confuse the meaning of the term, and render it

impossible to speak with any approach towards precision, either of the wealth of different individuals, or different nations.

If then we wish, with M. Say, to make political economy a positive science, founded on experience, and capable of making known its results, we must be particularly careful in defining its principal term, to embrace only those objects, the increase or decrease of which is capable of being estimated; and the line which it seems most natural and useful to draw, is that which separates material from immaterial objects.

Adam Smith has nowhere given a very regular and formal definition of wealth; but that the meaning which he attaches to the term is confined to material objects is, throughout his work, sufficiently manifest. His prevailing description of wealth may be said to be, "the annual produce of the land and labour." The objections to it as a definition are, that it refers to the sources of wealth before we are told what wealth is, and that it is not sufficiently discriminate, as it would include all the useless and unappropriated products of the earth, as well as those which are appropriated and enjoyed by man.

To avoid these objections, and to keep at an equal distance from a too confined, or a too indiscriminate sense of the term, I should define wealth to be the material objects, necessary, useful, or agreeable to man, which are voluntarily appropriated by individuals¹⁴ or nations. The definition thus limited includes nearly all the objects which usually enter into our conceptions when we speak of wealth or riches—an advantage of considerable importance, as long as we retain these terms both in common use, and in the vocabulary of political economy.

A country will therefore be rich or poor, according to the abundance or scarcity with which these material objects are supplied,

¹⁴ In my little work on the *Definitions in Political Economy*, published in 1827, I defined wealth to be "The material objects necessary, useful, or agreeable to man, which have required some portion of human industry to appropriate or produce. The latter part was added, in order to exclude air, light, rain, &c.; but there is some objection to the introduction of the term industry or labour into the definition, because an object might be considered as wealth which has had no labour employed upon it. A diamond accidentally found on the sea shore might have a high value; and the fruit at the top of a tree must be considered by the savage as necessary or agreeable to him, before he will make the exertions required to obtain it.

compared with the extent of territory; and the people will be rich or poor, according to the abundance or scarcity with which they are supplied, compared with the population.

Section II.—On Productive Labour.

The question of productive labour is closely connected with the definition of wealth. Both the *Economists* and Adam Smith have uniformly applied the term productive to that species of labour, which directly produces what they call wealth, according to their several views of its nature and origin. The *Economists* therefore, who confine wealth to the products of the soil, mean by productive labour, that labour alone which is employed upon the land. Adam Smith, who considers all the material objects which are useful to man as wealth, means by productive labour, that labour which realizes itself either in the production or increased value of such material objects.

This mode of applying the term productive labour to that labour which is directly productive of wealth, however wealth may be defined, is obviously of the greatest use in explaining the causes of the increase of wealth. The only essential objection to it is, that it seems to underrate the importance of all other kinds of labour—at least the term unproductive labour j used by Adam Smith to express all other kinds of labour, has been frequently so interpreted, and has formed in consequence the great objection to his classification. To remove this objection to a classification in other respects sufficiently correct for practical purposes, and beyond comparison more useful in explaining the causes of the wealth of nations, than any other which has hitherto been suggested, it might be desirable to substitute the term personal services for unproductive labour.

Labour may then be distinguished into two kinds, productive labour, and personal services, meaning by productive labour that labour which is so directly productive of material wealth as to be capable of estimation in the quantity or value of the object produced, which object is capable of being transferred without the presence of the producer; and meaning by personal services that kind of labour or industry, which however highly useful and important some of it may be, and however much it may conduce indirectly to the production and security of material wealth, does not realize itself on any object which can be valued and transferred without the presence of the per-

son performing such service, and cannot therefore be made to enter into an estimate of national wealth.

This, though differing in name, is essentially the doctrine of Adam Smith. It has been controverted by two opposite parties, one of which has imputed to him an incorrect and unphilosophical extension of the term productive to objects which it ought not to include, and the other has accused him of a similar want of precision, for attempting to establish a distinction between two different sorts of labour where no distinction is to be found.

In proceeding to give my reasons for adopting the opinion of Adam Smith with the modification above suggested, I shall first endeavour to show that some such classification of the different sorts of labour is really called for in an inquiry into the causes of the wealth of nations, and that a considerable degree of confusion would be introduced into the science of political economy by an attempt to proceed without it. We shall be less disposed to be disturbed by plausible cavils, or even by a few just exceptions to the complete accuracy of a definition, if we are convinced that the want of precision which is imputed to it, is beyond comparison less in amount and importance than the want of precision which would result from the rejection of it.

In the first place, then, it will readily be granted, that as material capital is the specific source of that great department of the national revenue, peculiarly called profits, and is further absolutely necessary to that division of labour, and extended use of machinery, which so wonderfully increases the productive powers of human industry, its vast influence on the progress of national wealth must be considered as incontrovertibly established. But in tracing the cause of the different effects of the produce which is employed as capital, and the produce which is consumed as revenue, we shall find that it arises principally from the different kinds of labour directly maintained by each. It is obvious, for instance, that it is only the productive labour of Adam Smith, which can keep up, restore, or increase, the material capital of a country. It is also this kind of labour alone, that is, the labour which is realized in the production, of increased value of material objects, which requires a considerable amount of capital for its continued employment; but that, for which there is an effectual demand, will generally be supplied, and the practical consequence is

such as might naturally be expected in those countries which abound in the number, and especially in the skill of their productive labourers, capital and wealth abound. In those where personal services predominate, capital and wealth are comparatively deficient.

It is true, that what is called capital, is sometimes employed in the maintenance of labour, which is not called productive; as by the managers of theatrical exhibitions, and in the payment of the expenses of education. In regard to the first kind of expenditure, however, it would be excluded from coming under the head of capital, if capital were defined, as I have defined it, namely, that portion of the stock or material possessions of a country which is kept or employed with a view to profit in the production or distribution of wealth. But at all events, the amount of it is too inconsiderable to be allowed to interfere with a classification in other respects correct, and in the highest degree useful.

In regard to the expense of education, it should be recollected that no small portion of it is employed in acquiring the skill necessary to the production and distribution of material objects, as in the case of most apprenticeships; and as the persons who have the means of teaching this skill, are themselves employed in this sort of production and distribution; and that the skill so acquired will finally be realized, according to its value on material objects, the capital so employed must clearly be considered as maintaining productive labour, in the most natural sense of the term. The same may be said of all that is expended in the maintenance of those kinds of labour which, though they appear to have the same general character as personal services, are yet so necessary to the production and distribution of material objects, as to be estimated in the value of those objects when they reach the consumer.

In regard to the remaining expenditure in education, it will be excluded from coming under the denomination of capital, by the definition of capital above adverted to: and it may fairly be questioned whether the expenses of general education, and even, for the most part, the education for the learned professions, ought not properly to be considered as being paid from revenue rather than from capital. Practically they seem to be so considered. But in whatever light we view the expenditure upon these services, which are not realized upon any material products, it must be allowed that the great source

of what is peculiarly called profits, and the great mass of what is usually called wealth, is directly derived from the employment of material capital in the maintenance of what Adam Smith has called productive labour. In speaking therefore, and treating of capital, it seems highly useful to have some term for the kind of labour which it generally employs, in contradistinction to the kind of labour which in general is employed directly by revenue, in order to explain the nature of productive labour, and its peculiar efficiency in causing the increase of wealth.

Secondly, it is stated by Adam Smith, that the produce which is annually saved is as regularly consumed, as that which is annually spent, but that it is consumed by a different set of people. If this be the case, and if saving be allowed to be the immediate cause of the increase of capital, it must be desirable in all questions relating to the process of wealth, to distinguish by some particular title a set of people who appear to act so important a part in accelerating this progress. Almost all the lower classes of people of every society are employed in some way or other, and if there were no grounds of distinction in their employments with reference to their effects on the national wealth, it is difficult to conceive what would be the use of saving from revenue to add to capital, as it would be merely employing one set of people in preference to another. How in such a case are we to explain the nature of saving, and the different effects of parsimony and extravagance upon the national capital? No political economist of the present day can by saving mean mere hoarding; and beyond this contracted and inefficient proceeding, no use of the term in reference to the national wealth can well be imagined, but that which must arise from a different application of what is saved, founded upon a real distinction between the different kinds of labour maintained by it.

If the labour of menial servants be as productive of wealth as the labour of manufacturers, why should not savings be employed in their maintenance, not only without being dissipated, but with a constant increase of their amount? But menial servants, lawyers, or physicians, who save from their salaries are fully aware that their savings would be immediately dissipated again if they were advanced to persons like themselves, instead of being employed in the maintenance of persons of a different description. To consider the expendi-

ture of the unproductive labourers of Adam Smith as advances made to themselves, and of the same nature as the advances of the master manufacturer to his workmen, would be at once to confound the very useful and just distinction between those who live upon wages, and those who live upon profits, and would render it quite impossible to explain the frequent and important operations of saving from revenue to add to capital, so absolutely necessary to the continued increase of wealth.

Some writers who refuse to adopt the classification of Adam Smith, endeavour to explain the nature of saving by substituting the term productive, or reproductive consumption for productive labour; but it does not seem to be agreed who are to be called the productive or reproductive consumers.

If, as some affirm, every person is a reproductive consumer who obtains for himself a value equal to that which he consumes, it is obvious that all menial servants kept for pomp or pleasure will be productive consumers; but it is quite impossible that a saving, or an increase of wealth and capital can result to any individual from the employment of a great number of such reproductive consumers.

If, on the other hand, a more correct meaning be given to the expression productive consumption, if it be considered as a present sacrifice with a view to a future advantage, still every species of education would be included in the definition; and certainly it would be impossible to explain the nature of saving by stating that a country gentleman would equally increase his own and the national wealth and capital, whether he employed a considerable part of his revenue in improving his farms and increasing their saleable value, or in paying masters to teach his sons and daughters the most fashionable accomplishments. The latter sort of expenditure, to a certain extent, might be quite as proper and creditable as the former, or even more so; but that is not the question. The question is, what is saving? Now every body would readily pronounce that the first kind of expenditure judiciously applied, was a saving from revenue to add to capital; but few, I apprehend, could expect to be understood, if they pronounced that the second expenditure, in proportion to its extent, was an equal saving from revenue, and an equal addition to individual and national capital.

It appears then upon examination, that the use of the term productive consumption will not enable us to explain what is most usually and most correctly meant by individual and national saving, unless when it is so defined as to mean the very same thing that Adam Smith means by the employment of productive labour.

It has been said, that many of the unproductive labourers of Adam Smith save, and add to the national capital in the usual sense of the term. This is no doubt true; and it is equally true that any person who received a portion of wealth as a gift might save some of it, and add to the national capital. The power of saving, which is equally possessed by both, is not necessarily connected with the means by which their wealth was obtained. But on this point there is another circumstance not sufficiently noticed, which draws a marked line of distinction between productive labour and personal services. Workmen and mechanics who receive the common wages, and various higher salaries, which are realized upon material objects, have the means of saving just in the same manner as menial servants, and others engaged in personal services. In this respect the two classes are precisely on a level. But the productive labourers at the same time that they obtain wealth, and the means of accumulation for themselves, furnish a large surplus to that other most important class of society which lives upon the profits of capital. This distinction alone is quite sufficient to place in a different point of view the productive labourers of Adam Smith, and those engaged in personal services.

Thirdly, it has been stated by Adam Smith, and it is allowed to have been stated truly, that there is a balance very different from the balance of trade, which according as it is favourable or unfavourable, occasions the prosperity or decay of every nation. This is the balance of the annual production and consumption. If in given periods the produce of a country exceeds in a certain degree the consumption of those employed in its production, the means of increasing its capital will be provided; its population will increase, or the actual numbers will be better accommodated, and probably both. If the consumption in such periods fully equals the produce, no means of increasing the capital will be afforded, and the society will be nearly at a stand. If the consumption continually exceeds the produce, every succeeding period will see the society worse supplied, and its prosperity and population will be evidently on the decline.

But if a balance of this kind be so important; if upon it depends the progressive, stationary, or declining state of a society, surely it must be of importance to distinguish those who mainly contribute to render this balance favourable, from those who chiefly contribute to make the opposite scale preponderate. Without some such distinction we shall not be able to trace the causes why one nation is thriving, and another is declining; nor will the superior riches of those countries where merchants and manufacturers abound, compared with those in which the retainers of a court and of a feudal aristocracy predominate, admit of an intelligible explanation. To such an explanation it is absolutely necessary, that by the balance of production and consumption, we should mean the production and consumption of material objects: for, if all the gratifications derived from personal services were to be included in the term produce, it would be quite impossible either to estimate such a balance, or even to say what was to be understood by it.

If a taste for idle retainers, and a profusion of menial servants, had continued among the great landholders of Europe from the feudal times to the present, the wealth of its different kingdoms would have been very different from what it is now. Adam Smith has justly stated that the growing taste of our ancestors for material conveniences and luxuries, instead of personal services, was the main cause of the change. While the latter continue to be the predominant taste, few comparatively will be living on the profits of capital. The great mass of society will be divided chiefly into two classes, the rich and the poor, one of which will be in a state of abject dependance upon the other. But a taste for material objects, however frivolous, almost always requires for its gratification the accumulation of capital, and the existence of a much greater number of manufacturers, merchants, wholesale dealers, and retail dealers.¹⁵ The face of society is thus wholly changed. A middle class of persons, living upon the profits of stock, rises into wealth and consequence; and an increasing accumu-

¹⁵ There can hardly be a more important inquiry in political economy than that which traces the effects of different proportions of productive labour, and personal services in society; but this inquiry cannot be conducted without the application of different terms to these two different kinds of labour; and the distinction made by Adam Smith appears to me to be the simplest and the most convenient.

lation of capital, almost exclusively derived from the industry of the mercantile and manufacturing classes, effects to a considerable extent the division and alienation of those immense landed properties, which, if the fashion of personal services had continued, might have remained to this time nearly in their former state, and have prevented the increase of wealth on the land, as well as elsewhere.

Surely then some distinction between the different kinds of labour, with reference to their different effects on national wealth, must be admitted to be not only useful, but necessary; and if so, the question is what this distinction should be, and where the line between the different kinds of labour should be drawn.

The opinion that the term productive labour should be exclusively confined to the labour employed upon the land, has been maintained by a particular class of French Economists, and their followers. Without entering upon the general merits of their system, it will only be necessary to observe here, that whatever advantages their definition may claim in point of precision and consistency, yet for the practiced and useful purpose of comparing different countries together, with regard to all these objects, which usually enter into our conception of wealth, it is much too confined. Two countries of the same territory and population might possess the same number of agricultural labourers, and even direct the same quantity of skill and capital to the cultivation of the soil, and yet if a considerable proportion of the remaining population in one of them consisted of manufacturers and merchants, and in the other of menial servants and soldiers, the former might have all the indications of wealth, and the latter all the symptoms of "poverty. The number and skill of the agricultural labourers, therefore, cannot alone determine the national wealth. We evidently want some definition of productiveness, which refers to the effects of manufacturing and mercantile capital and skill; and unless we consider the labour which produces these most important results as productive of riches, we shall find it quite impossible to trace the causes of those different appearances in different nations, which all persons, whatever may be their theories on the subject, universally agree in calling different degrees of wealth.

The opinion which goes to the opposite extreme of the one here noticed, and calls all labour equally productive, has already been sufficiently considered, in the endeavour to shew that a distinction

between the different kinds of labour is really wanted, in an inquiry into the nature and causes of the wealth of nations.

This distinction must be considered as so clearly the corner stone of Adam Smith's work, and the foundation on which the main body of his reasonings rests, that, if it be denied, the superstructure which he has raised upon it, must fall to the ground. Of course it is not meant to be said that his reasonings should not fall, if they are erroneous; but it appears inconsistent in those who allow of no distinction in the different kinds of labour, to entertain a very high opinion of an *Inquiry into the nature and causes of the Wealth of Nations* in which, the increase of the quantity and skill of what is called productive labour is the main hinge on which the progress of national opulence and prosperity is made to turn.¹⁶

If in calling personal services productive of wealth, we do not look to the character of what is produced, but merely to its effect in stimulating other producers, this is introducing a new and separate consideration, which has no relation to the direct production of wealth. In this view, it will be seen that I consider personal services to a certain extent as very efficient; but this is evidently not as being productive themselves, but as encouraging the production of material objects to be exchanged for them, and as making a demand in proportion to the payments received. It is no doubt true, that the desire to enjoy the convenience or parade of personal attendance, and the advantages of legal and medical advice, has a strong tendency to stimulate industry. But though the tendency of personal services to act as a stimulus to the production of wealth be fully allowed, they can never be said directly to create it, so long as the definition is confined to material objects. Under the circumstances most favourable to their influence, their operation can only be indirect; and if we were to include under the head of productive labour, all the exertions which may contribute, however indirectly, to the production of wealth, the term would cease to have any definite and useful signification, so as to admit of being applied with advantage to an explanation of the

¹⁶ The annual produce of the land and labour of any country, can be increased in its value by no other means than by increasing either the number of its productive labourers, or the productive powers of those labourers who had before been employed. (*Wealth of Nations*, B. II. c. iii.) This is the general doctrine of the work.

causes of the wealth of nations. It would at once confound the effects even of production and consumption, as there is certainly no indirect cause of production so powerful as consumption.

When we consider then the difficulties which present themselves on every supposition we can make, it may fairly be doubted whether it is probable that we shall be able to find a distinction more useful for practical purposes, and on the whole less objectionable in point of precision than that of Adam Smith; which draws the line that distinguishes riches from other kinds of value, between what is matter and what is not matter, between what is susceptible of accumulation and definite valuation, and what is without either one or both of these essential properties.

Some degree of duration and a consequent susceptibility of accumulation seems to be essential to our usual conceptions of wealth, not only because produce of this kind seems to be alone capable of forming those accumulations which tend so much to facilitate future production, but because they so essentially contribute to increase that store reserved for consumption, the possession of which is certainly one of the most distinguishing marks of riches compared with poverty. The characteristic of poverty seems to be, to live from hand to mouth: the characteristic of riches is, to have a store to apply to for the commodities wanted for immediate consumption; but in every case of productive labour as explained by Adam Smith, there is always a period, though in some cases it may be very short, when either the stock destined to replace a capital, or the stock reserved for immediate consumption is distinctly augmented by it; and to this quality of adding to the national stock, the term enriching, or productive of riches seems to be peculiarly appropriate.

But it is not enough that it should be susceptible of accumulation, and of adding to the national stock, to entitle it to be called productive according to the meaning of Adam Smith. In order to make the term useful for practical purposes, the results of the kind of labour to which it refers should be susceptible of some sort of definite valuation. The laws of the legislator, the precepts of the moralist, and the conclusions of the natural philosopher may certainly be said to be susceptible of accumulation and of receiving assistance from past labour; but how is it possible to estimate them, or to say to what amount the country has been enriched by them? On the other hand,

the labour, which is the necessary condition of the supply of material objects is estimated in the price at which they are sold, and may fairly be presumed to add to the wealth of the country an amount at least equal to the value paid for such labour; and probably with few or no exceptions, the labour which is realized upon material products is the only kind that is at once susceptible of accumulation and definite valuation.

It has been observed by M. Gamier, in his valuable edition of the *Wealth of Nations* that it seems very strange and inconsistent to denominate musical instruments riches, and the labour which produces them productive, while the music which they yield, and which is the sole object for which they are made, is not to be considered in the same light; and the performers who can alone put them to their proper use, are called unproductive labourers.* But the difference between material products and those which are not matter, sufficiently warrants the distinction, in point of precision and consistency; and the utility of it is immediately obvious from the facility of giving a definite valuation to the instruments, and the absolute impossibility of giving such a valuation to all the tunes which may be played upon them.

It has also been observed by the same authority, that it is still more inconsistent to denominate the clerk of a merchant a productive labourer, and a clerk employed by government, who may in some cases have precisely the same kind of business to do, an unproductive labourer.¹⁷ To this, however, it may be replied, that in all business conducted with a view to the profit of individuals, it may be fairly presumed that there are no more clerks, or labourers of any kind employed, nor with higher salaries than necessary; but the same presumption cannot be justly entertained in regard to the business of government: and as the results of the labours of its servants are not brought to market, nor their salaries distributed with the same rigid attention to the exchangeable value of their services, no just criterion is afforded for determining, this value.¹⁸

¹⁷ Vol. V. note XX.

¹⁸ The application of Adam Smith's distinction, is in this, as in most other cases, preeminently clear. The merchant's clerk increases his master's wealth. He adds a value to the subject on which his labour is bestowed, for if he did not, he would not

At the same time it may be remarked, that if a servant of government perform precisely the same kind of labour in the preparation or superintendence of material products as the servant of a merchant, he ought to be considered as a productive labourer. He is one among the numerous instances which are always occurring, of productive labourers, or labourers occasionally productive, to be found among those classes of society, which, in reference to the great mass of their exertions, may with propriety be characterized as unproductive. This kind of exception must of course frequently happen, not only among the servants of government, but throughout the whole range of menial service, and in every other situation in society. Almost every person, indeed, must occasionally do some productive labour; and the line of separation which Adam Smith has drawn between productive and unproductive labour may be perfectly distinct, although the denomination which he has given to the different classes of society, founded on their general character, must unavoidably be inaccurate with regard to the exertions of some individuals. It should also be constantly borne in mind, that Adam Smith fully allows the vast importance of many sorts of labour, which he calls unproductive. From the enumeration, indeed, which he has made of these different sorts, he must have been aware, that some of them produce advantages to society, with which the results of the labour employed in making ribands and laces, or indeed of any other labour than that which directly supplies our most pressing physical wants, cannot for a moment be compared. Indirectly indeed, and remotely, there cannot be a doubt that even the supply of these physical wants, is most powerfully promoted by the labours of the moralist, the legislator, and those who have exerted themselves to obtain a good government; but a great part of the value of their labours, evidently depends upon the encouragement they give to the full development of industry, and their consequent invariable tendency to increase the quantity of material wealth. So far as they contribute to promote this supply, their general effect, though not the precise amount, will be estimated in

be employed. The same thing cannot be said of the Government clerk; however useful or necessary his services may be, he contributes nothing to the fund from whence he derives his remuneration. He lives at the expense of his employers, the nation at large, and is paid out of a tax or duty, not out of a profit or reproduction.

the quantity of these material objects, which the country can command; and so far as they contribute to other sources of happiness, besides those which are derived from matter, it may be more correct, and more useful to consider them as belonging to a class of objects, most of which, cannot without the greatest confusion, enter into the gross calculations which relate to national wealth. To estimate the value of Newton's discoveries, or the delight communicated by Shakespeare and Milton, by the price at which their works have sold, would be but a poor measure of the degree in which they have elevated and enchanted their country; nor would it be less groveling and incongruous to estimate the benefit which the country has derived from the Revolution of 1688, by the pay of the soldiers, and all other payments concerned in effecting it.

On the whole, therefore, allowing that the labours of the moralist and the manufacturer, the legislator and the lacemaker, the agriculturist and the vocal performer, have all for their object the gratification of some want or wish of mankind, it may still be the most natural, the most correct, and pre-eminently the most useful classification which the subject will admit, first to separate under the name of wealth or riches, every thing which gratifies the wants of man by means of material objects, and then to denominate productive every kind of labour which is directly productive of wealth, that is, so directly, as to be estimated in the quantity or value of the objects produced.

The reader will see that this discussion is not introduced with a view to the establishment of any nice and subtle distinctions, without a practical object. Its purpose is to shew, that there is really some difficulty in the definitions of wealth and of productive labour; but that this difficulty should not deter us from adopting any classifications which are obviously useful in conducting inquiry; that in treating of the nature and causes of the wealth of nations, a distinction between the different sources of gratification, and the different kinds of labour, seems to be not only useful, but almost absolutely necessary; and consequently that we should be satisfied with the best classification which we can get on these subjects, although it may not in all its parts be unobjectionable.