

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

Chapter III
Of the Rent of Land

by
T. R. Malthus

The Rev. T. R. Malthus,
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Chapter III—Of the Rent of Land
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Chapter III.—Of the Rent of Land.

Section I.—Of the Nature and Causes of Rent.

The rent of land may be defined to be that portion of the value of the whole produce which remains to the owner of the land, after all the outgoings belonging to its cultivation, of whatever kind have been paid, including the profits of the capital employed, estimated according to the usual and ordinary rate of the profits of agricultural capital at the time being

It sometimes happens that, from accidental and temporary circumstances, the farmer pays more, or less, than this; but this is the point towards which the actual rents paid are constantly gravitating, and which is therefore always referred to when the term is used in a general sense.

Rent then being the excess of the value of the whole produce, or if estimated in money, the excess of the price of the whole produce, above what is necessary to pay the wages of the labour and the profits of the capital employed in cultivation, the first object which presents itself for inquiry, is, the cause or causes of this excess of price.

After very careful and repeated revisions of the subject, I do not find myself able to agree entirely in the view taken of it, either by Adam Smith, or the *Economists* of the school of M. Quesnay; and still less, by some more modern writers.

Almost all these writers appear to me to consider rent as too nearly resembling, in its nature, and the laws by which it is governed, that excess of price above the cost of production, which is the characteristic of a common monopoly.

Adam Smith, though in some parts of the eleventh chapter of his first book he contemplates rent quite in its true light,¹ and has interspersed through his work more just observations on the subject than

¹ I cannot, however, agree with him in thinking that all land which yields food must necessarily yield rent. The land covered with wood which is successively taken into cultivation in new colonies for the production of food, may only pay profits and labour. A fair profit on the capital employed, including, of course, the payment of labour, will always be a sufficient inducement to cultivate. But, practically, the cases are very rare, where land is to be had by any body who chooses to take it, and it is true perhaps universally, that all appropriated land which yields food in its *natural state*, yields a rent, whether cultivated or uncultivated.

any other writer, has not explained the most essential cause of the ordinary excess of the price of raw produce above its cost of production with sufficient distinctness, though he often touches on it; and by applying occasionally the term monopoly to the rent of land, without topping to mark its more radical peculiarities, he leaves the reader without a definite impression of the real difference between the cause of this excess in the price of the necessaries of life, and in common monopolized commodities.

Some of the views which the Economists of the school of Quesnay have taken of the nature of rent appear to me also, to be quite just; but they have mixed them with so much error, and have drawn such unwarranted inferences from them, that what is true in their doctrines has produced little effects. Their great practical conclusion, namely, the propriety of taxing exclusively the neat rents of the landlords, evidently depends upon their considering these rents not only as completely disposeable, like that excess of price above the cost of production, which distinguishes a common monopoly, but also that every indirect tax operates as a deduction, from neat rents in proportion to its amount.

M. Say, in his valuable *Treatise on Political Economy*, in which he has explained with great clearness many points not sufficiently developed by Adam Smith, has not treated the subject of rent in a manner entirely satisfactory. In speaking of the different natural agents which, as well as the land, co-operate with the labours of man, he observes: "Heureusement personne n'a pas dire, le vent et le soleil m'appartiennent, et le service qu'ils rendent doit m'être paye.¹" And, though he acknowledges that, for obvious reasons, property in land is necessary, yet he evidently considers rent as almost exclusively owing to such appropriation, and to external demand.

In the excellent work of M. de Sismondi, *De la Richesse Commerciale*, he says, in a note on the subject of rent: "Cette partie de la rente foncière est celle que les Economistes ont décorée du nom du produit net, comme étant le seul fruit du travail qui ajoutât quelque chose à la richesse nationale. On pourrît, au contraire, soutenir contre eux, que c'est la seule partie du produit du travail, dont la valeur soit

¹ Vol. i. p. 49. M. de Sismondi, in his later work, *Nouveaux Principes d'Economie Politique*, has given a different and more correct view of rent.

purement nominal e, et n'ait rien de réelle: c'est en effet le résultât de l'augmentation de prix qu'obtient un vendeur en vertu de son privilège, sans que la chose vendue en vaille réellement davantage."¹

The prevailing opinions among the modern writers in our own country have appeared to me to incline towards a similar view of the subject; and, not to multiply citations, I shall only add, that in a very respectable edition of the *Wealth of Nations* published by Mr. Buchanan, of Edinburgh, the idea of monopoly is pushed still farther. And, while former writers, though they considered rent as governed entirely by the laws of monopoly, were still of opinion that this monopoly in the case of land was necessary and useful, Mr. Buchanan sometimes speaks of it even as prejudicial, and as depriving the consumer of what it gives to the landlord.

In treating of productive and unproductive labour in the last volume, he observes, that,² "The neat surplus by which the *Economistes* estimate the utility of agriculture, plainly arises from the high price of its produce, which, however advantageous to the landlord who receives it, is surely no advantage to the consumer who pays it. Were the produce of agriculture to be sold for a lower price, the same neat surplus would not remain, after defraying the expenses of cultivation; but agriculture would be still equally productive to the general stock; and the only difference would be, that, as the landlord was formerly enriched by the high price, at the expense of the community, the community will now profit by the low price, at the expense of the landlord. The high price in which the rent or neat surplus originates, while it enriches the landlord who has the produce of agriculture to sell, diminishes, in the same proportion, the wealth of those who are its purchasers; and on this account it is quite inaccurate to consider the landlord's rent as a clear addition to the national wealth."

In other parts of this work he uses the same, or even stronger language, and in a note on the subject of taxes, he speaks of the high price of the produce of land as advantageous to those who receive it,

¹ Vol. ii. p. 124, 2nd edit. In his 5th edition, vol. ii. p. 346, he describes the subject anew, but he does not seize the right view of it. He still considers the price of the produce of land which occasions rent too much as the result of a common monopoly.

² Vol. iv. p. 134.

but proportionably injurious to those who pay it. "In this view," he adds, "it can form no general addition to the stock of the community, as the neat surplus in question is nothing more than a revenue transferred from one class to another, and, from the mere circumstance of its thus changing hands, it is clear that no fund can arise out of which to pay taxes. The revenue which pays for the produce of land exists already in the hands of those who purchase that produce; and, if the price of subsistence were lower, it would still remain in their hands, where it would be just as available for taxation, as when by a higher price it is transferred to the landed proprietor."¹

That there are some circumstances, connected with rent, which have a strong affinity to a, natural monopoly, will be readily allowed. The extent of the earth itself is limited, and cannot be enlarged by human demand. The inequality of soil occasions, even at an early period of society, comparative scarcity of the best lands; and this scarcity is undoubtedly one of the causes of rent properly so called. On this account, perhaps the term partial monopoly may be fairly applicable to it. But the scarcity of land, thus implied, is by no means alone sufficient to produce the effects observed. And a more accurate investigation of the subject will show us how different the ordinary excess of the price of raw produce above its cost of production is, both in its nature and origin, and the laws by which it is governed, from the high price of a common monopoly.

The causes of the ordinary excess of the price of raw produce above the costs of production, may be stated to be three.

First, and mainly, That quality of the soil, by which it can be made to yield a greater quantity of the necessaries of life than is required for the maintenance of the persons employed on the land.

Secondly, That quality peculiar to the necessaries of life, when properly distributed, of creating their own demand, or of raising up a number of demanders in proportion to the quantity of necessaries produced.

And, thirdly, The comparative scarcity of fertile land, either natural or artificial.

The quality of the soil here noticed as the primary cause of the excess in the price of raw produce above the costs of its production, is

¹ Vol. iii. p. 212.

the gift of nature to man. It is quite unconnected with monopoly, and yet is so absolutely essential to the existence of rent, that without it no degree of scarcity or monopoly could have occasioned an excess of the price of raw produce above what was necessary for the payment of wages and profits.

If, for instance, the soil of the earth had been such, that, however well directed might have been the industry of man, he could not have produced from it more than was barely sufficient to maintain those whose labour and attention were necessary to obtain its products; though, in this case, food and raw materials would have been evidently scarcer than at present, and the land might have been in the same manner monopolized by particular owners; yet it is quite clear, that neither rent nor any essential surplus produce of the land in the form of high profits and high wages could have existed.

On the other hand, it will be allowed, that in whatever way the produce of a given portion of land may be actually divided, whether the whole is distributed to the labourers and capitalists, or a part is awarded to a landlord, the power of such land to yield rent is exactly proportioned to its natural or acquired fertility, or to the general surplus which it can be made to produce beyond what is strictly necessary to support the labour and keep up the capital employed upon it. If this surplus be as 1, 2, 3, 4, or 5, then its power of yielding a rent will be as 1, 2, 3, 4, or 5: and no degree of monopoly—no possible increase of external demand can essentially alter these different powers.

But if no rent can exist without this surplus, and if the power of particular soils to pay rent be proportioned to this surplus, it follows that this surplus from the land, arising from its fertility, must evidently be considered as the foundation or main cause of all rent.

Still however, this surplus, necessary and important as it is, would not be sure of possessing a value which could enable it to command a proportionate quantity of labour and other commodities, if it had not a power of raising up a population to consume it, and, by the articles produced in return, of creating an effective demand for it.

It has been sometimes argued, that it is mistaking the principle of population to imagine, that the increase of food or of raw produce alone can occasion a proportionate increase of population. This is no doubt true; but it must be allowed, as has been justly observed by

Adam Smith, that "when food is provided, it is comparatively easy to find the necessary clothing and lodging."¹ And it should always be recollected, that land does not produce one commodity alone, but in addition to that most indispensable of all articles—food, it produces the materials for clothing, lodging, and firing.²

It is therefore strictly true, that land produces the necessaries of life—produces the means by which, and by which alone, an increase of people may be brought into being and supported. In this respect it is fundamentally different from every other kind of machine known to man; and it is natural to suppose that the use of it should be attended with some peculiar effects.

If an active and industrious family were possessed of a certain portion of land, which they could cultivate so as to make it yield food, and the materials of clothing, lodging, and firing not only for themselves but for five other families, it follows, from the principles of population, that, if they properly distributed their surplus produce, they would soon be able to command the labour of five other families, and the value of their landed produce would soon be worth five times as much as the value of the labour which had been employed in raising it. But if, instead of a portion of land which would yield all the necessaries of life, they possessed only, in addition to the means of their own support, a machine which would produce hats or coats for fifty people besides themselves, no efforts which they could make would enable them to ensure a demand for these hats or coats, and give them in return a command over a quantity of labour considerably greater than their fabrication had cost. For a long time, and by possibility for ever, the machine might be of no more value than that which would result from its making hats or coats for the family. Its further powers might be absolutely thrown away from the want of

¹ Book I. c. xi. p. 255, 6th edit.

² It is however certain that, if either these materials be wanting, or the skill and capital necessary to work them up be prevented from forming, owing to the insecurity of property or any other cause, the cultivators will soon slacken in their exertions, and the motives to accumulate and to increase their produce will greatly diminish. But in this case there will be a very slack demand for labour: and, whatever may be the nominal cheapness of provisions, the whole body of labourers will not really be able to command such a portion of the necessaries of life, including, of course, clothing, lodging, &c. as will occasion an increase of population.

demand; and even when, from external causes totally independent of any efforts of their own, a population had risen to demand the fifty hats, other similar machines might be made, and the value of the hats in the command of labour and other commodities might permanently exceed but very little the value of the labour employed in making them.

After the new cotton machinery had been introduced into this country, a hundred yards of muslin of a certain quality would not probably command so much labour as twenty-five yards would before; because the supply had increased in a greater degree than the demand, and there was no longer a demand for the whole quantity produced at the same price. But after great improvements in agriculture have been adopted upon a limited tract of land, a quarter of wheat will in a short time command just as much labour as before; because the increased produce, occasioned by the improvements in cultivation, if properly distributed, is found to create a demand proportioned to the supply, which must still be limited; and the value of corn is thus prevented from falling like the value of muslins.

Thus the fertility of the land gives the power of yielding a rent, by yielding a surplus quantity of necessaries beyond the wants of the cultivators; and the peculiar quality belonging to the necessaries of life, when properly distributed, tends strongly and constantly to give a value to this surplus by raising up a copulation to demand it.

These qualities of the soil and of its products have been, as might be expected, strongly insisted upon by the *Economists* in different parts of their works; and they are evidently admitted as truths by Adam Smith, in those passages of the *Wealth of Nations*, in which he approaches the nearest to their doctrines. But modern writers have in general been disposed to overlook them, and to consider rent as regulated upon the principles of a common monopoly, although the distinction is of great importance, and appears obvious and striking in almost any instance that we can take.

If the fertility of the mines of the precious metals all over the world were diminished one half, it will be allowed that, as population and wealth do not necessarily depend upon gold and silver, such an event might not only be consistent with an undiminished amount of population and wealth, but with a considerable increase of both. In this case however it is quite certain that the rents, profits, and wages

paid at the different mines in the world might not only not be diminished, but might be considerably increased. But if the fertility of all the lands in the world were to be diminished one half;¹ inasmuch as population and wealth strictly depend upon the quantity of the necessaries of life which the soil affords, it is quite obvious that a great part of the population and wealth of the world would be destroyed, and with it a great part of the effective demand for necessaries. The largest portion of the lands in most improved countries would be thrown completely out of cultivation, and wages, profits, and rents, particularly the latter, would be greatly diminished on all the rest. There is hardly any land in this country employed in producing corn, which yields a rent equal in value to the wages of the labour and the profits of the stock necessary to its cultivation. If this be so, then, in the case supposed, the quantity of produce being only the half of what was before obtained by the same labour and profits, it may be doubted whether any land in England could be kept in tillage.

The produce of certain vineyards in France, which, from the peculiarity of their soil and situation, exclusively yield wine of a certain flavour, is sold, of course, at a price very far exceeding the cost of production, including ordinary profits. And this is owing to the greatness of the competition for such wine, compared with the scantiness of its supply, which confines the use of it to so small a number of persons that they are able, and, rather than go without it, willing to give an excessively high price. But, if the fertility of these lands were increased so as very considerably to increase the produce, this produce might so fall in value as to diminish most essentially the excess of its price above the cost of production. While, on the other hand, if

¹ Mr. Ricardo has supposed a case (p. 490, third edit.) of a diminution of fertility of one-tenth, and he thinks that it would increase rents by pushing capital upon less fertile land. I think, on the contrary, that in any well cultivated country it could not fail to lower rents, by occasioning the withdrawing of capital from the poorest soils. If the last land before in use would do but little more than pay the necessary labour, and a profit of 10 per cent upon the capital employed, a diminution of a tenth part of the gross produce would certainly render many poor soils no longer worth cultivating, and would therefore reduce rents.

the vineyards were to become less productive, this excess might increase to almost any extent.¹

The obvious cause of these effects is, that, in all common monopolies, the demand is exterior to, and independent of, the production itself. The number of persons, who might have a taste for scarce wines, and would be desirous of entering into a competition for the purchase of them, might increase almost indefinitely, while the produce itself was decreasing; and its price, therefore, would have no other limit than the numbers, powers, and caprices of the competitors for it.

In the production of the necessaries of life, on the contrary, the demand is dependent on the produce itself, and the effects are therefore widely different. In this case it is physically impossible that, beyond a certain narrow limit, the number of demanders should increase, while the quantity of produce diminishes, since the demanders can only exist by means of the produce.

In all common monopolies, an excess of the value of the produce above the value of the labour and ordinary profits required to obtain it, may be created solely by external demand, and a scanty supply. In the partial monopoly of the land which produces necessaries, such an excess can only be permanently created by the fertility of the soil.

In common monopolies, and all productions except necessaries, the laws of nature do very little towards proportioning their value in exchange to their value in use. The same quantity of grapes or cottons might, under different circumstances, be worth permanently three or three hundred days labour. In the production of the necessaries of life alone, the laws of nature are constantly at work to regulate their exchangeable value according to their value in use; and though

¹ Mr. Ricardo observes, (p. 492, third edit.) in answer to this passage, that, "given the high price, rent must be high in proportion to abundance and not scarcity," whether in peculiar vineyards or on common corn lands. But this is begging the whole of the Question. The price cannot be given. By the force of external demand and diminished supply the produce of an acre of Champagne grapes might permanently command fifty times the labour that had been employed in cultivating it; but, supposing the labourers employed in cultivation to live upon the corn they produce, the possible increase of external demand or diminution of supply could ever enable the produce of an acre of corn to command permanently so many labourers as it would support: because in that case the labourer would be absolutely without the means of supporting a family, and keeping up the population.

from the great difference of external circumstances, and particularly the greater plenty or scarcity of land, this is seldom or never fully effected; yet the exchangeable value of a given quantity of necessaries always tends to approximate towards the value of the quantity of labour which it can maintain in such a manner as to support at least a stationary population, or in other words, to its value in use.

In all common monopolies, the price of the produce, and consequently the excess of price above the costs of production, may increase without any definite bounds on the partial monopoly of the land which produces necessaries, the excess of their price above the cost of production is subjected to an impassable limit. This limit is the surplus of necessaries which the land can be made to yield beyond the lowest wants of the cultivators, and is strictly dependent upon the natural or acquired fertility of the soil. Increase this fertility, the limit will be enlarged, and the land may be made to yield a high rent; diminish it, the limit will be contracted, and a high rent will become impossible; diminish it still further, the limit will coincide with the cost of production, and all rent will disappear.

In short, in the one case, the power of the produce to exceed in price the cost of the production depends upon the degree of the monopoly, and of the external demand, in the other, this power depends entirely upon the degree of fertility, natural or acquired. This is surely a broad and striking distinction.¹

Is it, then, possible to consider the ordinary excess of the price of the necessaries of life above their costs of production as regulated upon the principle of a common monopoly? Is it possible, with M. de Sismondi, to regard rent as the sole produce of labour, which has a value purely nominal, and the mere result of that augmentation of price which a seller obtains in consequence of a peculiar privilege: or, with Mr. Buchanan, to consider it as no addition to the national wealth, but merely as a transfer of value, advantageous only to the landlords, and proportionably injurious to the consumers?²

¹ Yet this distinction does not appear to Mr. Ricardo to be well founded! c. xxxi. p. 492, 3rd edit.

² It is extraordinary that Mr. Ricardo (p. 486) should have sanctioned these statements of M. Sismondi and Mr. Buchanan. Strictly, according to his own theory, the price of corn is always a natural or necessary price, and, independent of agricultural improvements, the natural and necessary condition of an increased supply of

Must we not, on the contrary, allow that rent is the natural result of a most inestimable quality in the soil, which God has bestowed on man—the quality of being able to maintain more persons than are necessary to work it? Is it not a part, and we shall see farther on that it is an absolutely necessary part, of that general surplus produce from the land, which has been justly stated to be the source of all power and enjoyment; and without which, in fact, there would be no cities, no military or naval force, no arts, no learning, none of the finer manufactures, none of the conveniences and luxuries of foreign countries, and none of that cultivated and polished society, which not only elevates and dignifies individuals, but which extends its beneficial influence through the whole mass of the people?¹

produce. In what sense then can he agree with these writers in saying, that it is like that of a common monopoly, or advantageous only to the landlords, and proportionably injurious to the consumers?

¹ After what had been said and written on the subject of rent, I confess I was a good deal surprised that Colonel Perronet Thompson should come forward with a pamphlet, entitled "The True Theory of Rent, in opposition to Mr. Ricardo and others," and should state that the simple cause of rent is every where the same as that which gives rise to the rent of the vineyard which produces Tokay. The statement is the more remarkable in Colonel Thompson, as in the course of his pamphlet he acknowledges the truth of the main results of the new theory; which are,

First, That in a progressive country with gradations of soil, which is the state of almost every known country, the actual average price of corn is a necessary price, or the price necessary to obtain the actual amount of the home supply under the existing state of agricultural skill, and existing value of money.

Secondly, That no degree of monopoly could make land which produces the food on which the people live yield a rent, if it did not yield a greater produce than was sufficient to support the cultivators.

Thirdly, That the ordinary price of corn is so strictly limited that it cannot by possibility continue so high as to prevent the ordinary money wages of the labouring classes from purchasing more corn than is required to support the individuals actually employed.

Now, it is unquestionably true, First, that the price of Tokay is not a necessary price. The same quantity would be produced, although the price were considerably lower. Secondly, That neither the purchasers of Tokay, nor the cultivators of it, live upon the produce. And Thirdly, That there is no limit to the price of Tokay, but the tastes and fortunes of a few opulent individuals.

How then can it possibly be said with truth, that the simple cause of rent is every where the same as that which gives rise to the rent of the vineyard which produces Tokay; and how entirely inapplicable is a reference to Tokay as an illustration of the true theory of rent.

Section II.—On the necessary Separation of the Rent of Land from the Profits of the Cultivator and the Wages of the Labourer.

So much of violence, and unjust monopoly has attended the appropriation of land in the early times of all long settled states, that in order to see the natural foundation and natural progress of rents, it is necessary to direct our attention to the establishment and progressive cultivation of new colonies. In the settlement of a new colony, where the knowledge and capital of an old society are employed upon fresh and fertile land, the surplus produce of the soil shews itself chiefly in high profits, and high wages, and appears but little in the shape of rent. While fertile land is in abundance, and may be had by whoever asks for it, nobody of course will pay a rent to a landlord. But it is not consistent with the laws of nature, and the limits and quality of the earth, that this state of things should continue. Diversities of soil and situation must necessarily exist in all countries. All land cannot be the most fertile: all situations cannot be the nearest to navigable rivers and markets. But the accumulation of capital beyond the means of employing it with the same returns on land of the greatest natural fertility, and the most advantageously situated, must necessarily lower profits; while the rapid increase of population will tend to lower¹ the wages of labour.

The costs of production in corn wages and profits will thus be diminished; but the value of the produce, that is, the quantity of labour

With regard to the grand fallacy on which Colonel Thompson dwells so much, it is obvious that the incautious language in which the new doctrine of rent has been sometimes announced, does not affect its substance. The errors arising from this cause had been pointed out in the first edition of this work long before Colonel Thompson entered upon the question.

¹ After what has been stated respecting the constancy of the value of labour in the last chapter, it will be understood that whenever I speak of high or low wages, or of the rise or fall of wages, I always mean to refer to their greater or less amount, or to the increase or diminution of the quantity of necessaries, &c. awarded the labourer, or of the money wherewith he purchases those necessaries, and which is variable in its value.

It would, perhaps, have been better, in order to avoid ambiguity, always to have applied these latter terms to wages, instead of the former ones, but the expressions high and low wages, and the rise and fall of wages, being so constantly used in common conversation, and being always understood in the sense in which I explain them, the retaining them is not likely to create confusion in the mind of the reader.

which it can command, instead of diminishing, will have a tendency to increase. There will be an increasing number of people demanding subsistence, and ready to offer their services in any way in which they can be useful. The value of food will be in excess above the value of the labour and profits which are the condition of its supply; and this excess is that portion of the general surplus derived from land which has been peculiarly denominated rent.

The quality of the earth first mentioned, or its power to yield a greater quantity of the necessaries of life than is required for the maintenance of the persons employed in cultivation, is obviously the foundation of this rent, and the limit to its possible increase. The second quality noticed, or the tendency of an abundance of food to increase population, is necessary both to give a value to the surplus of necessaries which the cultivators can obtain on the first land cultivated; and also to create a demand for more food than can be procured from the richest lands.¹ And the third cause, or the comparative scarcity of fertile land, which is clearly the natural consequence of the second, is finally necessary to separate a portion of the general surplus from the land, into the specific form of rent to a landlord.²

Nor is it possible that in a country increasing in wealth and population, the whole produce could continue to be divided only between the capitalists and labourers, as the profits of capital and the wages of

¹ If, commencing with a new colony the increase of population did not create a demand for more food than could be produced with the same profits from the richest lands, no rent could arise, and no inferior land could be taken into cultivation.

² Mr. Ricardo quite misunderstood me, when he represents me as saying that rent immediately and necessarily rises or falls with the increased or diminished fertility of the land. (p. 489, 3d edit.) How far my former words would bear this interpretation the reader must judge: but I certainly could not be aware that they would be so construed. Having stated three causes as necessary to the production of rent, I could not possibly have meant to say that rent would vary always and exactly in proportion to one of them. I distinctly stated, indeed, that in new colonies, the surplus produce from the land, or its fertility, appears but little in the shape of rent. Surely he expressed himself more inadvertently while correcting me, by referring to the comparative scarcity of the most fertile land as the only cause of rent, (p. 490, 3d edit.) though he has himself acknowledged, that without positive fertility, no rent can exist, (p. 491.) If the most fertile land of any country were still very poor, such country would yield but very little rent, however scarce such land might be; and if there were no excess of necessaries above what are required for the maintenance of the cultivators, there would be no excess of price.

labour. If profits and corn wages were not to fall, then, without particular improvements in cultivation, none but the very richest lands could be brought into use. The fall of profits and wages which practically takes place, undoubtedly transfers a portion of produce to the landlord, and forms a part, though, as we shall see farther on, only a part of his rent. But if this transfer can be considered as injurious to the consumers, then every increase of capital and population not resulting specifically from improvements in agriculture, must be considered as injurious; and a country which might maintain well ten millions of inhabitants ought to be kept down to a million. The transfer from profits and wages, and such a value of the produce as yields rent, which have been objected to as injurious, and as depriving the consumer of what it gives to the landlord, are absolutely necessary in order to obtain any considerable addition to the wealth and numbers of the first settlers in a new country; and are the natural and unavoidable consequences of that increase of capital and population for which nature has provided in the propensities of the human race.

When such an accumulation of capital has taken place, as to render the returns of an additional quantity employed on the lands first chosen less than could be obtained from inferior land,¹ it must evidently answer to cultivate such inferior land. But the cultivators of the richer land, after profits and wages had fallen, if they paid no rent, would cease to be mere farmers, or persons living upon the profits of agricultural stock; they would evidently unite the characters of landlords and farmers—a union by no means uncommon, but one which does not alter in any degree the nature of rent, or its essential separation from profits and wages.

If the profits of capital on the inferior land taken into cultivation were thirty per cent., and portions of the old land would yield forty per cent., ten per cent, of the forty would obviously be rent by whomsoever received: and when capital had further accumulated and corn wages fallen² on the more eligible lands of a country, other

¹ The immediate motive for the cultivation of fresh land can only be the prospect of employing an increasing capital to greater advantage than on the old land.

² When a given value of capital yields smaller returns, whether on new land or old, the loss is generally divided between the labourers and capitalists, and wages and profits fall at the same time. This is quite contrary to Mr. Ricardo's language. But the wages we refer to are totally different. He speaks of the mere labour cost of

lands, less favourably circumstanced with respect to fertility or situation, might be occupied with advantage. The quantity of produce required to replace wages and profits, having fallen, poorer land, or land more distant from rivers and markets, though yielding at first no rents, might fully repay these expenses, and fully answer to the cultivator. And again, when either the profits of stock, or the corn wages of labour, or both, have still further fallen, land still poorer or still less favourably situated, might be taken into cultivation. And at every step of this kind it is clear, that the rent of land must rise. It may be laid down, therefore, as an incontrovertible truth, that as a nation reaches any considerable degree of wealth, and any considerable fullness of population, the separation of rents, as a kind of fixture upon lands of a certain quality, is a law as invariable as the action of the principle of gravity; and that rents are neither a mere nominal value, nor a value unnecessarily and injuriously transferred from one set of people to another; but a more important part of the whole value of the annual produce, necessarily resulting from its continued increase, and placed by the laws of nature on the land, by whomsoever possessed, whether by few or many, whether by the landlord, the crown, or the actual cultivator.

This then is the mode in which rent would separate itself from profits and wages, in a natural state of things, the least interrupted by bad government, or any kind of unnecessary monopoly; but in the different states in which mankind have lived, it is but too well known that bad governments and unnecessary monopolies have been frequent; and it is certain that they will essentially modify this natural progress, and often occasion a premature formation of rent.

In most of the great eastern monarchies, the sovereign has been considered in the light of the owner of the soil. This premature monopoly of the land joined with the two properties of the soil, and of its products first noticed, has enabled the government to claim, at a very early period, a certain portion of the produce of all cultivated land; and under whatever name this may be taken, it is essentially

producing the necessaries of the labourer; I speak of the necessaries themselves. The reader will be aware that when corn wages have fallen, the value of corn has risen, owing to a greater intensity of demand for it, or the power and will to purchase it by the sacrifice of a greater quantity of labour.

rent. It is an excess both of the quantity, and of the value of what is produced above the costs of cultivation.¹

But in most of these monarchies there was a great extent of fertile territory; the natural surplus of the soil was very considerable; and while the claims upon it were moderate, the remainder was sufficient to afford such profits and wages as would allow of a great increase of population.

It is obvious, however, that it is in the power of a sovereign who is owner of the soil in a very rich territory to obtain, at an early stage of improvement, an excessive rent. He might, almost from the first, demand all that was not necessary to allow of a moderate increase of the cultivators, which, if their skill were not deficient, would afford him a larger proportion of the whole produce in the shape of a tax or rent, than could probably be obtained at any more advanced period of society; but then of course only the most fertile lands of the country could be cultivated; and profits, wages and population would come to a premature stop.

It is not to be expected that sovereigns should push their rights over the soil to such an extreme extent, as it would be equally contrary to their own interest, and to that of their subjects; but there is reason to believe that in parts of India, and in many other southern and eastern countries, and probably even in China, the progress of taxation on the land, founded upon the sovereign's right to the soil, together with other customary payments out of the raw produce, have forcibly and prematurely lowered the profits of capital, and the wages of labour on the land, and have thrown great obstacles in the way of progressive cultivation and population in latter times, while much good land has remained waste. This will always be the case,

¹ This view of the subject includes all the different kinds of rent referred to by Mr. Jones, in his late valuable account of the state of rents, and the various modes of paying labour in different parts of the world. Whether the labourer is paid in money, in produce, or by a portion of land which he is to work himself with a part of his labour, while he gives the other part to his lord, the foundation of rent is exactly the same, depending always upon the value of the excess of what the whole of the lord's land produces, above that which under the actual circumstances is received by the cultivators, and the amount of rent which can be received from a given extent of land will rise according to all the different degrees of fertility above that which will only support the actual cultivators.

when, owing to an unnecessary monopoly, a greater portion of the surplus produce is taken in the shape of rent or taxes, than would have been separated by the natural fall of profits and wages occasioned by the increase of capital and population. But whatever may be the nature of the monopoly of land, whether necessary or artificial, it will be observed that the power of paying a rent or taxes on the land, is completely limited by its fertility; and those who are disposed to underrate the importance of the two first causes of rent which I have stated, should look at the various distributions of the produce in kind which take place in many parts of India, where, when once the monopoly has enabled the sovereign to claim all the produce which remains above what is required for the cultivation of the soil, his resources obviously depend upon the surplus of necessaries which the land yields, and the power of these necessaries to command labour.

It may be thought, perhaps, that rent could not be forcibly and prematurely separated from profits and wages so as unnaturally to reduce the two latter, because capital and labour would quit the land if more could be made of them elsewhere; but it should be recollected, that the actual cultivators of the soil in these countries are generally in a very low and degraded condition; that very little capital is employed by them, and scarcely any which they can remove and employ in another business; that the surplus produce possessed by the government soon raises up a population to be employed by it, so as to keep down the price of labour in other departments to the level of the price in agriculture; and that the small demand for the products of manufacturing and commercial industry, owing to the poverty of the great mass of society, affords no room for the employment of a large capital, with high profits in manufactures and commerce.

On account of these causes which tend to lower profits, and the difficulty of collecting money, together with the risk of lending it which tends to raise interest, I have long been of opinion, that though the rate of interest in different countries is almost the only criterion from which a judgment can be formed of the rate of profits; yet that in such countries as India and China, and indeed in most of the eastern and southern regions of the globe, it is a criterion subject to the greatest uncertainty. In China, the legal interest of money is said to

be three per cent, per month.¹ But it is impossible to suppose, when we consider the state of China, so far as it is known to us, that capital employed on the land can yield profits to this amount; or, indeed, that it can be employed in any steady and well-known trade with such a return.

In the same way extraordinary accounts have been given of the high rate of interest in India; but the state of the actual cultivators completely contradicts the supposition, that, independently of their labour, the profits upon their stock is so considerable; and the late reduction of the government paper to six per cent, fully proves that, in common and peaceable times, the returns of capital, which can be depended upon in other sorts of business, are by no means so great as to warrant the borrowing at a very high rate of interest.

It is probable that, with the exception of occasional speculations, the money which is borrowed at the high rates of interest noticed in China and India, is borrowed in both countries, rather with a view to expenditure, the payment of debts, or some pressing necessity, than with a view to regular profits.

Some of the causes, which have been noticed as tending prematurely and irregularly to raise rents and lower profits in the countries of the east, operated without doubt to a certain extent in the early stages of society in Europe. At one period most of the land was cultivated by slaves; and on the *metayer* system which succeeded, the division of the crop was so arranged as to allow the cultivator but little more than a scanty subsistence. In this state of things the rate of profits on the land could have but little to do with the general rate of profits. The peasant could not, without the greatest difficulty, realize money and change his profession; and it is quite certain that no one who had accumulated a capital in manufactures and commerce, would employ it in cultivating the lands of others as a *metayer*. There would thus be little or no interchange of capital between trade and agriculture, and the profits in each might in consequence be very unequal.

It is probable however, as in the case of China and India above mentioned, that profits would not be excessively high. This would

¹ Penal Code, Staunton, p. 158. The market-rate of interest at Canton is said, however, to be only from twelve to eighteen per cent. Id. note XVII.

depend indeed mainly upon the supply of capital in manufactures and commerce; if capital were scarce, compared with the demand for the products of these kinds of industry, profits would certainly be high; and all that can be said safely is, that we cannot infer that they were very high, from the very high rates of interest occasionally mentioned.

Rent then has been traced to the same common nature with that general surplus from the land, which is the result of certain qualities of the soil and its produce; and it has been found to commence its separation from profits and wages, as soon as they begin to fall from the scarcity of fertile land whether occasioned by the natural progress of a country towards wealth and population, or by any premature and unnecessary monopoly of the soil.

Section III.—Of the Causes which tend to raise Rents in the ordinary Progress of civilized and improved Societies.

In tracing more particularly the laws which govern the rise and fall of rents, the main causes which practically tend to increase the difference between the price of the produce, and the expenses of cultivation including ordinary profits, require to be more specifically enumerated. The principal of these seem to be four:—1st, Such an accumulation of capital compared with the means of employing it, as will lower the profits of stock; 2dly, such an increase of population as will lower the corn wages of labour; 3dly, such agricultural improvements, or such increase of exertions as will diminish the number of labourers necessary to produce a given effect; and 4thly, such an increase in the price of agricultural produce, from increased demand, as, while it probably raises the money price of labour, or occasions a fall in the value of money, is nevertheless, accompanied by a diminution either temporary or permanent, of the money outgoings of the former, compared with his money returns.

If capital increases in some departments, and the additional quantity cannot be employed with the same profits as before, it will not remain idle, but will seek employment either in the same or in other departments of industry, although with inferior returns, and this will tend to push it upon less fertile soils.

In the same manner, if population increases faster than the funds for the maintenance of labour, the labourers must content themselves

with a smaller quantity of necessaries. The value of produce will consequently rise; the same quantity of corn will set more labour in motion, and land may be cultivated which could not have been cultivated before.

These two first causes sometimes act so as to counterbalance one another. An increase of capital tends to raise the wages of labour, and a fall of wages tends to raise the profits of stock; but these are only temporary effects. In the natural and regular progress of a country towards its full complement of capital and population, the rate of profits and the corn wages of labour permanently fall together. Practically this is often effected by a rise in the money price of corn, accompanied by a rise, but not a proportionate rise, in the money wages of labour. The greater rise in the money price of corn as compared with labour, is more than counterbalanced to the cultivator by the diminished quantity of produce obtained by the same agricultural capital; and the profits of all other capitalists are diminished by having to pay out of the same money returns higher money wages; while the command of the labourer over the necessaries of life is of course contracted by the inadequate rise of the price of labour as compared with that of corn.

But this exact and regular rise in the money price of corn and labour is not necessary to the fall of profits. Profits and corn wages may fall, and rent be separated, under any variations of the value of money. All that is necessary to the most regular and permanent fall of profits, is, that an increased proportion of the produce obtained by a given quantity of labour should be absorbed in paying that labour. In the continued progress of cultivation, this is generally effected by a diminution of the produce, obtained by the same labour without a proportionate diminution of the quantity absorbed by labour, which leaves less for profits, at the same time that the corn wages of the labourer are diminished. But it is obvious that if a smaller quantity of produce be sufficient to remunerate both the capitalist and the labourer,¹ the outgoings necessary to cultivation will be diminished,

¹ Mr. Ricardo has observed (p. 499, 3rd edit.) in reference to the second cause which I have here stated, as tending to raise rents, "that no fall of wages can raise rents; for it will neither diminish the portion, nor the value of the portion of the produce which will be allotted to the farmer and labourer together." And yet in

rents will tend to rise on all the old lands, and poorer lands may be cultivated with advantage.

The third cause enumerated as tending to raise rents by lowering the expenses of cultivation compared with the price of the produce is, such agricultural improvements, or such increase of exertions, as will diminish the number of labourers necessary to produce a given effect.

In improving and industrious countries, not deficient in stimulants, this is a cause of great efficacy. If the improvements introduced were of such a nature as considerably to diminish the costs of production, without increasing in any degree the quantity of produce, then, as it is quite certain that no alteration would take place in the price of corn, the extravagant profits of the farmers would soon be reduced by the competition of capitals from manufactures and commerce; and as the whole arena for the employment of capital would rather have been diminished than increased, profits on the land as well as elsewhere would soon be at their former level, and the increased surplus from the diminished expenses of cultivation would go to increase the rents of the landlords.

But if these improvements, as must always be the case, would facilitate the cultivation of new land, and the better cultivation of the old with the same capital, more corn would certainly be brought to market. This would lower its price; but the fall would be of short duration. The operation of that important cause noticed in the early

reality there is no other rise in the value of corn, but that which is accompanied by a fall in the corn wages of labour. The fact is, that the value allotted to the farmer and labourer together, measured in labour, or money of a fixed value, is very far from remaining the same. All his calculations are built upon the fundamental error of omitting the consideration of profits in estimating the value of wages, and thus making the value of labour rise, instead of making it constant. The value obtained by a given quantity of labour, or the value allotted to the farmer and labourer together, must always fall with the fall of profits. If it does not in Mr. Ricardo's money, it is precisely because his money is so constructed as to vary with the article it measures. The high corn wages of America will finally go to rent, not to profits. If labourers were permanently to receive the value of half a bushel of wheat a day, none but the richest lands could pay the expense of working them. An increase of population, and a fall of very high corn wages are absolutely necessary to the cultivation of poor land; How then can it be said that a fall of wages is not one of the causes of a rise of rents?

part of this chapter, which distinguishes the surplus produce of the land from all others, namely, the power of the necessaries of life, when properly distributed, to create their own demand, or in other words the tendency of population to press against the means of subsistence, would soon restore the prices of corn and labour, and reduce the profits of stock to their former level, while in the mean time every step in the cultivation of poorer lands facilitated by these improvements, and their application to all the lands of a better quality before cultivated, would universally have raised rents: and thus, under an improving system of cultivation, rents might continue rising without any rise in the value of corn, or any fall in the corn wages of labour, or in the general rate of profits.

The very great improvements in agriculture which have taken place in this country are clearly demonstrated by the profits of stock having been as high in 1813 as they were nearly a hundred years before, when the land supported but little more than half the population. And the power of the necessaries of life, when properly distributed, to create their own demand is fully proved by the palpable fact, that the exchangeable value of corn in the command of labour and other commodities was for many years before that period, undiminished, notwithstanding the many and great improvements which had been successively introduced into cultivation, both by the use of better implements, and by a more skilful system of managing the land. In fact, the increase of produce had gone almost wholly to the increase of rents and the payment of taxes, tithes, and poor's rates.

It may be added that, when in particular districts, improvements are introduced which tend to diminish the costs of production, the advantages derived from them go immediately, upon the renewal of leases, to the landlords, as the profits of stock must necessarily be regulated by competition, according to the general average of the whole country. Thus the very great agricultural improvements which have taken place in some parts of Scotland, the north of England, and Norfolk, have raised, in a very extraordinary manner, the rents of those districts, and left profits where they were.

It must be allowed then, that facility of production in necessaries,¹ unlike facility of production in all other commodities, is rarely or never attended with a permanent fall of their value. They are the only commodities of which it can be said that their permanent command of labour has a constant tendency to keep pace with the increase of their quantity. And consequently, in the actual state of things, all savings in the cost of producing them will permanently increase the surplus which goes to rent.

The fourth cause which tends to raise rents, is such an increase in the money price of agricultural product from increased demand, as while it raises the money price of labour, or lowers the value of money, is accompanied by a comparative diminution, either temporary or permanent, in the money outgoings of the farmer.²

I have already adverted to a rise in the money price of raw produce, which may take place in consequence of a regular increase of capital and population, and a regular fall of profits and corn wages. But this sort of rise is confined within narrow limits, and has little share in those great variations in the price of corn, which are most frequently the subject of observation. The kind of increased price, the effects of which I wish now more particularly to consider, is a rise of price from increased demand, terminating in a diminished value of the precious metals.

If a great and continued demand should arise among surrounding nations for the raw produce of a particular country, the price of this produce would of course rise considerably; and the expenses of cultivation rising only slowly and gradually to the same proportion, the price of produce might for a long time keep so much a head as to give a prodigious stimulus to improvement, and encourage the employment of much capital in bringing fresh land under cultivation, and rendering the old much more productive. If however the demand

¹ Properly speaking, facility of production in necessaries can only be temporary where there are gradations of land as far as barrenness, except when capital is prevented from increasing by the want of power or will to save, arising from bad government. It may then be permanent. But though corn will, in that case, cost but little labour, the labour which it will command, or its value, will be comparatively high.

² This cause is partly included in the preceding ones; but as it frequently occurs, and has a different origin, it is worth while to consider it separately, and trace its practical operation.

continued, the price of labour would ultimately rise to its former level, compared with corn; a decided fall in the value of money supported by the abundant exportation of raw produce might generally take place, in which case labour would become extremely productive in the purchase of all foreign commodities, and rents might rise without a fall of profits or wages.

The state of money prices, and the rapid progress of cultivation in the United States of America, tend strongly to illustrate the case here supposed. The price of wheat in the eastern states has been often nearly as high as in France and Flanders; and owing to the continued demand for hands, the money price of day-labour has been at times nearly double what it is in England.¹ But this high price of corn and labour has given great facilities to their farmers and labourers in the purchase of clothing and all sorts of foreign necessaries and conveniences. And it is certain that if the money prices of corn and labour had been both lower, yet had maintained the same proportion to each other, land of the same quality could not have been cultivated with the same advantage, nor could equal rents have been obtained with the same rate of profits and the same corn wages of labour.

Effects of a similar kind took place in our own country from a similar demand for corn during the twenty years from 1793 to the end of 1813, though the demand was not occasioned in the same way. For some time before the war, which commenced in 1793, we had been in the habit of importing a certain quantity of foreign grain to supply our habitual consumption. The war naturally increased the

¹ According to Pitkin's *Statistical View of the United States*, (p. 112, 2nd ed.) the average price of the bushel of wheat for seven years, from 1806 to 1816 inclusive, at the principal places of exportation, was rather above 1½ dollars, or 54 shillings per quarter; and, according to Fearon's Sketches, common labour was above a dollar a day.

The state of things in 1821 was essentially different, and shews how much the value of money in any country depends upon the demand and supply of produce. Corn and labour, it is said, had fallen at that time one half. The former high prices were no doubt in part owing to paper, but before the war with England, for seven years out of the eleven referred to, silver and paper were at par, and during this period wheat at the ports of the Eastern States was above 50 shillings a quarter. A rise in the price of corn, and other sorts of raw produce in an exporting country with plenty of good land, enables it to purchase money with a smaller quantity of labour, which is likely to render it cheap, or to make the money price of labour high.

expense of this supply by increasing the expense of freight, insurance, &c.; and, joined to some bad seasons and the subsequent decrees of the French government, raised the price, at which wheat could be imported, in the quantity wanted to supply the demand, in a very extraordinary manner.¹

This great rise in the price of imported corn, although the import bore but a small proportion to what was grown at home, necessarily raised in the same proportion the whole mass, and gave the same sort of stimulus to domestic agriculture as would have taken place from a great demand for our corn in foreign countries. In the mean time, the scarcity of hands, occasioned by an extending war, an increasing commerce, and the necessity of raising more food, joined to the ever ready invention of an ingenious people when strongly stimulated, introduced so much saving of manual labour into every department of industry, that the new and inferior land taken into cultivation, to supply the pressing wants of the society, was worked at a less expense of labour than richer soils had been some years before. Yet still the price of grain necessarily kept up as long as the most trifling quantity of foreign grain, which could only be obtained at a very high price, was wanted in order to supply the existing demand. With this high price, which at one time rose to nearly treble in paper and above double in bullion, compared with the prices before the war, it was quite impossible that the money price of labour should not rise nearly in proportion, and with it, of course, as profits had not fallen, all the commodities into which labour had entered.

We had thus a general rise in the prices of labour and commodities, or a fall in the value of the precious metals, compared with other countries, which our increasing foreign commerce and abundance of exportable commodities enabled us to sustain, and this is one of the signal instances in which the value of money arising from incidental causes entirely overwhelmed and obscured the effects arising from the necessary cause. Profits instead of falling rose; and the value of

¹ During the period alluded to, corn rose far beyond what was necessary to defray the increased expense of freight, insurance &c., occasioned by the war. The cause of the rise was therefore, independent of the increased cost of importation. It doubtless originated in the profuse expenditure of the state, and the increased activity of commercial and manufacturing industry at the time.—*Ed.*

money ought therefore to have risen, and the money price of labour to have fallen; but the secondary causes arising from the demand for corn and labour, and the increasing money value of our exported commodities quite overcame the natural effects of the rise of profits, and occasioned a very decided fall, not only in the value of our currency but in the value of our bullion compared with labour. That the last land taken into cultivation in 1813 did not require more labour to work it than the last land improved in the year 1790, is proved by the acknowledged fact, that the rate of interest and profits was higher in the later period than the earlier, while the corn wages of labour were nearly the same. But still the profits were not so much higher as not to have rendered the interval extremely favourable to the rise of rents. This rise, during the interval in question, was the theme of universal remark; and though a severe check, from a combination of circumstances, has since occurred; yet the great drainings and permanent improvements, which were the effects of so powerful an encouragement to agriculture, have acted like the creation of fresh land, and have increased the real wealth and population of the country, without increasing the labour and difficulty of raising a given quantity of grain.

It is obvious then that a fall in the value of the precious metals, commencing with a rise in the price of corn, has a strong tendency, while it is going on, to encourage the cultivation of fresh land and the formation of increased rents.

A similar effect would be produced in a country which continued to feed its own people, by a great and increasing demand for its manufactures. These manufactures, if from such a demand the money value of their amount in foreign countries was greatly to increase, would bring back a great increase of money value in return, which increase could not fail to increase the money price of labour and raw produce. The demand for agricultural as well as manufactured produce would thus be augmented; and a considerable stimulus, though not perhaps to the same extent as in the last case, would be given to every kind of improvement on the land.

This result generally takes place from the introduction of improved machinery, and a more judicious division of labour in manufactures. It almost always happens in this case, not only that the quantity of manufactures is very greatly increased, but that the value

of the whole mass is augmented, from the great extension of the demand for them both abroad and at home, occasioned by their cheapness. We see, in consequence, that in all rich manufacturing and commercial countries, the value of manufactured and commercial products bears a very high proportion to the increased raw products;¹ whereas, in comparatively poor countries, with few manufactures and little foreign commerce, the value of their raw produce, though small compared with their extent of territory, constitutes almost the whole of their wealth.

In those cases where the stimulus to agriculture originates in a prosperous state of commerce and manufactures, it sometimes happens that the first step towards a rise of prices is an advance in the money wages of commercial and manufacturing labour. This will naturally have an immediate effect upon the price of corn, and an advance in the price of agricultural labour will follow. It is not, however, necessary, even in those cases, that labour should rise first. If, for instance, the population were increasing as fast as the mercantile and manufacturing capital, the only effect might be an increasing number of workmen employed at the same money wages, which would occasion a rise in the price of corn before any rise had taken place in the wages of labour.

We are supposing, however, now, that the price of labour does ultimately rise nearly to its former level compared with corn, that both are considerably higher, and that money has suffered a decided change of value. Yet in the progress of this change, the other outgoings, besides labour, in which capital is expended, can never all rise at the same time, or even finally in the same proportion. A period of some continuance can scarcely fail to occur when the difference between the price of produce and the cost of production is so increased as to give a great stimulus to agriculture; and as the increased capital, which is employed in consequence of the opportunity of making great temporary profits, can seldom be entirely removed from the land, a part of the advantage 80 derived is permanent; together with

¹ According to the calculations of Mr. Colquhoun, the value of our trade, foreign and domestic, and of our manufactures, exclusive of raw materials, is nearly equal to the gross value derived from the land. In no other large country probably is this the case.—*Treatise on the Wealth, Power, and Resources of the British Empire*, p. 96.

the whole of that which may be occasioned by a greater permanent rise in the price of corn than in some of the materials of the farmer's capital.

It is acknowledged that, when a fall takes place in the value of money, taxed commodities will not rise in the same proportion with others; and, on the supposition of such fall being peculiar to a particular country, the same must unquestionably be said of all the various commodities which are either wholly or in part imported from abroad, many of which enter into the capital of the farmer. He would, therefore, derive an increased power from the increased money price of corn compared with those articles. A fall in the value of money cannot indeed be peculiar to one country without the possession of peculiar advantages in exportation; but with these advantages, which we know are very frequently possessed, and are often increased by stimulants, such a fall, whether arising generally from an increased supply from the mines, or partially from a demand for corn and labour in a particular country, can scarcely fail to encourage the outlay of more capital in agriculture, to increase the power of cultivating poorer lands, and to advance rents.

In speaking, however, of the advantages sometimes derived from a fall in the value of money, it should always be recollected, that if it goes to a greater extent than can be permanently maintained—an event very likely to take place, it will surely be followed by a retrograde movement, which, though it may not undo all the effects of the previous encouragement given to production, in reference to the general wealth of the country, will be felt by all the parties concerned, landlords, capitalists, and labourers, as so painful a reverse that they may well wish that they had not been subjected to the stimulus. Still, however, it is proper to consider the effects of such a stimulus during the time it lasts.

Whenever then, by the operation of the four causes above mentioned, the difference between the price of produce and the cost of the instruments of production increases, the rents of land will rise.

It is, however, not necessary that all these four causes should operate at the same time; it is only necessary that the difference here mentioned should increase. If, for instance, the price of produce were to rise, while the money wages of labour and the price of the other

branches of capital did not rise in proportion,¹ and at the same time improved modes of agriculture were coming into general use, it is evident that this difference might be increased, although the profits of agricultural stock were not only undiminished, but were to rise decidedly higher.

Of the great additional quantity of capital employed upon the land in this country during the twenty years, from 1793 to 1813, by far the greater part is supposed to have been generated on the soil, and not to have been brought from commerce or manufactures. And it was unquestionably the high profits of agricultural stock, occasioned by improvements in the modes of agriculture, and by the constant rise of prices, followed only slowly by a proportionate rise in the materials of the farmer's capital, that afforded the means of so rapid and so advantageous an accumulation.

In this case, cultivation was extended, and rents rose, although one of the instruments of production, capital, was dearer.

In the same manner a fall of profits, and improvements in agriculture, or even the latter separately, might raise rents, notwithstanding a rise of corn Wages.

It is further evident, that no fresh land can be taken into cultivation till rents have risen, or would allow of a rise upon what is already cultivated.

Land of an inferior quality requires a greater advance of labour and capital to make it yield a given produce; and if the actual price of this produce be not such as fully to compensate the cost of production, including profits, the land must remain uncultivated. It matters not, whether this compensation is effected by an increase in the money price of raw produce, without a proportionate increase in the money price of the instruments of production; or by a decrease in the price of the instruments of production, without a proportionate decrease in the price of produce. What is absolutely necessary is, a greater relative cheapness of the instruments of production, to make up for the quantity of them required to obtain a given produce from poor land.

¹ This would in fact be a fall in the corn wages of labour, though it might be made up to the labourer by the comparative cheapness of some other articles, and more constant employment for all the members of his family.

But whenever, by the operation of one or more of the causes before mentioned, the instruments of production become relatively cheaper, and the difference between the price of produce and the expenses of cultivation increases, rents naturally rise. It follows therefore as a direct and necessary consequence, that it can never answer to take fresh land of a poorer quality into cultivation till rents have risen, or would allow of a rise, on what is already cultivated.

It is equally true, that without the same tendency to a rise of rents,¹ it cannot answer to lay out fresh capital in the improvement of old land; at least upon the supposition, that each farm is already furnished with as much capital as can be laid out to advantage, according to the actual rate of profits.

It is only necessary to state this proposition to make its truth appear. It certainly may happen, (and I fear it happens very frequently) that farmers are not provided with all the capital which could be employed upon their farms at the actual rate of agricultural profits. But supposing they are so provided, it implies distinctly, that more could not be applied without loss, till, by the operation of one or more of the causes above enumerated, rents had tended to rise.

It appears then, that the power of extending cultivation and increasing produce, both by the cultivation of fresh land and the improvement of the old, depends entirely upon the existence of such prices, compared with the expense of production, as would raise rents in the actual state of cultivation.

But though cultivation cannot be extended and the produce of a country increased, except in such a state of things as would allow of a rise of rents;² yet it is of importance to remark, that this rise of rents will not necessarily be in proportion to the extension of cultivation or to the increase of produce.

A slight rise in the value of corn may allow of the employment of a considerable quantity of additional capital; and when either new

¹ Rents may be said to have a tendency to rise, when more capital is ready to be laid out upon the old land, but cannot be laid out without diminished returns. When profits fall in manufactures and commerce from the diminished price of goods, capitalists will be ready to give higher rents for old farms.

² This, it must be recollected, is upon the supposition above adverted to, that the farmer has had the means and the will to employ all the capital, both fixed and circulating, which can be applied at the actual rate of profits.

land is taken into cultivation, or the old improved, the increase of produce is often greater than the increase of rents. We frequently see in consequence, that, in the progress of a country towards a high state of cultivation, the quantity of capital employed upon the land, and the quantity of produce yielded by it, bears an increasing proportion to the amount of rents, unless counterbalanced by extraordinary improvements in the modes of cultivation.¹

In the early state of cultivation upon the *Metayer* system, with small capitals, the proportion of the produce which went to the landlord was generally one half. Even in the United States, where profits and corn wages have been such as would allow of a large transfer to the landlords, produce seems to have increased faster than rents. And according to the returns made to the board of agriculture in 1813, the average proportion which rent bears to the value of the whole produce seems to be little more than one-fifth;² whereas formerly, when there was more land in pasture, less capital employed, and less produce obtained, the proportion amounted to one-fourth, one-third, or even two-fifths.³ Still, however, the numerical difference between

¹ To the honour of Scotch cultivators it should be observed, that they have applied their capitals so very skilfully and economically, that at the same time that they have prodigiously increased the produce, they have increased the landlord's proportion of it. The difference between the landlord's share of the produce in Scotland and in England is quite extraordinary—greater than can be accounted for by the absence of tithes and poor's-rates. It must be referred therefore to superior skill and economy, and improvements in cultivation.—See Sir John Sinclair's valuable *Account of the Husbandry of Scotland*; and the *General Report*, published in 1813 and 14—works replete with the most useful and interesting information on agricultural subjects.

² See Evidence before the House of Lords, given by Arthur Young, in the Report respecting the corn laws, 1814, p. 66.

³ In that state of things where land is in great abundance, and rents very low, the capital, and particularly the fixed capital employed, is generally very inconsiderable. Mr. Ricardo, in illustrating his doctrine of rent, has supposed a capital of £3000 employed with low corn wages to obtain a produce worth £720, before the commencement of rent. But this is so directly contrary to the real state of things before rent has commenced, as to destroy all just illustration. In the present advanced state of cultivation under a large mass of rents, a capital of £1000 is considered as adequate to obtain the above value of produce. It was the very disproportionate amount of capital, with the low corn wages assumed, which enabled Mr. Ricardo to contemplate an extraordinary rise of rents, occasioned exclusively by a transfer from profits. This apparent result was further assisted by the adoption of a money as his measure of value, which, (as I have already shown, p. 124-125) must necessarily

the price of produce and the expenses of cultivation increases with the progress of improvement; and though the landlord may have a less share of the whole produce, yet this less share from the great increase of the produce, owing to the conversion of natural pastures into arable land, will command more labour, and consequently be of greater value to him. If the produce of land be represented by the number six, and the landlord has one-fourth of it, his share will be represented by one and a half. If the produce of land be as ten, and the landlord has one-fifth of it, his share will be represented by two. In the latter case, therefore, though the proportion of the landlord's share to the whole produce is greatly diminished, the value of his rent, independent of nominal price, will be increased in the proportion of from three to four.

We see then that a progressive rise of rents seems to be necessarily connected with the progressive cultivation of new land, and the progressive improvement of the old: and that this rise is the natural and necessary consequence of the operation of four causes, which are the most certain indications of increasing prosperity and wealth—namely, the accumulation of capital, the increase of population, improvements in agriculture, and a rising market price of raw produce, occasioned either by a great demand for it in foreign countries, or by the extension of commerce and manufactures.

Section IV.—Of the Causes which tend to lower Rents.

The causes which lead to a fall of rents are, as may be expected, exactly of an opposite description to those which lead to a rise: namely, diminished capital, diminished population, an overgrown system of cultivation, and a falling price of raw produce from deficiency of demand. They are almost always¹ indications of poverty and decline, and are necessarily connected with the throwing of inferior land out

vary with the commodity which it was to measure. When all labour, all raw products, and many manufactured products had risen in his money, he still supposed his money to remain of the same value, whereas it had in fact fallen in value from the fall of profits, without which fall the appearances he contemplates could not possibly take place.

¹ The only practical exception is in the case of importing foreign corn, the effects of which will be considered more particularly in the next section, and a subsequent part of this chapter.

of cultivation, and the continued deterioration of the land of a superior quality.

The necessary effects of a diminished capital and diminished population in lowering rents, are too obvious to require explanation; nor is it less clear that operose and bad system of cultivation might prevent the formation of rents, even on fertile land, by checking the progress of population and demand beyond what could be supplied from the very richest qualities of soil. I will only therefore advert to the fourth cause here noticed.

We have seen that a rise in the price of corn, terminating in a diminished value of the precious metals, would give a considerable stimulus to cultivation for a certain time, and some facilities permanently, and might occasion a considerable and permanent rise of rents. And this case was exemplified by what happened in this country during the period from 1794 to 1814.

It may be stated in like manner, that a fall in the price of corn terminating in a rise in the value of money, must, upon the same principles, tend to throw land out of cultivation and lower rents. And this may be exemplified by what happened in this country at the conclusion of the war. The fall in the price of corn at that period necessarily disabled the cultivators from employing the same quantity of labour on their land. Many labourers, therefore, were unavoidably thrown out of employment; and, as the land could not be cultivated in the same way, without the same number of hands, some of the worst soils were no longer worked, much agricultural capital was destroyed, and rents universally fell; while this great failure in the power of purchasing, among all those who either rented or possessed land, naturally occasioned a general stagnation in all other trades. But the fall in the money price of labour¹ from the competition of the labourers, and the poverty of the cultivators; together with the fall of

¹ This is an instance of the incidental causes of the high or low value of money prevailing over the necessary cause just in an opposite direction to that noticed in the last section. Profits unquestionably fell after the war, and the value of money ought to have fallen, and the money price of labour to have risen; but the rise in the value of money, owing to the slackness of the circulation, the withdrawing of much paper, and the comparative want of demand for corn and labour, combined with the diminished money value of our exported commodities, quite overcame the natural effects of the fall of profits, and occasioned a decided rise in the value of money.

rents, from the want of power to pay the former rents, would tend to restore the former relations of produce, wages, and rents to each other, though they would all be lower in price than they were before. The land which had been thrown out of tillage might then again be cultivated with advantage; but in the progress from the lower to the higher value of money, a period would have elapsed of diminished produce, diminished capital, and diminished rents. The country would recommence a progressive movement from an impoverished state; and, owing to a fall in the value of corn greater than in taxed commodities, in foreign commodities, and in others which form a part of the capital of the farmer and of the necessaries and conveniences of the labourer, the permanent difficulties of cultivation would be great compared with the natural fertility of the worst soil actually in tillage.

It has appeared that, in the progress of cultivation and of increasing rents, it is not necessary that all the causes which tend to advance rents should operate at the same time; and that the difference between the price of produce and the expense of cultivation might increase, although either the profits of stock or the wages of labour might be higher, instead of lower.

In the same manner, when the produce of a country is declining from a diminution of demand, and rents in consequence falling, it is not necessary that all the causes which tend to lower rents should be in action. In the natural progress of such a decline, the profits of stock must be low; because it is specifically the want of adequate returns which occasions this decline. After some capital has been destroyed, money wages will fall; but the low price of raw produce may more than counterbalance the low money wages of labour, and prevent the profitable cultivation of land where much capital is required.

It has appeared also, that in the progress of cultivation, and of increasing rents, if not accompanied by very decided agricultural improvements, rent, though greater in positive amount, often bears a less proportion to the quantity of capital employed upon the land, and the quantity of produce derived from it. According to the same principle, when produce diminishes and rents fall, though the amount of rent will be less, the proportion which it bears to capital and produce may be greater. And as, in the former case, the diminished proportion

of rent was owing to the necessity of yearly taking fresh land, consisting of rough pasture and wood, into cultivation, and proceeding in the improvement of old land, when it would return only the common profits of stock, with little or no rent; so, in the latter case, the higher proportion of rent is owing to the discouragement of a great expenditure in agriculture, and the necessity of employing the reduced capital of the country in the exclusive cultivation of the richest lands, and leaving the remainder to yield what rent can be got for them in natural pasture, which, though small, will bear a large proportion to the labour and other capital employed. In proportion, therefore, as the relative state of prices is such as to occasion a progressive fall of rents, more and more land will be gradually thrown out of cultivation, the remainder will be worse cultivated, and the diminution of produce will generally proceed still faster than the diminution of rents.¹

If the doctrine here laid down respecting the laws which govern the rise and fall of rents be near the truth, the doctrine which maintains that, if the produce of agriculture were sold at such a price as to yield less neat surplus, agriculture would be equally productive to the general stock, must be very far from the truth. And if, under the impression that the ordinary excess of the price of raw produce above the costs of production which occasions rent on the great mass of land is as injurious to the consumer as it is advantageous to the landlord, a rich and improved nation were determined by law to lower the price of its produce, till no surplus in the shape of rent any where remained, it would inevitably throw not only all the poor land, but all except the very best land, out of cultivation, and probably reduce its produce and population to less than one-tenth of their former amount

Section V.—On the Dependence of the actual Quantity of Produce obtained from the Land upon the existing Prices of Produce, and existing Rents, under the same Agricultural Skill and the same Value of Money.

From the preceding account of the progress of rent, it follows that the actual amount of the natural rent of land in the actual state of agricul-

¹ It should be recollected, however, that both the results here contemplated will be essentially affected by taxes which fall on the land.

tural skill, is, with very little drawback, necessary to the actual produce; and that the price of corn in every progressive country, must be just about equal to the cost of production on land of the poorest quality actually in use, with the addition of the rent it would yield in its natural state; or to the cost of raising additional produce on old land, which additional produce yields only the usual returns of agricultural capital with no rent.

It is quite obvious that under the existing value of money, the price cannot be less;¹ or such land would not be cultivated, nor such capital employed. Nor can it ever much exceed this price, because it will always answer to the landlord to continue letting poorer and poorer lands, as long as he can get any thing more than they will pay in their natural state; and because it will always answer to any farmer who can command capital, to lay it out on his land, if the additional produce resulting from it will fully repay the profits of his capital, although it yields nothing to his landlord.

It follows then, that corn, in a cultivated and improving country, is sold nearly at its necessary price, that is, at the price necessary to obtain the actual amount of produce if no rents were paid; although by far the largest part is sold at a price much above that which is necessary to its production without rent, owing to this part being produced at less expense, while its price remains undiminished.

The difference between the price of corn and the price of manufactures, with regard to natural or necessary price, is this; that if the price of any manufacture were essentially depressed, the whole manufacture would be entirely destroyed; whereas, if the price of corn were equally depressed, the quantity of it only would be dimin-

¹ The reader will be aware from what was said in the last chapter, that, though in speaking of the relation between the price of the produce and its money cost at any given time, money is always a correct measure; yet that in speaking of the price of the produce without such reference, it is necessary that the existing value of money should be expressed, or understood; and I trust that the reader will allow of the latter, when the meaning is clear from the context. As I measure the value of money by labour, the price of the produce under the existing value of money is exactly equivalent to the expression value of the produce. In reality it may be said, that in the natural and ordinary state of things, it is the actual value of the produce, or its actual power of commanding labour, which is necessary to the supply of the actual produce. In these cases it might be better at once to use the term value instead of price; but I fear it would not yet be so readily understood.

ished. There would be some machinery in the country still capable of sending the commodity to market at the reduced price.

The earth has been sometimes compared to a vast machine, presented by nature to man for the production of food and raw materials; but, to make the resemblance more just, as far as they admit of comparison, we should consider the soil as a present to man of a great number of machines, all susceptible of continued improvement by the application of capital to them, but yet of very different original qualities and powers.

This great inequality in the powers of the machinery employed in obtaining raw produce, forms the most remarkable feature which distinguishes the machinery of the land from the machinery employed in manufactures.

When a machine in manufactures is invented, which will produce more finished work with less expenditure than before, if there be no patent, or as soon as the patent has expired, a sufficient number of such machines may be made to supply the whole demand, and to supersede entirely the use of all the old machinery. The natural consequence is, that the price is reduced to the price of production from the best machinery, and if the price were to be depressed lower, the whole of the commodity would be withdrawn from the market.

The machines which produce corn and raw materials, on the contrary, are the gifts of nature, not the works of man; and we find, by experience, that these gifts have very different qualities and powers. The most fertile and best situated lands of a country, those which, like the best machinery in manufactures, yield the greatest products with the least expenditure, are never found sufficient, owing to the second main cause of rent before stated, to supply the effectual demand of an increasing population. The price of raw produce, therefore, naturally increases till it answers to pay the cost of raising it with inferior machines, and by a more expensive process; and, as there cannot be two prices for corn of the same quality, all the other machines, the working of which requires less expenditure compared with the produce, must yield rents in proportion to their goodness.

Every extensive country may thus be considered as possessing a gradation of machines for the production of corn and raw materials, including in this gradation not only all the various qualities of poor land, of which every large territory has generally an abundance, but

the inferior machinery which may be said to be employed, when good land is further and further forced for additional produce. As the price of raw produce continues to rise, these inferior machines are successively called into action; and as the price of raw produce continues to fall, they are successively thrown out of action. The illustration here used serves to show at once the necessity of the existing price of corn to the existing produce, in the actual state of most of the countries with which we are acquainted, and the different effect which would attend a great reduction in the price of any particular manufacture, and a great reduction in the price of raw produce.

We must not, however, draw too large inferences from this gradation of machinery on the land. It is what actually exists in almost all countries, and accounts very clearly for the origin and progress of rent, while land still remains in considerable plenty. But such a gradation is not strictly necessary, either to the original formation, or the subsequent regular rise of rents. All that is necessary to produce these effects, is, the existence of the two first causes of rent formerly mentioned, with the addition of limited territory, or a scarcity of fertile land.

Whatever may be the qualities of any commodity, it is well known that it can have no exchangeable value, if it exists in a great excess above the wants of those who are to use it. But such are the qualities of the necessaries of life that, in a limited territory, and under ordinary circumstances, they cannot if properly distributed be permanently in excess; and if all the land of this country were precisely equal in quality, and all as rich, as the best, there cannot be the slightest doubt, that after the whole of the land had been taken into cultivation, both the profits of stock, and the real wages of labour, would go on diminishing till profits had been reduced to what was necessary to keep up the actual capital, and the wages to what was necessary to keep up the actual population, while the rents would be high, just in proportion to the fertility of the soil natural or acquired, and the mass of rents very much greater than at present.

Nor would the effect be essentially different, if the capital which could be employed with advantage upon such fertile soil were extremely limited, so that no further outlay were required for it than what was wanted for ploughing and sowing. Still there can be no doubt that capital and population might go on increasing in other

employments, till both the profits of capital and the wages of labour had so fallen as to come nearly to a stand, and rents had reached the limits prescribed by the powers of the soil, and the habits of the people.

In these cases it is obvious that the rents are not regulated by the gradations of the soil, or the different products of capital on the same land; and that it is an incorrect inference from the theory of rent to conclude with Mr. Ricardo, that "It is only because land is of different qualities with respect to its productive powers, and because in the progress of population, land of an inferior quality, or less advantageously situated, is called into cultivation, that rent is ever paid for the use of it."¹

There is another inference which has been drawn from the theory of rent, which involves an error of much greater importance, and should therefore be very carefully guarded against.

In the progress of cultivation, as poorer and poorer land is taken into tillage, without improvements in agriculture, the rate of profits must be limited in amount by the powers of the soil last cultivated, as will be shewn more fully in a subsequent chapter. It has been inferred from this, that when land is successively thrown out of cultivation, the rate of profits will be high in proportion to the superior natural fertility of the land which will then be the least fertile in cultivation.

If land yielded no rent whatever in its natural state, whether it were poor or fertile, then the whole produce being divided between profits and wages, and the corn wages of labour being supposed to remain nearly the same, the inference would be just. But the premises are not such as are here supposed. In a civilized and appropriated country uncultivated land always yields a rent in proportion to its

¹ *Principles of Political Economy*, ch. ii. p. 54. This passage is taken from the first edition. It is altered in the second and third; but not sufficiently to make it true. In the third, (p. 56) the passage is as follows: "It is only then because land is not unlimited in quantity and uniform in quality, and because in the progress of population land of an inferior quality, or less advantageously situated, is called into cultivation, that rent is ever paid for the use of it." Now it is quite obvious, as stated above, that if land as fertile as the best were merely limited in quantity, without being different in quality, it would, in the progress of population, yield altogether a much higher rent than the same quantity of land would with gradations of soil.

natural power of feeding cattle or growing wood; and of course, when land has been thrown out of tillage, particularly if this has been occasioned by the importation of cheaper corn from other countries, and consequently without a diminution of population, the last land so thrown out may yield a moderate rent in pasture, though considerably less than before. As was said in the preceding section, rent will diminish, but probably not so much in proportion either as the capital employed on the land, or the produce derived from it. No landlord will allow his land to be cultivated by a tillage farmer paying little or no rent, when by laying it down to pasture, and saving much yearly expenditure of capital upon it, he can obtain a greater rent. Consequently, as the produce of the worst lands actually cultivated can never be wholly divided between profits and wages, the state of such land or its degree of fertility cannot regulate the rate of profits upon it.

If to the effect of the cause here noticed we add its natural consequence, viz. a rise in the value of money and a greater fall of corn than of foreign commodities, taxed commodities and probably of labour and working cattle, it is obvious that permanent difficulties may be thrown in the way of cultivation, and that richer land may not yield superior profits. The higher rent paid for the last land employed in tillage together with the greater expense of the materials or capital compared with the price of produce, may fully counterbalance, or even more than counterbalance, the difference of natural fertility.

With regard to the capital which the tenant may lay out on his farm in obtaining more produce without paying additional rent for it, the rate of its returns must obviously conform itself to the general rate of profits determined by other causes. It must always follow, but can never lead or regulate. It is true that when the price of corn had settled itself, there would be some corn produced on the old cultivated land, the cost of producing which without rent would be just about equal to such price. But it is quite certain that if instead of laying out so much additional capital on the lands in tillage, the capitalists could have obtained the untilled land without rents, the price of corn would not have risen so high, or have required so much labour and other capital to produce the actual quantity; and consequently the rents of such lands clearly add to the price of corn, and form a part of the costs of production.

It should be added, that in the regular progress of a country towards general cultivation and improvement, and in a natural state of things, it may fairly be presumed, that if the last land taken into cultivation be rich, capital is scarce, and profits will then certainly be high; but if land be thrown out of cultivation on account of means being found of obtaining corn cheaper elsewhere, no such inference is justifiable. On the contrary, capital may be abundant, compared with the demand for corn and commodities, in which case and during the time that such abundance lasts, whatever may be the state of the land, profits must be low. These are all points of great practical consequence which have been much overlooked. The doctrine of the gradations of soils is a most important one, but in drawing practical conclusions from it, great care should be taken to apply it correctly.

It will be observed, that the rents paid for what the land will produce in its natural state, though they make a difference in the questions relating to profits and the component parts of price, do not invalidate the important doctrine that, in countries in their usual state with gradations of soil, corn is sold nearly at its natural or necessary price, that is, at the price necessary to bring the actual quantity to market. This price must on an average be at the least equal to the costs of its production on the worst land actually cultivated, together with the rent of such land in its natural state: because, if it falls in any degree below this, the cultivator of such land will not be able to pay the landlord so high a rent as he could obtain from the land without cultivation, and consequently the land will be left uncultivated, and the produce will be diminished. In progressive countries, however, this rent is trifling, and the price of corn is little more than is necessary to pay the wages of the labour and the profits of the capital required to obtain it. But in the case of land being thrown out of cultivation under an abundance of capital and labour, the rent of the worst land cultivated for corn might by no means be trifling. Still however the actual price of the corn under the same value of money would be necessary to obtain the actual home supply, because if the farmers paid no rents, it would not answer to them to produce corn which would not yield so profitable a return as the products of rough pasture, or land in copse wood, or plantations.

I hope to be excused for presenting to the reader in various forms the doctrine, that corn, in reference to the quantity actually produced

is sold at nearly its necessary price, like manufactures; because I consider it as a truth of high importance, which has been entirely overlooked by the *Economists*, by Adam Smith, and by all those writers who have represented raw produce as selling always at a monopoly price.

Section VI.—Of the Connexion between great comparative Wealthy and a high comparative Price of raw Produce.

Adam Smith has very clearly explained in what manner the progress of wealth and improvement tends to raise the price of cattle, poultry, the materials of clothing and lodging, the most useful minerals, &c., compared with corn; but he has not entered into the explanation of the natural causes which tend to determine the price of corn. He has left the reader indeed to conclude, that he considers the price of corn as determined only by the state of the mines, which at the time supply the circulating medium of the commercial world.¹ But this is a cause, which, though it may account for the high or low price of corn in reference to the whole of the commercial world, cannot account for the differences in its price, in different countries, or as compared with certain classes of commodities in the same country.

I entirely agree with Adam Smith, that it is of great use to inquire into the causes of high price, as from the result of such inquiries it may turn out, that the very circumstance of which we complain, may be the necessary consequence and the most certain sign of increasing wealth and prosperity. But of all inquiries of this kind, none surely can be so important, or so generally interesting, as an inquiry into the causes which affect the price of corn, and occasion the differences in this price so observable in different countries.

The two principal causes of these effects are—

1. A difference in the value of the precious metals in different countries, in whatever way such difference may have arisen.
2. A difference in the elementary cost of producing a given quantity of corn.

The principal causes of the differences in the value of money in different countries have been already stated, in the last section of the preceding chapter; and it is certain that they occasion the greatest

¹ B. I. ch. V. p. 53, 6th ed.

portion of that inequality in the price of corn which is the most striking and prominent. More than three-fourths of the prodigious difference between the price of corn in Bengal and England is occasioned by the difference in the value of money in the two countries; and far the greater part of the high price of corn in this country, compared with its price in most of the states of Europe, is occasioned in the same way. If the profits of stock in Flanders be nearly the same as in England (which I believe is the case), and the corn wages of labour rather lower than higher, it follows necessarily that the elementary cost of producing corn is nearly the same in both countries, and that the higher money price of corn in England is occasioned by the lower value of money, and not by the increased quantity of labour and other conditions of supply required to produce corn.

The second cause of the high comparative price of corn is the greater elementary cost of its production. If we could suppose the value of money, or the money wages of standard labour, to be the same in all countries, then the cause of the higher money price of corn in one country compared with another, would be the greater quantity of labour, and other conditions of the supply required to produce it; and the reason why the price of corn would be high and tend to rise in countries already rich, and still advancing in prosperity and population, would be to be found in the necessity of resorting to poorer land, without proportional improvements in agriculture, that is, to machines which would require a greater expenditure to work them; and which consequently occasion each fresh addition to the raw produce of the country to be purchased at a greater cost—in short it would be found in the important truth that corn in a progressive country is sold at the price necessary to yield the actual supply, and that as this supply becomes more difficult the price must rise in proportion. On the supposition which we have made of the value of money being the same in different countries, the price of corn would rise without being followed by a rise in the money price of labour.

The prices of corn in different countries, as determined by the two causes above mentioned, must of course be affected by every circumstance in each country that affects either the value of money, or the elementary cost of producing corn, such as the prosperity of foreign commerce, improvements in the modes of cultivation; the saving of labour on the land, direct and indirect taxation; and particu-

larly the importations of foreign corn. The latter cause, indeed, may do away, in a considerable degree, the usual effects of great wealth on the price of corn; and this wealth will then shew itself in a different form.

Let us suppose seven or eight large countries not very distant from each other, and not very differently situated with regard to the mines; and further, that neither their soils nor their skill in agriculture are essentially unlike; that there are no taxes; and that every trade is free, except the trade in corn. Let us now suppose one of them very greatly to increase in capital and manufacturing skill above the rest, and to become much more rich and populous without increased skill in agriculture. I should say, that this comparative increase of riches could not take place, without a comparative increase in the prices of corn and labour; and that such increase of prices would, under the circumstances supposed, be the natural sign and necessary consequence, of the increased wealth and population of the country in question.

Let us now suppose the same countries to have the most perfect freedom of intercourse in corn, and the expenses of freight, &c. to be quite inconsiderable: And let us still suppose one of them to increase very greatly above the rest, in manufacturing capital and skill, in wealth and population: I should then say, that as the importation of corn would prevent any great difference in the prices of corn and labour, It would prevent any great difference in the amount of capital laid out upon the land, and the quantity of corn obtained from it; that consequently, the great increase of wealth could not take place without a great importation of corn from other nations; and that this importation, under the circumstances supposed, would be the natural sign and necessary consequence of the increased wealth and population of the country in question.

These I consider as the two alternatives necessarily belonging to a great comparative increase of wealth; and the supposition here made will, with proper allowances, apply to the general state of Europe.

In most countries the expenses attending the carriage of corn are considerable. They form a natural barrier to importation; and even the country, which habitually depends upon foreign corn, must have the price of its food higher than the general level. Practically, also, the prices of raw produce in the different countries of Europe are

variously modified by different soils, different degrees of taxation, and different degrees of improvement in the science of agriculture. But the principles laid down are the general principles on the subject; and in applying them to any particular case, the particular circumstances of such case must always be taken into the consideration.

With regard to improvements in agriculture, which in similar soils is the great cause which retards the advance of price under an increase of produce; although they are sometimes most powerful, and of very considerable duration, we know from experience that they have not been sufficient to balance the effects of applying to poorer land, or inferior machines. Corn is obtained with less labour in the United States of America than in any European country. In this respect, raw produce is essentially different from manufactures.

The elementary cost of manufactures, or the quantity of labour and other conditions of the supply necessary to produce a given quantity of them, has a constant tendency to diminish; while the quantity of labour and other conditions of the supply necessary to procure the last addition which has been made to the raw produce of a rich and advancing country, has a constant tendency to increase.

We see in consequence, from the combined operation of the two causes, which have been stated in this section, that in spite of continued improvements in agriculture, the price of corn is generally the highest in the richest countries; while notwithstanding the high prices of corn and labour, the prices of many manufactures still continue lower than in poorer countries.

I cannot then agree with Adam Smith, in thinking that the low value of gold and silver is no proof of the wealth and flourishing state of the country where it takes place. Nothing of course can be inferred from it, taken absolutely, as such high price may depend merely upon the abundance of the mines; but taken relatively to other commodities and in comparison with the state of other countries at no great distance, and connected with each other, much may be inferred from it. If we are to estimate the value of the precious metals in different countries by the measure which he has himself proposed, it appears to me that whether we consider the first or second cause which has been referred to in this section, there are few more certain signs of wealth than the high average price of raw produce. If the value of money were the same in all countries, then, independently

of importation and improvements in agriculture, the wealth and population of similar countries, though not the condition of the labouring classes, would be proportioned to the high price of their corn. And in the actual state of things, with great differences in the value of money, arising from the incidental causes above noticed, as those countries not possessed of mines where the money prices of corn and labour are high must have had very flourishing manufactures, or an abundance of raw products fitted for exportation, such countries will generally be found either rich, or in the way rapidly to become rich.

It is of importance to ascertain this point; that we may not complain of one of the most certain proofs of the prosperous condition of a country.

Section VII.—On the causes which may mislead the Landlord in letting his Lands, to the Injury both of himself and the Country.

In the progress of a country towards a high state of improvement, the positive wealth of the landlord ought, upon the principles which have been laid down, gradually to increase; although his relative condition and influence in society will probably rather diminish, owing to the increasing number and wealth of those who live upon the profits of capital.

The progressive fall, with few exceptions,¹ in the value of the precious metals throughout Europe; the still greater fall, which has occurred in the richest countries, together with the increase of produce which has been obtained from the soil, must all conduce to make the landlord expect an increase of rents on the renewal of his leases. But, in re-letting his farms, he is liable to fall into two errors, which are almost equally prejudicial to his own interests, and to those of his country.

In the first place, he may be induced, by the immediate prospect of an exorbitant rent, offered by farmers bidding against each other, to let his land to a tenant without sufficient capital to cultivate it in the best way, and make the necessary improvements upon it. This is undoubtedly a most short-sighted policy, the bad effects of which

¹ Among these exceptions, the period since the war of the French revolution forms an important one.

have been strongly noticed by the most intelligent land-surveyors in the evidence brought before Parliament; and have been particularly remarkable in Ireland, where the imprudence of the landlords in this respect, combined perhaps with some real difficulty in finding substantial tenants, has aggravated the discontents of the country, and thrown the most serious obstacles in the way of an improved system of cultivation. The consequence of this error is the certain loss of all that future source of rent to the landlord, and wealth to the country, which arises from the good farming of substantial tenants.

The second error to which the landlord is liable, is that of mistaking a mere temporary rise of prices, for a rise of sufficient duration to warrant an increase of rents. It frequently happens that a scarcity of one or two years, or an unusual demand arising from any other cause, may raise the price of raw produce to a height at which it cannot be maintained. And the farmers, who take land under the influence of such prices, will, on the return of a more natural state of things, probably fail, and leave their farms in a ruined and exhausted state. These short periods of high price are of great importance in generating capital upon the land, if the farmers are allowed to have the advantage of them; but if they are grasped at prematurely by the landlord, capital is destroyed instead of being accumulated; and both the landlord and the country incur a loss, instead of gaining a benefit.

Some delay also is desirable in raising rents, even when the rise of prices seems as if it would be permanent. In the progress of prices and rents, rent ought always to be a little behind; not only to afford the means of ascertaining whether the rise be temporary or permanent, but even in the latter case, to give a little time for the accumulation of capital on the land, of which the landholder is sure to feel the foil benefit in the end.

There is no just reason to believe, that if, in the present state of this country, the landlords were to give the whole of their rents to their tenants, corn would be in any marked degree cheaper. If the view of the subject, taken in the preceding inquiry, are correct, the last additions made to our home produce are sold at nearly the cost of production, and independent of agricultural improvements the same quantity could not be produced from our own soil at an essentially less price, even without rent, supposing the value of money to remain the same. The effect of transferring all rents to tenants, would be

merely the turning them into landlords, and tempting them to cultivate their farms under the superintendence of careless and uninterested bailiffs, instead of the vigilant eye of a master, who is deterred from carelessness by the fear of ruin, and stimulated to exertion by the hope of a competence. The most numerous instances of successful industry, and well-directed knowledge, have been found among those who have paid a fair rent for their lands; who have embarked the whole of their capital in their undertaking; and who feel it their duty to watch over it with unceasing care, and add to it whenever it is possible.

But when this laudable spirit prevails among a tenantry, it is of the very utmost importance to the progress of riches, and the permanent increase of rents, that there should be the power as well as the will to accumulate; and an interval of advancing prices, not immediately followed by a proportionate rise of rents, furnishes the most effective power of this kind. These intervals of advancing prices, when not succeeded by retrograde movements, most effectually contribute to the progress of national wealth. And practically I should say, that when once a character of industry and economy has been established, temporary high profits are a more frequent and powerful source of accumulation than any other cause that can be named.¹ It is the only cause which seems capable of accounting for the prodigious accumulation among individuals, which must have taken place in this country during the last war, and which left us with a greatly increased capital, notwithstanding the vast annual destruction of stock for so long a period.

Among the temporary causes of high price, which may sometimes mislead the landlord, it is necessary to notice changes in the value of the currency from the issue of paper. When they are likely to be of short duration, they must be treated by the landlord in the same manner as years of unusual demand. But when they continue so long as they did at one time in this country, it is impossible for the landlord to do otherwise than regulate his rent accordingly, and take the

¹ Adam Smith notices the bad effects of high profits on the habits of the capitalist. They may perhaps sometimes occasion extravagance; but generally, I should say, that extravagant habits were a more frequent cause of a scarcity of capital and high profits, than high profits of extravagant habits.

chance of being obliged to lessen it again, on the return of the currency to its natural state.

With the cautions here noticed in letting farms, the landlord may fairly look forward to a gradual and permanent increase of rents; and in general, not only to an increase proportioned to the rise in the price of produce, but to the increase of its quantity occasioned by the extension of cultivation, and agricultural improvements.

If in taking rents, which are equally fair for the landlord and tenant, it is found that in successive lettings notwithstanding the increase of cultivation, they do not rise more than in proportion to the price of produce, it will generally be owing to heavy taxation.

Though it is by no means true, as stated by the *Economists*, that all taxes fall on the neat rents of the landlords, yet it is certainly true that they have little power of relieving themselves. It is also true that they possess a fund more disposeable, and better adapted for taxation than any other. They are in consequence more frequently taxed, both directly and indirectly. And if they pay, as they certainly do, many of the taxes which fall on the capital of the farmer and the wages of the labourer, as well as those directly imposed on themselves, they must necessarily feel it in the diminution of that portion of the whole produce, which under other circumstances would have fallen to their share.

Section VIII.—On the strict and necessary Connection of the Interests of the Landlord and of the State.

It has been stated by Adam Smith, that the interest of the landholder is "strictly and inseparably connected with the general interest of the society:" and that whatever either promotes or obstructs the one, necessarily promotes or obstructs the other.¹ The theory of rent, as laid down in the present chapter, seems strongly to confirm this statement. If under any given natural resources in land, the main causes which conduce to the interest of the landholder are increase of capital, increase of population, improvements in agriculture, and an increasing demand for raw produce occasioned by the prosperity of commerce, it seems scarcely possible to consider the interests of the landlord as separated from the general interests of the society.

¹ *Wealth of Nations*, Book I. c. xi. p. 394. 6th edit.

Yet it has been said by Mr. Ricardo that, "the interest of the landlord is always opposed to that of the consumer and the manufacturer,"¹ that is, to all the other orders in the state. To this opinion he has been led, very consistently, by the peculiar view he has taken of rent, which makes him state, that it is for the interest of the landlord that the cost attending the production of corn should be increased,² and that improvements in agriculture tend rather to lower than to raise rents.

If this view of the theory of rent were just, and it were really true, that the income of the landlord is increased by increasing the difficulty, and diminished by increasing the facility of production, the opinion would unquestionably be well founded. But if, on the contrary, the landlord's income is practically found to depend chiefly upon natural fertility of soil, improvements in agriculture, and inventions to save labour, we may still think, with Adam Smith, that the landlord's interest is not opposed to that of the country.

It is so obviously true, as to be hardly worth stating, that if the land of the greatest fertility were in such excessive plenty compared with the population, that every man might help himself to as much as he wanted, there would be no rents or landlords properly so called. It will also be readily allowed, that if in this or any other country you could suppose the soil suddenly to be made so fertile, that a tenth part of the surface, and a tenth part of the labour now employed upon it, could more than support the present population, you would for some time considerably lower rents.

But it is of no sort of use to dwell upon, and draw general inferences from suppositions which never can take place.

What we want to know is, whether, living as we do in a limited world, and in countries and districts still more limited, and under such physical laws relating to the produce of the soil and the increase of population as are found by experience to prevail, the interests of the landlord are generally opposed to those of the society. And in this

¹ Mr. Ricardo in his 3rd edit. (c. xxiv. p. 399.) allows that the landlord has a remote interest in improvements; but still dwells without sufficient reason on the interval of injury which he sustains.

² Ibid.

view of the subject, the question may be settled by an appeal to the most incontrovertible principles confirmed by the most glaring facts.

Whatever fanciful suppositions we may make about sudden improvements in fertility, nothing of this kind which we have ever seen or heard of in practice, approaches to what we know of the power of population to increase up to the additional means of subsistence.

Improvements in agriculture, however considerable they may finally prove, are always found to be partial and gradual. And as, where they prevail to any extent, there is generally an effectual demand for labour, the increase of population occasioned by the increased facility of procuring food, soon overtakes the additional produce. Instead of land being thrown out of cultivation, more land is cultivated, owing to the cheapness of the instruments of cultivation, and under these circumstances rents rise instead of fall. These results appear to me to be so completely confirmed by experience, that I doubt, if a single instance in the history of Europe, or any other part of the world, can be produced, where improvements in agriculture have been practically found to lower rents.

I should further say, that not only have improvements in agriculture never lowered rents, but that they have been hitherto, and may be expected to be in future, the main source of the increase of rents, in almost all the countries with which we are acquainted.¹

It is a fundamental part of the theory which has been explained in this chapter, that, as most countries consist of a gradation of soils, rents rise as cultivation is pushed on poorer lands; but still the connexion between rent and fertility subsists in undiminished force. The rich lands are those which yield the mass of rents, not the poor ones. The poor lands are cultivated, because the increasing capital and

¹ In an article of the *Edinburgh Review*, on Mr. Jones' *Theory of Rent*, the reviewer alludes to the error of Mr. Ricardo in regard to the effects of agricultural improvements on the rents of the landlords; and says, "Had Mr. Jones been the first to point out this mistake of Mr. Ricardo, and to rectify it, he would have done some little service to the science." For the first rectification of the mistake, a reference is made to what had been published twelve months previously to the appearance of Mr. Jones' work, in the second edition of Mr. M'Culloch's *Political Economy*.

Now as the reviewer was so ready to accuse Mr. Jones of not knowing what had been done by others, he should not himself have been ignorant that the mistake had been rectified in this work, not merely twelve months, but nearly twelve years before, that is, in 1820, before Mr. Ricardo's 3rd edit, came out.

population are calling for more produce, and if there were no poor soils, there would still be rents; a limited territory, however fertile, would soon be peopled; and as the demand for corn increased compared with the supply, rents would rise.

It is evident then, that difficulty of production has no connection with increase of rent, except as, in the actual state of most countries, it is the natural consequence of an increase of capital and population, and a fall of profits and corn wages; or, in other words, of an increase of wealth.

But after all, the increase of rents which results from an increase of price occasioned solely by the greater quantity of labour and other conditions of supply, necessary to produce a given quantity of corn on fresh land, is very much more limited than has been supposed; and by a reference to most of the countries with which we are acquainted, it will be seen that, practically, improvements in agriculture and the saving of labour on the land, both have been, and may be expected in future to be, a very much more powerful source of increasing rents.

It has already been shown, that for the very great increase of rents which has taken place in this country during nearly the last hundred years, we are mainly indebted to improvements in agriculture, as profits have rather risen than fallen, and little or nothing has been taken from the wages of families, if we include parish allowances, and the earnings of Women and children. Consequently these rents must have been a creation from the skill and capital employed upon the land, and not a transfer from profits and wages, as they existed nearly a hundred years ago.

The peculiar increase of rents, which has taken place in Scotland during the last half century, is well known to have been occasioned by improvements in agriculture, a greater expenditure in manure, a better rotation of crops, and the saving of labour on the land.

In Ireland, neither the wages of the individual labourer, nor the profits of agricultural capital, seem as if they could admit of any considerable reduction; but there can be no doubt that a great augmentation of rents might be effected by an improved system of cultivation, and a prosperous commerce, which, at the same time that it would sweep into flourishing cities the idlers which are now only half employed upon the land, would occasion an increasing demand

for the products of agriculture, while the rates of profits and wages might remain as high as before.

Similar observations may be made with regard to Poland, and indeed almost all the countries of Europe. There is not one in which the real wages of labour are high, and scarcely one in which the profits of agricultural capital are known to be considerable. If no improvements whatever in agriculture were to take place in these countries, and the future increase of their rents were to depend upon an increase of price occasioned solely by the increased quantity of labour necessary to produce food, I am inclined to think that the progress of their rents would be very soon stopped. The present rates of profits and wages are not such as would admit of much diminution; and without increased skill in cultivation, and especially the saving of labour on the land, it is probable that no soils much poorer than those which are at present in use, would pay the expense of cultivation.

Even the rich countries of India and South America are not very differently circumstanced. From all the accounts we have received of these countries, it does not appear that agricultural profits are high, and it is certain that wages in reference to the condition of the labourer are in general small in amount. And although rents might receive some augmentation from such profits and wages, yet I conceive that their possible increase in this way would be quite trifling, corn pared with what it might be under an improved system of cultivation, a prosperous commerce, and an effectual demand for a greater quantity of raw produce even without any transfer from the labourer or cultivator.

The United States of America seem to be almost the only country with which we are acquainted where the present wages of labour and the profits of agricultural stock are sufficiently high to admit of a considerable transfer to rents without improvements in agriculture. And probably it is only when the skill and capital of an old and industrious country are employed upon a new, rich, and extensive territory, under a free government, and in a favourable situation for the export of raw produce, that this state of things can take place.

In old states, experience tells us that the wages of the individual labourer may be inconsiderable,¹ and the profits of the cultivator not high, while vast tracts of good land remain uncultivated. It is obvious, indeed, that an operose and ignorant system of cultivation, combined with such a faulty distribution of property as to check the progress of demand, might keep the profits of cultivation low, even in countries of the richest soil. And there is little doubt, from the very large proportion of people employed in agriculture in most unimproved territories, that this is a case which not unfrequently occurs. But in all instances of this kind, it must be allowed, that the great source of the future increase of rents will be improvements in agriculture, and the demand occasioned by a prosperous external and internal commerce, and not the increase of price occasioned by the additional quantity of labour required to produce a given quantity of corn.

If, however, in a country which continues to grow nearly its own consumption of corn, or the same proportion of that consumption, it appears that every sort of improvement which has ever been known to take place in agriculture, manufactures, or commerce, by which a country has been enriched, tends to increase rents, and every thing by which it is impoverished, tends to lower them, it must be allowed that the interests of the landlord, and those of the state are, under the circumstances supposed, inseparable.

Mr. Ricardo, as I have before intimated, appears to take only one simple and confined view of the progress of rent. He considers it as occasioned solely by the increase of price, arising from the increased difficulty of production.² But if rents in many countries may be doubled or trebled by improvements in agriculture, while in few countries they could be raised a fourth or a fifth, and in some not a tenth, by the increase of price arising from the increased difficulty of

¹ If, partly from indolence, and partly from the want of demand for labour, which is the great parent of indolence in these countries, the labourer works only two or three days in the week, wages, though they may be low in reference to the condition of the labourer, may be high in reference to the outgoings of the capitalist.

² Mr. Ricardo always seems to assume, that increased difficulties thrown in the way of production will be overcome by increased price, and that the same quantity will be produced as would have been produced if no increased difficulty had occurred. But this is quite an unwarranted assumption.

production, must it not be acknowledged, that such a view of rent embraces only a very small part of the subject, and consequently that any general inferences from it must be utterly inapplicable to practice?

It should be further observed, in reference to improvements in agriculture, that the mode in which Mr. Ricardo estimates the increase or decrease of rents is quite peculiar; and this peculiarity in the use of his terms tends to separate his conclusions still farther from truth as enunciated in the accustomed language of political economy.

In speaking of the division of the whole produce of the land and labour of the country between the three classes of landlords, labourers, and capitalists, he has the following passage.

"It is not by the absolute quantity of produce obtained by either class, that we can correctly judge of the rate of profit, rent, and wages, but by the quantity of labour required to obtain that produce. By improvements in machinery and agriculture the whole produce may be doubled; but if wages, rent and profits be also doubled, they will bear the same proportions to one another as before. But if wages partook not of the whole of this increase; if they, instead of being doubled, were only increased one half; if rent, instead of being doubled, were only increased three-fourths, and the remaining increase went to profit, it should, I apprehend, be correct for me to say, that rent and wages had fallen while profits had risen. For if we had an invariable standard by which to measure the value of this produce, we should find that a less value had fallen to the class of labourers and landlords, and a greater to the class of capitalists than had been given before."¹

A little farther on, having stated some specific proportions, he observes, "In that case I should say, that wages and rent had fallen and profits risen, though, in consequence of the abundance of commodities, the (quantity paid to the labourer and landlord would have increased in the proportion of 25 to 44."²

But, to estimate rent and wages by the proportion which they bear to the whole produce, must, in an inquiry into the nature and causes

¹ *Principles of Political Economy*, ch. i. p. 49, 3rd edit.

² *Id.* p. 50.

of the wealth of nations, lead to perpetual confusion and error. For what does it require us to say? We must say that the rents of the landlord have fallen and his interests have suffered, when he obtains as rent above three-fourths more of raw produce than before, and with that produce will shortly be able, according to Mr. Ricardo's own doctrines, to command three-fourths more labour. In applying this language to our own country, we must say that rents have fallen considerably during the last forty years, because, though rents have greatly increased in exchangeable value,—in the command of money, corn, labour and manufactures, it appears, by the returns to the Board of Agriculture, that they are now only a fifth of the gross produce,¹ whereas they were formerly a fourth or a third.

In reference to the price of labour, we must say that it is low in America, although we have been hitherto in the habit of considering it as very high. And we must call it high in Sweden; because, although the labourer only earns low money wages, and with them can obtain but few of the necessaries and conveniences of life; yet, in the division of the whole produce of a laborious cultivation on a poor soil, a larger proportion may go to labour.²

Into this unusual language Mr. Ricardo has been betrayed by the fundamental error of adopting a measure of value, which varied with the thing to be measured.

If, however, we were to use a really invariable measure, the result would be totally different from that which he has stated. Let us suppose, for instance, that a produce of 110 quarters of corn were divided into 60 quarters for the advances of labour and other capital, 40 for rent, and 10 for the farmer's profits, and that subsequently labour became doubly productive, so that the same quantity of labour and other capital produced 220 quarters instead of 110, and were divided as supposed by Mr. Ricardo, that is one half more produce

¹ *Reports from the Lords on the Corn Laws*, p. 66.

² It is specifically this unusual application of common terms which has rendered Mr. Ricardo's work so difficult to be understood by many people. It requires indeed a constant and laborious effort of the mind to recollect at all times what is meant by high and low rents, and high or low wages. In other respects, it has always appeared to me that the style in which the work is written, is perfectly clear. It is never obscure, but when either the view itself is erroneous, or terms are used in an unusual sense.

awarded to the labourer, three fourths to rent, and the remainder to profits. The result would be as follows:

While the produce was 110 quarters,

The labourers had .	60
The landlords	40
The capitalists	10

After the increase to 220 quarters.

The labourers would have	90
The landlords	70
The capitalists	60

Now, if we measure these incomes in money of an invariable value, and with a view to simplify the calculation, suppose that in the first case each quarter is worth £1, that four men are employed for the year in immediate labour, and advances equivalent in value to the wages of two men are made in accumulated labour and profits, that the capital employed is therefore £60, and that the wages of labour are 10 quarters, or £10 a year, the following will be the results on the increase of produce.

1. The price of the quarter will fall from £1 to 13s.4d.,¹ £60 being the price of 90 quarters.

2. The price of the whole produce will rise from £110 to £146. 13s. 4d., this sum being the price of 220 quarters, at 13s. 4d. a quarter.

3. The money will rise from £40 to £46. 13s. 4d?., this sum being the price of 70 quarters, at 13s. 4d. a quarter.

4. The rate of profits will rise from $16\frac{2}{3}$ per cent, to $66\frac{2}{3}$ per cent, the difference being the advance of 60 quarters with the return of 70, and of 90 with the return of 150.

5. The corn wages of labour will increase from 10 quarters to 15 quarters, 90 quarters instead of 60 being divided among the six labourers; but the price of the 90 quarters being the same as that of the

¹ Mr. Ricardo thought that it would fall to 10s., because he supposes the same amount of labour and capital to yield double the amount of corn. But as according to his own supposition, 90 quarters, instead of 120, will pay the six labourers, it is obvious that the price of the quarter will only fall to 13s. 4d.: and the values of the whole produce, and of the rent vary accordingly.

60 quarters, the value of the wages paid will remain exactly the same.

It will indeed be perfectly true that the 15 quarters of corn now paid to each labourer can be raised at a less expense of mere labour than the 10 quarters were before, and it is on this account specifically that Mr. Ricardo would say that labour had fallen; but he throws quite out of consideration the prodigious difference of profits under which the wages of the labourer are produced in the two cases considered. Now though it may be said that when the value of commodities is made up of labour and profits, if profits be the same, their relative value will depend exclusively on the labour employed, yet it is obviously quite impossible that this should be the case, when profits are most essentially different, as in the case stated.

In the present instance the difference is between a profit of $16\frac{2}{3}$ per cent., and $66\frac{2}{3}$ per cent. Supposing the 60 quarters which in the first case pay the wages of 6 men to be produced with a profit of $16\frac{2}{3}$ per cent., the quantity of labour employed to produce them would be 5.14. Supposing the 90 quarters which in the second case pay the wages of the 6 men to be produced with a profit of $66\frac{2}{3}$ per cent, the quantity of labour employed would be 3.6. This is no doubt a very great difference; but the very great difference in the rate of profits exactly counterbalances it, and renders the value of the labour of 6 men for the year in both cases just the same.

The foregoing cases shew further how fundamentally erroneous it is to consider the rise of rent, when measured by an invariable standard, as depending entirely upon a rise in the price of corn, which must proportionally injure the consumer. We have here an instance of the fall of the money price of corn from £1 a quarter to 13s. 4d., while the money rent rises on the first division proposed, from £40 to £46. 13s. 4d.¹ But it is not consistent with the natural tendency to accumulation, and the principle of population, that such profits as $66\frac{2}{3}$ per cent., and such wages as 15 quarters a year, should continue

¹ Mr. Ricardo by his proposed division of the produce has assumed that the demand is such as to occasion the produce to be so divided; and then the results stated will follow. But in reality if the labour on the land were to become at once doubly productive, there would certainly be a glut of corn, and the division of the produce would be very different from that which he has supposed.

for any length of time; and if owing to the rapid increase of capital and population which, if the produce were properly distributed, would unquestionably take place, we were to suppose them gradually return to their former rates, and the money price corn to its former price, we should find that after an interval of great prosperity to all classes, and without any subsequent pressure upon the capitalist, the labourer, or consumer, greater than before the extraordinary improvement supposed, corn rent on the same land would have risen from 40 quarters to 160 quarters, and money rent from £40 to £160.

Now if we compare this prodigious increase, occasioned by facility of production, with any increase which could have taken place owing to difficulty of production, we shall see the great superiority of the former source of rent over the latter.

The labouring classes could not probably admit of greater reduction in their corn wages than from 10 quarters a year to 8 quarters a year, in which case if corn were estimated in money of a fixed value, the price could not rise higher than from £1 to £1. 5s. or is it probable that profits would admit of a greater reduction than from $16\frac{2}{3}$ to $6\frac{2}{3}$ before accumulation would be nearly at a stand. On these suppositions the division of the produce of 110 quarters would be as follows:—

6 labourers at 8 quarters a year	48 qrs.
Profits upon advances of 48 quarters at	
$6\frac{1}{2}$ per cent.	$\frac{3\frac{1}{5}}{51\frac{1}{5}}$

The remainder of the 110 quarters, equal to $58\frac{4}{5}$ quarters, will be corn rent; and $58\frac{4}{5}$ quarters, at 1.5s., equal to £73. 10s., will be money rent.

It is obvious that if we had set out with a lower and more usual rate of profits and corn wages, such 8 profits of 10 or 9 per cent, and wages of 9 or $8\frac{1}{2}$ quarters, the increase of rent would have been comparatively trifling, and that in those countries where we wages of labour are at what Mr. Ricardo has called the natural price, that is, at such a price as is only sufficient to maintain a stationary population, no permanent rise in the price of corn or increase of rent arising solely from the reduction of profits and wages is possible.

The only doubt which can exist respecting the strictest union between the interest of the landlord; and that of the state, is in the question of importation. And here it is evident that at all events the landlord cannot be considered as placed in a more invidious situation than other producers. No person has ever doubted that if some foreign nations were to excel us in machinery, the individual interests of the actual manufacturers of woollen, silk, linen, or cotton goods, in this country might be injured by foreign competition; and few would deny that the importation of a large body of labourers would tend to reduce wages. Under the most unfavourable view therefore that we can take of the subject, the case of the landlord is not separated from that of other producers.¹

And if to this we add that in a state of perfectly free intercourse, it is eminently the interest of those who live upon the rents of land that capital and population should increase, while to those who live upon the profits of stock and the wages of labour, an increase of capital and population is, to say the least of it, a much more doubtful benefit, it may be most safely asserted that the interest of no other class in the state is so nearly and necessarily connected with its wealth, prosperity, and power, as the interest of the landowner.

Section IX.—General Remarks on the Surplus Produce of the Land.

It seems rather extraordinary that the very great benefit which society derives from that surplus produce of the land which, in the progress of society, falls mainly to the landlord in the shape of rent, should not yet be fully understood and acknowledged. I have called this surplus a bountiful gift of Providence, and am most decidedly of opinion, that it fully deserves the appellation. But Mr. Ricardo has the following passage:—

"Nothing is more common than to hear of the advantages which the land possesses over every other source of useful produce, on account of the surplus which it yields in the form of rent. Yet when land is most abundant, when most productive and most fertile, it

¹ Colonel Torrens concludes the second edition of his *Treatise on a Free Corn Trade* with the following passage: "The class of land proprietors have not any more than the capitalists and labourers an interest in imposing restrictions on the importation of foreign corn." If this be so, the identity of the interests of landlords and of the state is even more complete than I had ventured to express it.

yields no rent; and it is only, when its powers decay, and less is yielded in return for labour, that a share of the original produce of the more fertile portions is set apart for rent. It is singular that this quality in the land, which should have been noticed as an imperfection, compared with the natural agents by which manufactures are assisted, should have been pointed out as constituting its peculiar pre-eminence. If air, water, the elasticity of steam, and the pressure of the atmosphere were of various qualities, if they could be appropriated, and each quality existed only in moderate abundance, they, as well as the land, would afford a rent, as the successive qualities were brought into use. With every worse quality employed, the value of the commodities in the manufacture of which they were used would rise, because equal quantities of labour would be less productive. Man would do more by the sweat of his brow, and nature perform less, and the land would be no longer pre-eminent for its limited powers."

"If the surplus produce which the land affords in the form of rent be an advantage, it is desirable that every year the machinery newly constructed should be less efficient than the old, as that would undoubtedly give a greater exchangeable value to the goods manufactured, not only by that machinery, but by all the other machinery in the kingdom; and a rent would be paid to all those who possessed the most productive machinery."¹

What has been stated in the last section, distinctly shows how very erroneous this view of the subject is; but additional considerations press upon us here. In referring to a gift of Providence, we should surely speak of its value in relation to the laws and constitution of our nature, and of the world in which we live. But, if any person will take the trouble to make the calculation, he will see that if the necessaries of life could be obtained and distributed without limit, and the number of people could be doubled every twenty-five years, the population which might have been produced from a single pair since the Christian æra, would have been sufficient, not only to fill the earth quite full of people, so that four should stand in every square yard, but to fill all the planets of our solar system in the same way, and not only them, but all the planets revolving round the stars which

¹ *Princ. of Polit. Econ.* ch. ii. p. 63, 3rd edit.

are visible to the naked eye, supposing each of them to be a sun, and to have as many planets belonging to it as our sun has. Under this law of population, which, excessive as it may appear when stated in this way is, I firmly believe, best suited to the nature and situation of man, it is quite obvious that some limit to the production of food, or some other of the necessaries of life, must exist. Without a total change in the constitution of human nature, and the situation of man on earth, the whole of the necessaries of life could not be furnished in the same plenty as air, water, the elasticity of steam, and the pressure of the atmosphere. It is not easy to conceive a more disastrous present—one more likely to plunge the human race in irrecoverable misery, than an unlimited facility of producing food in a limited space. A benevolent Creator then, knowing the wants and necessities of his creatures, under the laws to which he had subjected them, could not, in mercy, have furnished the whole of the necessaries of life in the same plenty as air and water. This shows at once the reason why the former are limited in quantity, and the latter poured out in profusion. But if it be granted, as it must be, that a limitation in the power of producing food is obviously necessary to man confined to a limited space, then the value of the actual quantity of land which he has received, depends upon the small quantity of labour necessary to work it, compared with the number of persons which it will support; or, in other words, upon that specific surplus so much under-rated by Mr. Ricardo, which by the laws of nature terminates in rent.

If manufactured commodities, by the gradations of machinery supposed by Mr. Ricardo, were to yield a rent, man, as he observes, would do more by the sweat of his brow;¹ and supposing him still to obtain the same quantity of commodities, (which, however, he would not,) the increase of his labour would be in proportion to the greatness of the rent so created. But the surplus, which a given quantity of

¹ That is, supposing the gradations were towards worse machinery, some of which it was necessary to use, as in the case of land, but not otherwise. The reason why manufactures and necessaries will not admit of comparison in regard to rents is, that necessaries, in a limited territory, are always tending to the same exchangeable value, whether they have cost little or much labour; but manufactures, if not subjected to an artificial monopoly, must fall in value with the facility of producing them. We cannot therefore suppose the price to be given; but if we could, facility of production would, in both cases, be equally a measure of relief from labour.

land yields in the shape of rent, is totally different. Instead of being a measure of the increase of labour, which is necessary altogether to produce the quantity of corn which the land can yield, it is finally an exact measure of the relief from labour in the production of food granted to him by a kind Providence. If this final surplus be small, the labour of a large portion of the society must be constantly employed in procuring, by the sweat of their brows, the mere necessities of life, and society must be most scantily provided with conveniences, luxuries, and leisure; while, if this surplus be large, manufactures, foreign luxuries, arts, letters, and leisure may abound.

It is a little singular, that Mr. Ricardo, who has, in general, kept his attention so steadily fixed on permanent and final results, as even to define the natural price of labour to be that price which would maintain a stationary population, although such a price cannot generally occur under moderately good governments, and in an ordinary state of things, for hundreds of years, has always, in treating of rent, adopted an opposite course, and referred almost entirely to temporary effects.

It is obviously with this sort of reference, that he has objected to Adam Smith for saying that, in rice countries a greater share of the produce would belong to the landlord than in corn countries, and that rents in this country would rise, if potatoes were to become the favourite vegetable food of the common people, instead of corn.¹ Mr. Ricardo could not but allow, indeed he has allowed,² that rents would be finally higher in both cases. But he immediately supposes that this change is put in execution at once, and refers to the temporary result of land being thrown out of cultivation. Even on this supposition however, all the lands which had been thrown up, would be cultivated again in a very much less time, than it would take to reduce the price of labour, in a natural state of things, to the maintenance only of a stationary population. And therefore, with a view to permanent and final results, which are the results which Mr. Ricardo has principally considered throughout his work, he ought to have allowed the truth of Adam Smith's statements.

¹ *Wealth of Nations*, Vol. I. book i. p. xi. pp. 248—250. 6th ed.

² *Princ. of Pol it. Econ.* ch. xxiv. p. 398. 3rd edit.

But, in point of fact, there is every probability that not even a temporary fall of rent would take place. No nation ever has changed or ever will change the nature of its food all at once. The process, both in reference to the new system of cultivation to be adopted, and the new tastes to be generated, must necessarily be very slow. In the greater portion of Europe, it is probable, that a change from corn to rice could never take place; and where it could, it would require such great preparations for irrigation, as to give ample time for an increase of population fully equal to the increased quantity of food produced. In those countries where rice is actually grown, the rents are known to be very high. Dr. Buchanan, in his valuable travels through the Mysore, says, that in the watered lands below the Ghats, the government was in the habit of taking two-thirds of the crop.* This is an amount of rent which probably no lands cultivated in corn can ever yield; and in those parts of India and other countries, where an actual change has taken place from the cultivation of corn to the cultivation of rice, I have little doubt that rents have not only finally risen very considerably, but have risen even during the progress of the change.

With regard to potatoes, we have very near to us an opportunity of studying the effects of their becoming the vegetable food of the great mass of a people. The population of Ireland has increased faster during the last hundred years, than that of any other country in Europe; and under its actual government, this fact cannot be rationally accounted for, but from the introduction and gradual extension of the use of the potatoe. I am persuaded, that had it not been for the potatoe, the population of Ireland would not have much more than doubled, instead of much more than quadrupled, during the last century. This increase of population has prevented lands from being thrown out of cultivation, or given greater value to natural pasture, at the same time that it has occasioned a great fall in the comparative money wages of labour. This fall, experience tells us, has not been accompanied by a proportionate rise of profits, and the consequence is a considerable rise of rents. The wheat, oats, and cattle of Ireland are sold to England, and bear English money prices, while they are cultivated and tended by labour paid at half the money price; a state of things which must greatly increase either the revenue derived from profits, or the revenue derived from rents; and practical information

assures us, that it is the latter which has derived the greatest benefit from it.

Although, therefore, it must lead to great errors, not to distinguish very decidedly the temporary rates of wages from their final rates, it would lead to no such error to consider the temporary effects of the changes of food which have been referred to, as of the same kind with their final effects, that is, as tending always to raise rents. And if we make our comparisons with any tolerable fairness, that is, if we compare countries under similar circumstances, with respect to extent, and the quantity of capital employed upon the soil, which is obviously the only fair mode of comparing them, we shall find that rent will be in proportion to the natural and acquired fertility of the land.

If the natural fertility of this island had been double what it is, and the people had been equally industrious and enterprising, the country would, according to all just theory, have been at this time doubly rich and populous, and the rents of land much more than double what they are now. On the other hand, if the soil of the island had possessed only half its present fertility, a small portion of it only, as I stated on a former occasion, would have admitted of corn cultivation, the wealth and population of the country would have been quite inconsiderable, and rents not nearly one half of what they are now. But if, under similar circumstances, rent and fertility go together, it is no just argument against their natural connexion to say that rent is higher in England, where a great mass of capital has been employed upon the land, than in the more fertile country of South America, where, on the same extent of territory, not a twentieth part has been employed, and the population is extremely scanty.

The fertility of the land, either natural or acquired, may be said to be the only source of permanently high national returns for capital. If a country were exclusively manufacturing and commercial, and were to purchase all its corn at the market prices of Europe, it is absolutely impossible that the national returns for its capital should for any great length of time be high. In the earlier periods of history, indeed, when large masses of capital were extremely rare, and were confined to very few towns, the sort of monopoly which they gave to particular kinds of commerce and manufactures tended to keep up profits for a much longer time; and great and brilliant effects were undoub-

tedly produced by some states which were almost exclusively commercial. But in modern Europe, the general abundance of capital, the easy intercourse between different nations, and the laws of domestic and foreign competition prevent the possibility of large permanent returns being received for any other capitals than those employed on the land. No great commercial and manufacturing state in modern times, whatever may have been its skill, has yet been known permanently to make much higher profits than the average of the rest of Europe. But the capitals successfully employed on moderately good land, may permanently and without fear of interruption or check, sometimes yield twenty per cent., sometimes thirty or forty, and sometimes even fifty or sixty per cent.

A striking illustration of the effects of capitals employed on land compared with others, appeared in the returns of the property-tax in this country. The taxable income of the nation derived from the capitals employed on land, was such as to yield to the property-tax nearly 6½ millions; while the income derived from the nearly equal capitals employed in commerce and manufactures was only such as to yield two millions.¹ It is probably true, that a larger proportion of the incomes derived from the capitals employed in trade and manufactures, escaped the tax, partly from their subdivision, and partly from other causes; but the deficiency so occasioned could in no respect make up for the extraordinary productiveness of the capitals employed in agriculture.² And indeed it is quite obvious that, in comparing two countries together with the same capitals and the same rate of profits, one of which has land on which to grow its corn, and the other is obliged to purchase it, that which has the land, particularly if it be fertile, must be much richer, more populous, and have a larger disposable income for taxation.

Another most desirable benefit belonging to a fertile soil is, that states so endowed are not obliged to pay so much attention to that most distressing and disheartening of all cries to every man of hu-

¹ The Schedule D. included every species of professions. The whole amounted to three millions, of which the professions were considered to be above a million.

² It must always be recollected, that the national profits, or the increase of value to the nation obtained by the capitals employed on the land, must be considered as including rents as well as the common agricultural profits.

manity— the cry of the master manufacturers and merchants for low wages, to enable them to find a market for their exports. If a country can only be rich by running a successful race for low wages, I should be disposed to say at once, perish such riches! But, though a nation which purchases the main part of its food from foreigners, is condemned to this hard alternative, it is not so with the possessors of fertile land. The peculiar products and manufactures of a country, though never probably sufficient to enable it to import a large proportion of its food as well as of its conveniences and luxuries, will generally be sufficient to give full spirit and energy to all its commercial dealings, both at home and abroad; while a small sacrifice of produce, that is, the not pushing cultivation too far without agricultural improvements, would, with prudential habits among the poor,¹ enable it to maintain the whole of a large population in wealth and plenty. Prudential habits with regard to marriage carried to a considerable extent, among the labouring classes of a country mainly depending upon manufactures and commerce, might injure it. In a country of fertile land, such habits would be the greatest of all conceivable blessings.

Among the inestimable advantages which belong to that quality in the land, which enables it to yield a considerable rent, it is not one of the least, that in the progress of society it affords the main security to man that nearly his whole time, or the time of nearly the whole society, shall not be employed in procuring mere necessaries. Mr. Ricardo seems to think that the whole amount of the revenue derived from profits might be diminished² in the progress of accumulation;

¹ Under similar circumstances, with respect to agricultural skill, etc., it is obvious that land of the same degree of barrenness could not be cultivated, if by the prevalence of prudential habits the labourers were very well paid; but to forego the small increase of produce and population arising from the cultivation of such land, would, in a large and fertile territory, be a slight and imperceptible sacrifice, while the happiness which would result from it to the great mass of the population, would be beyond all price.

² *Princ. of Polit. Econ.* chap. vi. p. 124, 3rd edit.

The truth of this opinion depends upon the question whether upon increasing the capital of a country in a certain proportion, profits will be diminished in a greater proportion. It is probable that this would be the case if accumulation were pushed to a very great extent, as in the ratio assumed in Mr. Ricardo's instance, which is of course taken at random. For the purpose merely of illustration, I am inclined to think,

and the probability I fear is, that the labourer will be obliged to employ a greater quantity of labour to procure that portion of his wages which must be spent in necessaries. Both these great classes of society, therefore, may be expected to have less power of giving leisure to themselves, or of commanding the labour of those who administer to the enjoyments and intellectual improvement of society, as contradistinguished from those who administer to its necessary wants. But, fortunately for mankind, the neat rents of the land, under a system of private property, can never be diminished by the progress of cultivation. Whatever proportion they may bear to the whole produce, the actual amount must always go on increasing, and will always afford a fund for the enjoyments and leisure of the society, sufficient to leaven and animate the whole mass.

If the only condition on which we could obtain lands yielding rent were, that they should remain with the immediate descendants of the first possessors, though the benefits to be derived from the present would no doubt be very greatly diminished, yet from its general and unavoidable effects on society, it would be most unwise to refuse it as of little or no value. But, happily, the benefit is attached to the soil, not to any particular proprietors. Rents are the reward of present valour and wisdom, as well as of past strength and abilities. Every day lands are purchased with the fruits of industry and talents.¹ They afford the great prize, the "*otium cum dignitate*" to every species of

however, that as one very large class of society lives upon the profits of stock, accumulation would cease from the want of power or motive to save, before the general income derived from capital was actually diminished.

¹ Mr. Ricardo himself was an instance of what I am stating. He became, by his talents and industry, a considerable landholder; and a more honourable and excellent man, a man who for the qualities of his head and heart more entirely deserved what he had earned, or employed it better, I could not point out in the whole circle of landholders.

It is somewhat singular that Mr. Ricardo, a considerable receiver of rents, should have so much underrated their national importance; while I, who never received, nor expect to receive any, should probably be accused of overrating their importance. Our different opinions, under these circumstances, may serve at least to show our mutual sincerity, and afford a strong presumption, that to whatever bias our minds may have been subjected in the doctrines we have laid down, it has not been that, against which perhaps it is most difficult to guard, the insensible bias of situation and interest.

laudable exertion; and, in the progress of society, there is every reason to believe, that, as they become more valuable from the increase of capital and population, and the improvements in agriculture, the benefits which they yield may be divided among a much greater number of persons.

In every point of view, then, in which the subject can be considered, that quality of land which, by the laws of our being, must terminate in rent, appears to be a boon most important to the happiness of mankind; and I am persuaded, that its value can only be underrated by those who still labour under some mistake, as to its nature, and its effects on society.