1. The labour which terminates in the production of an article fitted for some human use, is either employed directly about the thing, or in previous operations destined to facilitate, perhaps essential to the possibility of, the subsequent ones. In making bread, for example, the labour employed about the thing itself is that of the baker; but the labour of the miller, though employed directly in the production not of bread but of flour, is equally part of the aggregate sum of labour by which the bread is produced; as is also the labour of the sower and of the reaper. Some may think that all these persons ought to be considered as employing their labour directly about the thing; the corn, the flour, and the bread being one substance in three different states. Without disputing about this question of mere language, there is still the ploughman, who prepared the ground for the seed, and whose labour never came in contact with the substance in any of its states; and the plough-maker, whose share in the result was still more remote. All these persons ultimately derive the remuneration of their labour from the bread, or its price: the plough-maker as much as the rest; for since ploughs are of no use except for tilling the soil, no one would make or use ploughs for any other reason than because the increased returns, thereby obtained from the ground, afforded a source from which an adequate equivalent could be assigned for the labour of the plough-maker. If the produce is to be used or consumed in the form of bread, it is from the bread that this equivalent must come. The bread must suffice to remunerate all these labourers, and several others; such as the carpenters and bricklayers who erected the farm-buildings; the hedgers and ditchers who made the fences necessary for the protection of the crop; the miners and smelters who extracted or prepared the iron of which the plough and other instruments were made. These, however, and the plough-maker, do not depend for their remuneration upon the bread made from the produce of a single harvest, but upon that made from the produce of all the harvests which are successively gathered until the plough, or the buildings and fences, are worn out. We must add yet another kind of labour; that of transporting the produce from the place of its production to the place of its destined use: the labour of carrying the corn to market, and from market to the miller’s, the flour from the miller’s to the baker’s, and the bread from the baker’s to the place of its final consumption. This labour is sometimes very considerable: flour is transported to England from beyond the Atlantic, corn from the heart of Russia; and in addition to the labourers immediately employed, the waggoners and sailors, there are also costly instruments, such as ships, in the construction of which much labour has been expended: that labour, however, not depending for its whole remuneration upon the bread, but for a part only; ships being usually, during the course of their existence, employed in the transport of many different kinds of commodities.

To estimate, therefore, the labour of which any given commodity is the result, is far from a simple operation. The items in the calculation are very numerous—as it may seem to some persons, infinitely so; for if, as a part of the labour employed in making bread, we count the labour of the blacksmith who made the plough, why not also (it may be asked) the labour of making the tools used by the blacksmith, and the tools used in making those tools, and so back to the origin of things? But after mounting one or two steps in this ascending scale, we come into a region of fractions too minute for calculation. Suppose, for instance, that the same plough will last, before being worn out, a dozen years. Only one-twelfth of the labour of making the plough must be placed to the account of each year’s harvest. A twelfth part of the
labour of making a plough is an appreciable quantity. But the same set of tools, perhaps, suffice to the plough-maker for forging a hundred ploughs, which serve during the twelve years of their existence to prepare the soil of as many different farms. A twelve-hundredth part of the labour of making his tools, is as much, therefore, as has been expended in procuring one year’s harvest of a single farm: and when this fraction comes to be further apportioned among the various sacks of corn and loaves of bread, it is seen at once that such quantities are not worth taking into the account for any practical purpose connected with the commodity. It is true that if the tool-maker had not laboured, the corn and bread never would have been produced; but they will not be sold a tenth part of a farthing dearer in consideration of his labour….

The claim to remuneration founded on the possession of food, available for the maintenance of labourers, is of another kind; remuneration for abstinence, not for labour. If a person has a store of food, he has it in his power to consume it himself in idleness, or in feeding others to attend on him, or to fight for him, or to sing or dance for him. If, instead of these things, he gives it to productive labourers to support them during their work, he can, and naturally will, claim a remuneration from the produce. He will not be content with simple repayment; if he receives merely that, he is only in the same situation as at first, and has derived no advantage from delaying to apply his savings to his own benefit or pleasure. He will look for some equivalent for this forbearance: he will expect his advance of food to come back to him with an increase, called in the language of business, a profit; and the hope of this profit will generally have been a part of the inducement which made him accumulate a stock, by economizing in his own consumption; or, at any rate, which made him forego the application of it, when accumulated, to his personal ease or satisfaction. The food also which maintained other workmen while producing the tools or materials, must have been provided in advance by some one, and he, too, must have his profit from the ultimate product; but there is this difference, that here the ultimate product has to supply not only the profit, but also the remuneration of the labour. The tool-maker (say, for instance, the plough-maker) does not indeed usually wait for his payment until the harvest is reaped; the farmer advances it to him, and steps into his place by becoming the owner of the plough. Nevertheless, it is from the harvest that the payment is to come; since the farmer would not undertake this outlay unless he expected that the harvest would repay him, and with a profit too on this fresh advance; that is, unless the harvest would yield, besides the remuneration of the farm labourers (and a profit for advancing it), a sufficient residue to remunerate the ploughmaker’s labourers, give the plough-maker a profit, and a profit to the farmer on both.

3. From these considerations it appears, that in an enumeration and classification of the kinds of industry which are intended for the indirect or remote furtherance of other productive labour, we need not include the labour of producing subsistence or other necessaries of life to be consumed by productive labourers; for the main end and purpose of this labour is the subsistence itself; and though the possession of a store of it enables other work to be done, this is but an incidental consequence. The remaining modes in which labour is indirectly instrumental to production, may be arranged under five heads.

First: Labour employed in producing materials, on which industry is to be afterwards employed. This is, in many cases, a labour of mere appropriation; extractive industry, as it has been aptly named by M. Dunoyer. The labour of the miner, for example, consists of operations for digging out of the earth substances convertible by industry into various articles fitted for human use. Extractive industry, however, is not confined to the extraction of
materials. Coal, for instance, is employed, not only in the process of industry, but in directly warming human beings. When so used, it is not a material of production, but is itself the ultimate product. So, also, in the case of a mine of precious stones. These are to some small extent employed in the productive arts, as diamonds by the glass-cutter, emery and corundum for polishing, but their principal destination, that of ornament, is a direct use; though they commonly require, before being so used, some process of manufacture, which may perhaps warrant our regarding them as materials. Metallic ores of all sorts are materials merely.

Under the head, production of materials, we must include the industry of the woodcutter, when employed in cutting and preparing timber for building, or wood for the purposes of the carpenter's or any other art. In the forests of America, Norway, Germany, the Pyrenees and Alps, this sort of labour is largely employed on trees of spontaneous growth. In other cases, we must add to the labour of the wood-cutter that of the planter and cultivator.

Under the same head are also comprised the labours of the agriculturist in growing flax, hemp, cotton, feeding silkworms, rising food for cattle, producing bark, dye-stuffs, some oleaginous plants, and many other things only useful because required in other departments of industry. So, too, the labour of the hunter, as far as his object is furs or feathers; of the shepherd and the cattle-breeder, in respect of wool, hides, horn, bristles, horse-hair, and the like. The things used as materials in some process or other of manufacture are of a most miscellaneous character, drawn from almost every quarter of the animal, vegetable, and mineral kingdoms. And besides this, the finished products of many branches of industry are the materials of others. The thread produced by the spinner is applied to hardly any use except as material for the weaver. Even the product of the loom is chiefly used as material for the fabricators of articles of dress or furniture, or of further instruments of productive industry, as in the case of the sailmaker. The currier and tanner find their whole occupation in converting raw material into what may be termed prepared material. In strictness of speech, almost all food, as it comes from the hands of the agriculturist, is nothing more than material for the occupation of the baker or the cook.

4. The second kind of indirect labour is that employed in making tools or implements for the assistance of labour. Perhaps the line is most usually and most conveniently drawn, by considering as a material every instrument of production which can only be used once, being destroyed (at least as an instrument for the purpose in hand) by a single employment. Thus fuel, once burnt, cannot be again used as fuel; what can be so used is only any portion which has remained unburnt the first time. And not only it cannot be used without being consumed, but it is only useful by being consumed; for if no part of the fuel were destroyed, no heat would be generated. A fleece, again, is destroyed as a fleece by being spun into thread; and the thread cannot be used as thread when woven into cloth. But an axe is not destroyed as an axe by cutting down a tree: it may be used afterwards to cut down a hundred or a thousand more; and though deteriorated in some small degree by each use, it does not do its work by being deteriorated, as the coal and the fleece do theirs by being destroyed; on the contrary, it is the better instrument the better it resists deterioration.

The only practical difference of much importance arising from the distinction between materials and implements, is one which has attracted our attention in another case. Since materials are destroyed as such by being once used, the whole of the labour required for their production, as well as the abstinence of the person who supplied the means for carrying it on, must be remunerated from the fruits of that single use. Implements, on the contrary, being susceptible of repeated employment, the whole of the products which they are instrumental in
5. Thirdly: Besides materials for industry to employ itself on, and implements to aid it, provision must be made to prevent its operations from being disturbed, and its products injured, either by the destroying agencies of nature, or by the violence or rapacity of men. This gives rise to another mode in which labour not employed directly about the product itself, is instrumental to its production; namely, when employed for the protection of industry. Such is the object of all buildings for industrial purposes; all manufactories, warehouses, docks, granaries, barns, farm-buildings devoted to cattle, or to the operations of agricultural labour. I exclude those in which the labourers live, or which are destined for their personal accommodation; these, like their food, supply actual wants, and must be counted in the remuneration of their labour. There are many modes in which labour is still more directly applied to the protection of productive operations. The herdsman has little other occupation than to protect the cattle from harm; the positive agencies concerned in the realization of the product, go on nearly of themselves.

6. Fourthly: There is a very great amount of labour employed, not in bringing the product into existence, but in rendering it, when in existence, accessible to those for whose use it is intended. Many important classes of labourers find their sole employment in some function of this kind. There is first the whole class of carriers, by land or water, muleteers, waggoners, bargemen, sailors, wharfmen, coalheavers, porters, railway establishments, and the like. Next, there are the constructors of all the implements of transport; ships, barges, carts, locomotives, &c., to which must be added roads, canals, and railways. Roads are sometimes made by the government, and opened gratuitously to the public; but the labour of making them is not the less paid for from the produce. Each producer, in paying his quota of the taxes levied generally for the construction of roads, pays for the use of those which conduce to his convenience; and if made with any tolerable judgment, they increase the returns to his industry by far more than an equivalent amount.

Another numerous class of labourers employed in rendering the things produced accessible to their intended consumers, is the class of dealers and traders, or, as they may be termed, distributors. There would be a great waste of time and trouble, and an inconvenience often amounting to impracticability, if consumers could only obtain the articles they want by treating directly with the producers….. Of these various elements is composed the Distributing Class, whose agency is supplementary to that of the Producing Class: and the produce so distributed, or its price, is the source from which the distributors are remunerated for their exertions, and for the abstinence which enabled them to advance the funds needful for the business of distribution.

Book 1, Chapter 6, On Circulating and Fixed Capital

1. To complete our explanations on the subject of capital, it is necessary to say something of the two species into which it is usually divided. The distinction is very obvious, and though not named, has been often adverted to, in the two preceding chapters: but it is now proper to define it accurately, and to point out a few of its consequences.
Of the capital engaged in the production of any commodity, there is a part which, after being once used, exists no longer as capital; is no longer capable of rendering service to production, or at least not the same service, nor to the same sort of production. Such, for example, is the portion of capital which consists of materials. The tallow and alkali of which soap is made, once used in the manufacture, are destroyed as alkali and tallow; and cannot be employed any further in the soap manufacture, though in their altered condition, as soap, they are capable of being used as a material or an instrument in other branches of manufacture. In the same division must be placed the portion of capital which is paid as the wages, or consumed as the subsistence, of labourers. The part of the capital of a cotton-spinner which he pays away to his work-people, once so paid, exists no longer as his capital, or as a cotton-spinner's capital: such portion of it as the workmen consume, no longer exists as capital at all: even if they save any part, it may now be more properly regarded as a fresh capital, the result of a second act of accumulation. Capital which in this manner fulfils the whole of its office in the production in which it is engaged, by a single use, is called Circulating Capital. The term, which is not very appropriate, is derived from the circumstance, that this portion of capital requires to be constantly renewed by the sale of the finished product, and when renewed is perpetually parted with in buying materials and paying wages; so that it does its work, not by being kept, but by changing hands.

Another large portion of capital, however, consists in instruments of production, of a more or less permanent character; which produce their effect not by being parted with, but by being kept; and the efficacy of which is not exhausted by a single use. To this class belong buildings, machinery, and all or most things known by the name of implements or tools. The durability of some of these is considerable, and their function as productive instruments is prolonged through many repetitions of the productive operation. In this class must likewise be included capital sunk [as the expression is] in permanent improvements of land. So also the capital expended once for all, in the commencement of an undertaking, to prepare the way for subsequent operations: the expense of opening a mine, for example: of cutting canals, of making roads or docks. Other examples might be added, but these are sufficient. Capital which exists in any of these durable shapes, and the return to which is spread over a period of corresponding duration, is called Fixed Capital.

Of fixed capital, some kinds require to be occasionally or periodically renewed. Such are all implements and buildings: they require, at intervals, partial renewal by means of repairs, and are at last entirely worn out, and cannot be of any further service as buildings and implements, but fall back into the class of materials. In other cases, the capital does not, unless as a consequence of some unusual accident, require entire renewal; but there is always some outlay needed, either regularly or at least occasionally, to keep it up. A dock or a canal, once made, does not require, like a machine, to be made again, unless purposely destroyed, or unless an earthquake or some similar catastrophe has filled it up: but regular and frequent outlays are necessary to keep it in repair. The cost of opening a mine needs not be incurred a second time; but unless some one goes to the expense of keeping the mine clear of water, it is soon rendered useless. The most permanent of all kinds of fixed capital is that employed in giving increased productiveness to a natural agent, such as land. The draining of marshy or inundated tracts like the Bedford Level, the reclaiming of land from the sea, or its protection by embankments, are improvements calculated for perpetuity; but drains and dykes require frequent repairs…..Even such works, however, require some, though it may be very little, occasional outlay to maintain their full effect.
These improvements, however, by the very fact of their deserving that title, produce an increase of return, which, after defraying all expenditure necessary for keeping them up, still leaves a surplus. This surplus forms the return to the capital sunk in the first instance, and that return does not, as in the case of machinery, terminate by the wearing out of the machine, but continues for ever.

From this it follows that all increase of fixed capital, when taking place at the expense of circulating, must be, at least temporarily, prejudicial to the interests of the labourers. This is true, not of machinery alone, but of all improvements by which capital is sunk; that is, rendered permanently incapable of being applied to the maintenance and remuneration of labour. Suppose that a person farms his own land, with a capital of two thousand quarters of corn, employed in maintaining labourers during one year [for simplicity we omit the consideration of seed and tools], whose labour produces him annually two thousand four hundred quarters, being a profit of twenty per cent. This profit we shall suppose that he annually consumes, carrying on his operations from year to year on the original capital of two thousand quarters. Let us now suppose that by the expenditure of half his capital he effects a permanent improvement of his land, which is executed by half his labourers, and occupies them for a year, after which he will only require, for the effectual cultivation of his land, half as many labourers as before. The remainder of his capital he employs as usual. In the first year there is no difference in the condition of the labourers, except that part of them have received the same pay for an operation on the land, which they previously obtained for ploughing, sowing, and reaping. At the end of the year, however, the improver has not, as before, a capital of two thousand quarters of corn. Only one thousand quarters of his capital have been reproduced in the usual way; he has now only those thousand quarters and his improvement. He will employ, in the next and in each following year, only half the number of labourers, and will divide among them only half the former quantity of subsistence. The loss will soon be made up to them if the improved land, with the diminished quantity of labour, produces two thousand four hundred quarters as before, because so enormous an accession of gain will probably induce the improver to save a part, add it to his capital, and become a larger employer of labour. But it is conceivable that this may not be the case; for (supposing, as we may do, that the improvement will last indefinitely, without any outlay worth mentioning to keep it up) the improver will have gained largely by his improvement if the land now yields, not two thousand four hundred, but one thousand five hundred quarters; since this will replace the one thousand quarters forming his present circulating capital, with a profit of twenty-five per cent (instead of twenty as before) on the whole capital, fixed and circulating together. The improvement, therefore, may be a very profitable one to him, and yet very injurious to the labourers.....

The argument relied on by most of those who contend that machinery can never be injurious to the labouring class, is, that by cheapening production it creates such an increased demand for the commodity, as enables, ere long, a greater number of persons than ever to find employment in producing it. This argument does not seem to me to have the weight commonly ascribed to it. The fact, though too broadly stated, is, no doubt, often true. The copyists who were thrown out of employment by the invention of printing, were doubtless soon outnumbered by the compositors and pressmen who took their place; and the number of labouring persons now occupied in the cotton manufacture is many times greater than were so occupied previously to the inventions of Hargreaves and Arkwright, which shows that besides the enormous fixed capital now embarked in the manufacture, it also employs a far
larger circulating capital than at any former time. But if this capital was drawn from other employments; if the funds which took the place of the capital sunk in costly machinery, were supplied not by any additional saving consequent on the improvements, but by drafts on the general capital of the community, what better were the labouring classes for the mere transfer? In what manner was the loss they sustained by the conversion of circulating into fixed capital made up to them by a mere shifting of part of the remainder of the circulating capital from its old employments to a new one?

All attempts to make out that the labouring classes as a collective body cannot suffer temporarily by the introduction of machinery, or by the sinking of capital in permanent improvements, are, I conceive, necessarily fallacious. That they would suffer in the particular department of industry to which the change applies, is generally admitted, and obvious to common sense; but it is often said, that though employment is withdrawn from labour in one department, an exactly equivalent employment is opened for it in others, because what the consumers save in the increased cheapness of one particular article enables them to augment their consumption of others, thereby increasing the demand for other kinds of labour. This is plausible, but, as was shown in the last chapter, involves a fallacy; demand for commodities being a totally different thing from demand for labour. It is true, the consumers have now additional means of buying other things; but this will not create the other things, unless there is capital to produce them, and the improvement has not set at liberty any capital, if even it has not absorbed some from other employments. The supposed increase of production and of employment for labour in other departments therefore will not take place; and the increased demand for commodities by some consumers, will be balanced by a cessation of demand on the part of others, namely, the labourers who were superseded by the improvement, and who will now be maintained, if at all, by sharing, either in the way of competition or of charity, in what was previously consumed by other people.

Book 5, Chapter 8. Of the Ordinary Functions of Government, considered as to their Economical Effects

1. Before we discuss the line of demarcation between the things with which government should, and those with which they should not, directly interfere, it is necessary to consider the economical effects, whether of a bad or of a good complexion, arising from the manner in which they acquit themselves of the duties which devolve on them in all societies, and which no one denies to be incumbent on them.

The first of these is the protection of person and property.....

Nevertheless, in attaching to this great requisite, security of person and property, the importance which is justly due to it, we must not forget that even for economical purposes there are other things quite as indispensable, the presence of which will often make up for a very considerable degree of imperfection in the protective arrangements of government. As was observed in a previous chapter, the free cities of Italy, Flanders, and the Hanseatic league, were habitually in a state of such internal turbulence, varied by such destructive external wars, that person and property enjoyed very imperfect protection; yet during several centuries they increased rapidly in wealth and prosperity, brought many of the industrial arts to a high degree of advancement, carried on distant and dangerous voyages of exploration and commerce with extraordinary success, became an overmatch in power for the greatest feudal lords, and could defend themselves even against the sovereigns of Europe: because in the
midst of turmoil and violence, the citizens of those towns enjoyed a certain rude freedom, under conditions of union and co-operation, which, taken together, made them a brave, energetic, and high-spirited people, and fostered a great amount of public spirit and patriotism. The prosperity of these and other free states in a lawless age, shows that a certain degree of insecurity, in some combinations of circumstances, has good as well as bad effects, by making energy and practical ability the conditions of safety.....

2. Simple overtaxation by government, though a great evil, is not comparable in the economical part of its mischiefs to exactions much more moderate in amount, which either subject the contributor to the arbitrary mandate of government officers, or are so laid on as to place skill, industry, and frugality at a disadvantage. The burthen of taxation in our own country is very great, yet as every one knows its limit, and is seldom made to pay more than he expects and calculates on, and as the modes of taxation are not of such a kind as much to impair the motives to industry and economy, the sources of prosperity are little diminished by the pressure of taxation; they may even, as some think, be increased, by the extra exertions made to compensate for the pressure of the taxes.....

Yet mere excess of taxation, even when not aggravated by uncertainty, is, independently of its injustice, a serious economical evil. It may be carried so far as to discourage industry by insufficiency of reward. Very long before it reaches this point, it prevents or greatly checks accumulation, or causes the capital accumulated to be sent for investment to foreign countries. Taxes which fall on profits, even though that kind of income may not pay more than its just share, necessarily diminish the motive to any saving, except for investment in foreign countries where profits are higher.....

Yet the landowners, though they have been masters of the legislation of England, to say the least since 1688, have never made a single move in the direction of law reform, and have been strenuous opponents of some of the improvements of which they would more particularly reap the benefit; especially that great one of a registration of contracts affecting land, which when proposed by a Commission of eminent real property lawyers, and introduced into the House of Commons by Lord Campbell, was so offensive to the general body of landlords, and was rejected by so large a majority, as to have long discouraged any repetition of the attempt. This irrational hostility to improvement, in a case in which their own interest would be the most benefited by it, must be ascribed to an intense timidity on the subject of their titles, generated by the defects of the very law which they refuse to alter; and to a conscious ignorance, and incapacity of judgment, on all legal subjects, which makes them helplessly defer to the opinion of their professional advisers, heedless of the fact that every imperfection of the law, in proportion as it is burthensome to them, brings gain to the lawyer.

In so far as the defects of legal arrangements are a mere burthen on the landowner, they do not much affect the sources of production; but the uncertainty of the title under which land is held, must often act as a great discouragement to the expenditure of capital in its improvement; and the expense of making transfers, operates to prevent land from coming into the hands of those who would use it to most advantage; often amounting, in the case of small purchases, to more than the price of the land, and tantamount, therefore, to a prohibition of the purchase and sale of land in small portions, unless in exceptional circumstances. Such purchases, however, are almost everywhere extremely desirable, there being hardly any country in which landed property is not either too much or too little subdivided, requiring either that great estates should be broken down, or that small ones
should be bought up and consolidated. To make land as easily transferable as stock, would be one of the greatest economical improvements which could be bestowed on a country; and has been shown, again and again, to have no insuperable difficulty attending it.

**Book 5, Chapter 10, Of Interferences of Government Grounded on Erroneous Theories**

1. From the necessary functions of government, and the effects produced on the economical interests of society by their good or ill discharge, we proceed to the functions which belong to what I have termed, for want of a better designation, the optional class; those which are sometimes assumed by governments and sometimes not, and which it is not unanimously admitted that they ought to exercise.

   Before entering on the general principles of the question, it will be advisable to clear from our path all those cases, in which government interference works ill because grounded on false views of the subject interfered with. Such cases have no connexion with any theory respecting the proper limits of interference. There are some things with which governments ought not to meddle, and other things with which they ought; but whether right or wrong in itself, the interference must work for ill, if government, not understanding the subject which it meddles with, meddles to bring about a result which would be mischievous. We will therefore begin by passing in review various false theories, which have from time to time formed the ground of acts of government more or less economically injurious.

   Former writers on political economy have found it needful to devote much trouble and space to this department of their subject. It has now happily become possible, at least in our own country, greatly to abridge this purely negative part of our discussions. The false theories of political economy which have done so much mischief in times past, are entirely discredited among all who have not lagged behind the general progress of opinion; and few of the enactments which were once grounded on those theories still help to deform the statute-book. As the principles on which their condemnation rests have been fully set forth in other parts of this Treatise, we may here content ourselves with a few brief indications.

   Of these false theories, the most notable is the doctrine of Protection to Native Industry; a phrase meaning the prohibition, or the discouragement by heavy duties, of such foreign commodities as are capable of being produced at home. If the theory involved in this system had been correct, the practical conclusions grounded on it would not have been unreasonable. The theory was, that to buy things produced at home was a national benefit, and the introduction of foreign commodities generally a national loss. It being at the same time evident that the interest of the consumer is to buy foreign commodities in preference to domestic whenever they are either cheaper or better, the interest of the consumer appeared in this respect to be contrary to the public interest; he was certain, if left to his own inclinations, to do what according to the theory was injurious to the public.

   It was shown, however, in our analysis of the effects of international trade, as it had been often shown by former writers, that the importation of foreign commodities, in the common course of traffic, never takes place, except when it is, economically speaking, a national good, by causing the same amount of commodities to be obtained at a smaller cost of labour and capital to the country. To prohibit, therefore, this importation, or impose duties which prevent it, is to render the labour and capital of the country less efficient in production than they would otherwise be; and compel a waste, of the difference between the labour and capital necessary for the home production of the commodity, and that which is required for
producing the things with which it can be purchased from abroad. The amount of national loss thus occasioned is measured by the excess of the price at which the commodity is produced, over that at which it could be imported.....

The principle of the Mercantile Theory is now given up even by writers and governments who still cling to the restrictive system. Whatever hold that system has over men’s minds, independently of the private interests exposed to real or apprehended loss by its abandonment, is derived from fallacies other than the old notion of the benefits of heaping up money in the country. The most effective of these is the specious plea of employing our own countrymen and our national industry, instead of feeding and supporting the industry of foreigners. The answer to this, from the principles laid down in former chapters, is evident. Without reverting to the fundamental theorem discussed in an early part of the present treatise, respecting the nature and sources of employment for labour, it is sufficient to say, what has usually been said by the advocates of free trade, that the alternative is not between employing our own people and foreigners, but between employing one class and another of our own people. The imported commodity is always paid for, directly or indirectly, with the produce of our own industry: that industry being at the same time rendered more productive, since, with the same labour and outlay, we are enabled to possess ourselves of a greater quantity of the article.....

With regard to subsistence, the plea of the Protectionists has been so often and so triumphantly met, that it requires little notice here. That country is the most steadily as well as the most abundantly supplied with food, which draws its supplies from the largest surface. It is ridiculous to found a general system of policy on so improbable a danger as that of being at war with all the nations of the world at once; or to suppose that, even if inferior at sea, a whole country could be blockaded like a town, or that the growers of food in other countries would not be as anxious not to lose an advantageous market, as we should be not to be deprived of their corn. On the subject, however, of subsistence, there is one point which deserves more especial consideration. In cases of actual or apprehended scarcity, many countries of Europe are accustomed to stop the exportation of food. Is this, or not, sound policy? There can be no doubt that in the present state of international morality, a people cannot, any more than an individual, be blamed for not starving itself to feed others. But if the greatest amount of good to mankind on the whole, were the end aimed at in the maxims of international conduct, such collective churlishness would certainly be condemned by them. Suppose that in ordinary circumstances the trade in food were perfectly free, so that the price in one country could not habitually exceed that in any other by more than the cost of carriage, together with a moderate profit to the importer. A general scarcity ensues, affecting all countries, but in unequal degrees. If the price rose in one country more than in others, it would be a proof that in that country the scarcity was severest, and that by permitting food to go freely thither from any other country, it would be spared from a less urgent necessity to relieve a greater.....

The only case in which, on mere principles of political economy, protecting duties can be defensible, is when they are imposed temporarily (especially in a young and rising nation) in hopes of naturalizing a foreign industry, in itself perfectly suitable to the circumstances of the country. The superiority of one country over another in a branch of production, often arises only from having begun it sooner. There may be no inherent advantage on one part, or disadvantage on the other, but only a present superiority of acquired skill and experience. A country which has this skill and experience yet to acquire, may in other respects be better
adapted to the production than those which were earlier in the field: and besides, it is a just remark of Mr Rae, that nothing has a greater tendency to promote improvements in any branch of production, than its trial under a new set of conditions. But it cannot be expected that individuals should, at their own risk, or rather to their certain loss, introduce a new manufacture, and bear the burthen of carrying it on until the producers have been educated up to the level of those with whom the processes are traditional. A protecting duty, continued for a reasonable time, might sometimes be the least inconvenient mode in which the nation can tax itself for the support of such an experiment. But it is essential that the protection should be confined to cases in which there is good ground of assurance that the industry which it fosters will after a time be able to dispense with it; nor should the domestic producers ever be allowed to expect that it will be continued to them beyond the time necessary for a fair trial of what they are capable of accomplishing…..

4. Governments, however, are oftener chargeable with having attempted, too successfully, to make things dear, than with having aimed by wrong means at making them cheap. The usual instrument for producing artificial dearness is monopoly. To confer a monopoly upon a producer or leader, or upon a set of producers or dealers not too numerous to combine, is to give them the power of levying any amount of taxation on the public, for their individual benefit, which will not make the public forego the use of the commodity…..When relieved from the immediate stimulus of competition, producers and dealers grow indifferent to the dictates of their ultimate pecuniary interest; preferring to the most hopeful prospects, the present ease of adhering to routine. A person who is already thriving, seldom puts himself out of his way to commence even a lucrative improvement, unless urged by the additional motive of fear lest some rival should supplant him by getting possession of it before him.

The condemnation of monopolies ought not to extend to patents, by which the originator of an improved process is allowed to enjoy, for a limited period, the exclusive privilege of using his own improvement. This is not making the commodity dear for his benefit, but merely postponing a part of the increased cheapness which the public owe to the inventor, in order to compensate and reward him for the service. That he ought to be both compensated and rewarded for it, will not be denied, and also that if all were at once allowed to avail themselves of his ingenuity, without having shared the labours or the expenses which he had to incur in bringing his idea into a practical shape, either such expenses and labours would be undergone by nobody except very opulent and very public-spirited persons, or the state must put a value on the service rendered by an inventor, and make him a pecuniary grant. This has been done in some instances, and may be done without inconvenience in cases of very conspicuous public benefit; but in general an exclusive privilege, of temporary duration, is preferable; because it leaves nothing to any one’s discretion; because the reward conferred by it depends upon the invention’s being found useful, and the greater the usefulness the greater the reward; and because it is paid by the very persons to whom the service is rendered, the consumers of the commodity……

5. I pass to another kind of government interference, in which the end and the means are alike odious, but which existed in England until not more than a generation ago, and in France up to the year 1864. I mean the laws against combinations of workmen to raise wages; laws enacted and maintained for the declared purpose of keeping wages low, as the famous Statute of Labourers was passed by a legislature of employers, to prevent the labouring class,
when its numbers had been thinned by a pestilence, from taking advantage of the diminished competition to obtain higher wages. Such laws exhibit the infernal spirit of the slave master, when to retain the working classes in avowed slavery has ceased to be practicable.

If it were possible for the working classes, by combining among themselves, to raise or keep up the general rate of wages, it needs hardly be said that this would be a thing not to be punished, but to be welcomed and rejoiced at. Unfortunately the effect is quite beyond attainment by such means. The multitudes who compose the working class are too numerous and too widely scattered to combine at all, much more to combine effectually. If they could do so, they might doubtless succeed in diminishing the hours of labour, and obtaining the same wages for less work. They would also have a limited power of obtaining, by combination, an increase of general wages at the expense of profits. But the limits of this power are narrow; and were they to attempt to strain it beyond those limits, this could only be accomplished by keeping a part of their number permanently out of employment. As support from public charity would of course be refused to those who could get work and would not accept it, they would be thrown for support upon the trades union of which they were members; and the workpeople collectively would be no better off than before, having to support the same numbers out of the same aggregate wages. In this way, however, the class would have its attention forcibly drawn to the fact of a superfluity of numbers, and to the necessity, if they would have high wages, of proportioning the supply of labour to the demand.