AN

EXPOSITION

OF FALLACIES ON

RENT, TITHES, &c.

CONTAINING AN EXAMINATION

OF

MR. RICARDO'S THEORY OF RENT

AND OF

THE ARGUMENTS BROUGHT AGAINST THE CONCLUSION THAT TITHES AND TAXES ON THE LAND ARE PAID BY THE LANDLORDS,

THE DOCTRINE OF THE IMPOSSIBILITY OF A GENERAL GLUT,

AND OTHER PROPOSITIONS OF THE MODERN SCHOOL.

WITH AN INQUIRY INTO THE COMPARATIVE CONSEQUENCES OF TAXES ON AGRICULTURAL AND MANUFACTURED PRODUCE.

Being in the form of a Review of the Third Edition of Mr. Mill's Elements of Political Economy.

By a Member of the University of Cambridge.

LONDON:

PRINTED FOR HATCHARD AND SON, PICCADILLY; AND C. AND J. RIVINGTON, ST. PAUL'S CHURCHYARD.

1826.

RICHARD TAYLOR, PRINTER,
SHOE-LANE, LONDON.

THE following Article was offered in June last to the Quarterly Review, with an intimation that the writer in the event of its acceptance desired only the opportunity of correcting the press, but would be glad to employ his paper in some other way if no answer was returned within a month.

The answer returned consisted in the transmission of the printed Article, without note or comment.

The proofs were sent back corrected; but the Article did not appear.

Finally, after the lapse of five months, the conductors of the Review were found protesting against being hurried in their decision.

Under the circumstances of the offer, they ought not to have printed, without having made up their minds to accept.

It seemed desirable for all parties that the Article should be published;—for the writer, that his paper might appear before the interest of the question was gone by; and for the Review, that it might be able to go over the same subjects, without being in the unpleasant situation of having unpublished matter in its press.

No alterations have been made, except such as would have equally taken place under any other event if the opportunity had been allowed.

The facts stated will account for the form of the publication; which might otherwise appear extraordinary.

On one of the theories opposed, the writer is anxious to avoid the imputation of wishing to give any unnecessary offence. It was impossible to go through the book and omit the subject. The conclusions arrived at in the commentary are either true or they are not. If they are true, they ought to be stated; if they are not, their fallacy can be shown. The writer is only desirous to have it believed, that he designed to confine himself to such an examination of the proposition, as the school who determined on avowing it must manifestly have intended to bring on.

He who undertakes to point out errors in the arguments of others, is unable to engage that there shall be none in his own. With reasonable men the measure of his success will be, the degree in which, on the whole, he may be found to have assisted the progress of truth.

T. Perronet Thompson

Queen's Coll.

6, Buckingham Street.
Dec. 18. 1826.

Exposition of Fallacies on Rent, Tithes, &c.

THE public can have no just cause of apprehension from political economy; but a great deal from *bad* political economy, which is in fact no political economy at all. What it is of importance therefore to promote, is the direction of the same rigid processes to this science, that have been extended to the earlier and more forward branches of human knowledge. The discoveries already made have been so striking, that the coming age is probably destined to witness as great a determination of interest to this quarter, as took place towards natural philosophy in the period which followed the discoveries of Kepler and of Newton. And in reality the subject is only another branch of the philosophy of natural phenomena, and to be pursued by the same rules as any of the others. For no reason can be given why the connection, for example, between the demand for a given substance and the supply, should not be as legitimate an object of philosophical examination, as the connection between two bodies at the ends of a lever, or between two substances which exercise a chemical action upon each other.

If the English universities, which have always been in a great measure the depositories of knowledge in other branches of physical inquiry, have been too little sensible of the degree in which the interests of science are concerned in this class of subjects, it is only the more necessary that they should be excited to a consciousness of the reality. And if it further happens, that their particular interests are, to say the least, as much concerned as those of any other part of the community, the truth is not less the truth because the defender is injured by the error. Should they, therefore, suffer from the effects of fallacies such as men of very moderate rank among their pupils would take off if presented in the schools, they can only blame their own supineness for whatever may be the possible result. If the faulty conclusion had related to tides or to telescopes, they would have opposed it by the dissemination of a counter-version of the truth. But because it relates to a tax or a tithe, it is treated as if it had no possible connection with 'a succession of able men in church

of state, and was devoid of all relation to sound learning and religious education!

The same class of writers whose political economy is the most suspicious, have been unsparing in their invectives against academical institutions, and have at least done all in their power to provoke them to a salutary jealousy. Many of the accusers were members of the universities, who having themselves carried little away, had a certain excuse for feeling no gratitude. Others there were of a rarer sort, who declared, that after having won learning to be their bride, they had found her all barrenness;—nothing reflecting, how different is the conclusion of the public in such cases, from that which the complainant would suggest. One of the leading charges against the universities has been, that they do not turn their learning to a substantial use. There is at all events one use to which it might advantageously be turned; which is, the examination of the theories of their assailants.

The object of this article is to bring the opinions of what has denominated itself 'the new school of political economy,' to the test of something like such an examination as is continually undergone by every theory which makes part of the system of education in an English university. And for this purpose a work has been selected, which is the acknowledged epitome of the opinions in question, with the latest corrections and additions.

The account given of Capital would have been clearer, if it had begun with the definition, Capital, is wealth employed in the production of other wealth. After this, the elucidation of particular points is easy.

But it is on arriving at the subject of Rent, that the disputed matter commences. Much as the assertion may move of anger or contempt, the celebrated Theory of Rent is founded on a fallacy. The easiest way of proceeding to show this, will be by giving the substance of the paragraphs that contain the argument; referring to the author quoted, or any other writer on the same side, to remove the suspicion of misrepresentation,—and marking with italics the stages where the fallacy appears.

'Land is of different degrees of fertility. &c.

Lands, of the highest fertility, do not yield the whole of what they are capable of yielding, with the same facility. &c.

Till the whole of the best land is brought under cultivation, and till it has received the application of a certain quantity of capital, all the capital employed upon the land is employed with an equal return. At a certain point, however, no additional capital can be employed upon the same land, without a diminution of return. &c.

When capital producing a lower return is applied to the land, it is applied in one of two ways. It is either applied to new land of

the second degree of fertility, then for the first time brought under cultivation; or it is applied to land of the first degree of fertility, which has already received all the capital which can be applied without a diminution of return.

Whether capital shall be applied to land of the second degree of fertility, or in a second dose to the land of the first degree of fertility, will depend, in each instance, upon the nature and qualities of the two soils. &c.

The land of the different degrees of fertility; first, or highest sort; second, or next highest, &c. No. 1, No. 2, No. 3, &c. 1st dose, 2d dose, 3d dose, and so on.

So long as land produces nothing, it is not worth appropriating. &c.

During this time, land, speaking correctly, yields no rent. &c.

The time, however, arrives, as population, and the demand for food increase, *when it is necessary* either to have recourse to land of the second quality, or to apply a second dose of capital, less productively, upon land of the first quality.

If a man cultivates land of the second quality, upon which a certain quantity of capital will produce only eight quarters of corn, while the same quantity of capital upon land of the first quality will produce ten quarters; it will make no difference to him, whether he pay two quarters for leave to cultivate the first sort, or cultivate the second without any payment. He will therefore be content to pay two quarters for leave to cultivate the first sort; *and that payment constitutes rent.*

Let us suppose, again, that instead of cultivating land of the second quality, it is more advisable to apply a second dose of capital to land of the first quality;—&c. The effect upon rent is thus the same in both cases.

It follows that rent increases in proportion as the productive power of the capital, successively bestowed upon the land, decreases. &c.

We may thus obtain a general expression for rent. In applying capital, either to lands of various degrees of fertility, or, in successive doses, to the same land, some portions of the capital so employed are attended with a greater produce, some with a less. That which yields the least, yields all that is necessary for re-imbursing and rewarding the capitalist. The capitalist will receive no more than this remuneration for any portion of capital which he employs, because the competition of others will prevent him. All that is yielded above this remuneration, the landlord will be able to appropriate. *Rent, therefore, is the difference between the return made to the more productive portions, and that which is made to the least productive portion, of capital, employed upon the land.*'—Mill, p. 29—33.

The matters of fact stated in the outset are entirely and absolutely true. The fallacy lies, in assuming to be the cause what in reality is only a consequence. A man of six feet in height is a foot taller than a man of five, and two feet taller than a man of four, and if it had happened that there were men of all heights down to absolutely nothing, his height would have been equal to the difference between the highest and

lowest classes;—*therefore*, men of six feet exist because there are men of smaller altitudes, and would not have existed without them. Proof spirit sells for a certain price, and more diluted spirits sell for inferior prices till they come to that which is worth no more than water;—*therefore*, the reason why proof spirit sells for a high price, is that there are weaker spirits which are selling for a lower, and if there had happened to have been no weaker spirits the proof spirit would not have sold at all. These are specimens of the kind of fallacy involved. There is precisely the same nullity of proof that what is quite true with respect to the concomitant circumstances when they happen to exist, is therefore the essential and inseparable cause, without which the principal phenomenon could not have taken place. *When* it happens, or even if it *always* happens,—that there exist soils of various degrees of productiveness down to that which does no more than replace the expense of cultivation with the necessary profit, and that men are moreover acquainted with the art of forcing increased crops by the application of more capital,—all that is stated with respect to the rent being equal to the difference between the highest and lowest returns, is as necessarily and undeniably true as any thing that has been stated with respect to proof spirit or men of six feet. But all this is no manner of evidence that these circumstances are the *causes* of the principal phenomenon and that it could not have existed without them, in one case more than in the others. In all the cases, this kind of conclusion is a pure fallacy, a simple *non causa pro causâ*. On the truth or falsehood of this depend the merits of the whole Theory of Rent and its consequences.

It is easy to imagine the existence of a country in which the land should be of a uniform and high quality, and where, from the great facility of procuring crops and the consequent non-improvement of agricultural science, the cultivators should, for ages together, have no idea of the processes by which a European farmer forces an increased crop through the expenditure of an increased quantity of capital upon the land. The whole of the cultivated portion of Egypt, and great parts of India, present specimens of such a state of things; and yet in both these countries, a heavy rent is paid to the great landlord which is the government. If it was shown before, that the Theory of Rent is not true by virtue of the reasoning contained in it, this supplies the experimental proof that it is not true by accident either.

The simple cause of rent in such countries and everywhere else, is what Adam Smith described it to be long ago, is the same that gives rise to the rent of the vineyard that produces Tokay. It is *the limited quantity of the land, in comparison with the competitors for its produce*; or, as it is sometimes called, the monopoly*. Let the case be supposed of a small number of settlers taking possession of a large and fertile island; and let the soil be so good, and their habits of agricultural energy so limited, that a slight scratching of the ground and throwing in the seed shall be all the cultivation they ever think of bestowing, as for ages together has been a picture of the agriculture of many tropical countries. If the land was unappropriated and every man might occupy at will, it is plain that in the commencement no man would pay another any rent. Or if instead of the land being entirely unappropriated, the right of property in it was vested in a number of owners, but who were without the means of bringing the land into immediate cultivation, it would be equally plain that the competition among these owners would in the commencement reduce the rent which any of them could obtain, to the lowest possible magnitude, which is in fact no magnitude at all. In such an establishment, the degree of each man's wealth, supposing him to possess the brief capital required for setting his industry in motion, would be in proportion to the exertions of himself or of his family. He that by his activity could raise or collect much corn, fruit, sheep, furs, or whatever else were the objects of industry within his reach, would be comparatively rich. Such manufactures as he stood in need of, he must obtain either by the uneconomical process of employing part of his own labour or that of his dependents in their production, or by paying for them with part of his agricultural produce to such artisans as in the progress of the division of labour would make their appearance. But as he would have no alternative but either to pay the artisans their price, or have recourse to the uneconomical and wasteful method of manufacturing the articles himself, the recompense of these artisans would in the commencement be exceedingly liberal, and their lives easy. They would be a comparatively idle and insolent race, working when they pleased, and almost for what they pleased; as artisans are always described to be in newly peopled agricultural countries. But when population and cultivation had increased so as to begin to press against the limits of the soil, and there was no

* When the term monopoly is applied to land, it means a monopoly arising not from any immediate act of the owner, but from the limited quantity of the land in comparison with the competitors for its produce. It is therefore, in one sense, an involuntary monopoly, not an arbitrary one. This distinction is sometimes of importance.

longer new land to be had for asking, a very different scene would begin to arise. All the population which was not employed in agricultural labour, or supported without labour upon some kind of previous accumulation, must apply itself to manufacturing industry. And as the number of persons so employed increased, a competition would arise among them for the products of agriculture upon which they must live; and this competition would oblige them to give a greater portion of the results of their own labour, in return for a smaller and less luxurious quantity of agricultural produce than they had been accustomed to receive. It is true that the land must finally find food for all that live on it, as the vineyard finds wine for all that finally drink Tokay; but it does not therefore follow, that many of those who live on it may not, when their numbers have increased, live much less abundantly than they used to do, and give a much greater quantity of the results of their own labour in return for a given quantity of the produce. It is proved by the experience of all countries, that moderately good land is capable of producing food for many times the number of hands required for its cultivation; hence all these numbers may be called into being, to assist in the demand. If the exchange of commodities was conducted by the intervention of a circulating medium, the money price of agricultural produce must rise in comparison with the money prices of other commodities. Whether this comparative rise would take place by an increase in the money price of corn, or by a diminution in the money prices of other commodities, or by both these processes at once, would depend on the manner and degree in which the community had the opportunity of supplying itself with the metals employed in coins, or on other circumstances connected with the principles of Currency. But in whatever manner it took place, its effects would be virtually the same; so that it is sufficient to consider the case where the whole alteration is supposed to take place in the money price of agricultural produce. The land-owners, then, would begin to get rich, through the simple fact of their being the land-owners and there being no more land to own. If it should be found some day that a contiguous island had sprung up of the same nature with the first, their prospect of increased wealth would drop at once; and every thing would go on as it did at the commencement, till the new island had been cultivated and peopled like the other. But if this does not happen, the lucky land-owners will incontinently begin to swell into men of landed wealth. If they keep their land in their own hands, they will rise into what are termed gentlemen-farmers, or

men who unite in their own persons the characters of landlord and cultivator. But as soon as what they obtain by the sale of their produce, is sufficiently greater than the amount for which they can hire one of their less fortunate neighbours, who is heir to his own industry and no land beside, the greater part of them will hire a farming-man or overseer with part of the produce, and sit down in the enjoyment of the *otium cum dignitate* of landed gentlemen with the remainder. And from this step of the farming-man, they will soon proceed to the further one, of finding a farming-man who will advance his own capital, making an adequate deduction out of the produce in return,—or in other words a farmer or tenant. The reason of this further step will be, their desire to get more completely rid of the trouble of superintending the employment of the capital; for a tenant has his own interest at stake in watching it with the utmost exactness, while a farming-man, having no such interest, must still be superintended in a considerable degree. And all the *residuum* left after delivering to the tenant the portion of the proceeds which the competition among individuals of his class obliges him to accept, will go to the landlord as rent*. And what the tenant will be obliged to accept, will be such a part of the price of the produce, as will return him the capital he must lay out, with the lowest rate of profit for which men under the existing habits of the society will consent to lay out farming capital and superintend its employment. But of the existence of this residuum, the primary cause is manifestly the increase in the comparative price of corn. As it has been accurately expressed by another author, 'Rent will be paid because corn sells high; and not corn sell high because rent is paid.'† If it should be objected, that a rise in the money price of corn must create a corresponding rise in the money prices of other commodities,—the answer is, that this is as far from following, as that a rise in the price of corn must create a

* When the term *residuum* is employed in the sequel, it invariably means all that is left after satisfying the tenant; out of which it is evident that rent, taxes, and every thing else must come.

This residuum is often loosely called *rent*, in cases which demand a clearer term. There are in fact two popular meanings of the word rent; one, the total residuum here mentioned; and the other, the share finally left for the landlord, which will be called for distinction *rent to the landlord*. In making this distinction nothing is done towards prejudging the question of whether the residuum may not rise with taxation, so as to leave the landlord's share the same as before; which is in fact the principal question at issue.

† Principles of Political Economy and Taxation. By David Ricardo, Esq. p. 62.

rise in wages, at a time when the fact avowedly is that the increase of competition among the labourers is such as to oblige them to accept a diminished recompense. The cases are in reality alike.

In all this there is no occasion for a word about different qualities of land, or doses of capital. The abstract case is what is to be settled first; and then the accidents are to be taken into the account, till the whole is brought to the case presented in nature. This is the way men philosophize in other instances; and must needs be the way in this. To say that the abstract case is not the practical one, would be the argument of a man who had never contemplated such a process as analysis. All complex cases are solved by dividing them into abstract ones; and almost all the cases of nature are complex.

If it *happens* that there are lands of every variety of downward quality, then as population, competition for food, and prices increase, men will be enabled and induced to take lower and lower qualities of land successively into cultivation, stopping always at the quality where the produce will do no more than repay the expenses with the lowest profit for which they will consent to lay out capital and superintend its employment. At the same time the value of the produce on all the superior lands will increase; and since all the difference between the actual proceeds and what allows that lowest profit will be taken for rent at the first moment when the landlord is able to avail himself of the competition which is in his favour, the rent on all the qualities of land above the lowest, will increase also. The quantum of inferiority with which new lands can be brought into cultivation, will be determined by the rise in the price of produce, which is what makes their cultivation practicable. The increased quantity of produce brought into existence by the cultivation of this new land, will create a certain degree of reaction upon the price of produce, and consequently upon the quantity of new land finally brought into cultivation; or will cause them to be something less than would otherwise have been the case. But a reaction of this kind can never go the whole length of reducing the price to its original magnitude. For if it reduced it to this point, the quantity of land and of produce would be reduced to their original magnitudes also. But a reaction cannot be created by an increase of produce that is nothing. Hence if there is to be any reaction at all, there must be some increase of produce to make it, and some increase of price to cause that increase of produce. The price therefore must finally be raised, in spite of the reaction. And it will not only be raised

but—since the magnitude of the reaction altogether, must depend on the magnitude of the increase of produce compared with the magnitude of the whole produce that existed before,—in all the cases which occur in practice the effects of the reaction will be comparatively small. But in all this, *it is the rise in the price of produce*,—of which a rise in rent is a necessary concomitant,—*that enables and causes inferior lands to be brought into cultivation; and not the cultivation of inferior lands that causes the rise of rent.* It is surprising that the author last quoted should have discerned so accurately the fallacy of supposing that corn sells high because rent is paid, instead of that rent is paid because corn sells high,—and should not have observed the kindred fallacy contained in the inversion of the proposition given in italics above.

The operation of an increase in the price of produce in causing a greater outlay to be made upon the land, and the mode in which the proceeds will be divided between the landlord and the tenant, may also easily be traced. Let the case be supposed of a land-owner who unites the characters of landlord and cultivator; and let the lowest rate of profit for which he and other cultivators are willing to advance capital and superintend its employment, be 10 per cent per annum*. And let the amount of what he annually lays out on the land be 1000£, and the final value of the produce 1200£. Now the reason why this cultivator does not lay out annually on the land a *greater* sum than 1000£, as for instance 1010£,—is because he knows, either by actual experiment or by that tact which enables him to do without it, that the final value of the whole produce would be increased by less than 11£, which is the lowest return for which he is willing to advance the 10£. If he was to add a second 10£, it may be that it would be returned with no profit at all; and if he was to add a third, it might cause him a loss; and no man in his senses would do either. The reason why he does not lay out a *smaller* sum than 1000£, as for instance 990£,—is because he knows that the final value of the produce would be diminished by more than 11£, and that consequently he should lose an opportunity of employing 10£ with what he considers as a fair profit.

* This lowest rate of profit must always be something; for nobody will incur the risk and trouble of employing capital, for nothing. And in countries where a certain rate of interest can be had from safe borrowers consisting either of individuals or the government, this fact is at once a proof that in those countries, men in general do not employ capital without a profit greater than such interest, and a reason why no individual under any circumstances will do so. For sooner than do so, individuals would lend their money or buy stock, and receive the returns without risk or trouble.

And for the same reasons that this cultivator will lay out exactly 1000£ upon the land, any other man desirous of laying out agricultural capital for a profit of 10 per cent per annum will agree to do the same. The land-owner therefore may, if he pleases, find a man who will engage to lay out 1000£ per annum on the land on condition of retaining 1100£ out of the proceeds,—or in other words pay 100£ a year out of the produce as rent. If he was to offer it for a less rent than this, the farmer would only put the difference into his pocket and not increase the outlay on the land. If he was to demand a greater rent, he could not get it; because the farmer could not live. Hence if the land-owner continues to keep the land in his own hands, he may with propriety consider 100£ per annum as what he makes by being his own farmer, and 100£ per annum as what he receives by virtue of his good fortune in being landlord. Or the annual gain of 200£ may be considered as dividing itself into two parts, of which 100£ is of the nature of profits of stock, and 100£ of the nature of rent. To find now the effects of an increase in the price of produce, let it be supposed that the annual produce of the land is 600 quarters, corn being at 40*s.* per quarter; and that the addition of 10£ to the present annual outlay of 1000£, instead of effecting an increase of five quarters and a half in the annual produce, which is what would be required in order to bring in 11£, will only effect an increase of five quarters. In this case it is evident that an increase in the price of corn of four shillings per quarter, would cause the five quarters to fetch 11£, and make it worth while for the cultivator to add the 10£ to the outlay; and it would be added accordingly. But at the same time that the annual produce of the estate was thus increased by five quarters, and the part of the final gain which resolves itself into the profits of stock was increased from 100£ to 101£,—the price of the other 600 quarters would be increased by 120£, which would be rent, and make the whole rent 220£. And if the addition of a second 10£ to the annual outlay would produce four more quarters, then to make it worth while to add this second 10£ to the outlay, the price of four quarters must rise to 11£, or the quarter to 55*s*; which would increase the portion that resolves itself into profits of stock to 102£, and make the rent rise again by 332£. 15*s*; or the whole rent be 552£ 15*s*. It is true that a certain degree of reaction would from time to time take place on the price of corn, in consequence of the increase of produce created by the operations of this and other land-owners. But as was shown before, the reaction cannot go the length of restoring the price of corn to what it was originally; and when

it is said that corn rises by four shillings or any other sum, this includes all reactions, and consequently no correction for reaction is required. And the sums thus stated to be of the nature of rent, are what the land-owner, if he chuses to let his land, would in the long run be able to obtain in the several circumstances described. If the landlord mismanages his own affairs,—if he hampers himself with leases which prevent him from taking a fair advantage from time to time of the competition among the farmers,—or if he finds it impracticable in the nature of things to regulate a contract of the description concerned with incessant and inviolable accuracy,—these are not the defects of the theory, but of the execution. This distinction is of the greater importance, because many of the difficulties which arise on the subject of rent, proceed from confounding the irregularities in its receipt which spring out of the absence of an incessantly active system of operation upon each other on the parts of the landlord and tenant, with the amount which will be received in the long run and upon the whole, and to which all the contracts between landlord and tenant will tend as to a mean.

It may be collected, therefore, that the effect of every successive increase of price will be, in the first place, to make rent rise every where by the amount of the increase of price upon the previous produce, as fast as the landlords have the opportunity of adjusting their agreements with their tenants. And in the next place, the effect will be to bring a certain belt of new land into cultivation, *provided there happens to exist* land so circumstanced in point of quality as to be capable of being brought into cultivation with a profit by the supposed increase of price; and to cause a certain augmentation of outlay on all the other lands in cultivation, *provided the cultivators are acquainted* with the method of forcing a greater crop by a greater outlay. And the consequences of these two operations, *if they take place*, will be a certain increase of produce, and a certain reaction on the price of produce in the way of keeping it down, which must however fall far short of keeping it down to its original state. In the same manner every successive diminution of price will cause all the contrary results. The most marked consequence will be to make rent fall every where by the amount of the decrease of price upon the final produce; which will take place as fast as the tenants have the opportunity of adjusting their agreements with the landlords. And besides this, a certain belt of land will be thrown out of cultivation, and a certain diminution of outlay be made on other lands; *under the provisoes stated in the other case.* And the consequences of these two operations, if they

take place, will be a certain diminution of produce, and a certain reaction on the price of produce in the way of keeping it up, which must however fall far short of keeping it up to its original height.

The effects of agricultural improvements may be traced in a similar manner. The improvement may either be one which makes a saving in some part of the expense of bringing the produce to market, as for instance a threshing-machine; or it may be one which requires an increased outlay upon the land but returns an increased quantity of produce, as for instance drill husbandry. And first, of the first kind. Suppose then the same case as before; corn being at 40*s*. In these circumstances, the diminution in the expense of threshing necessary to cause the five additional quarters to be produced by the cultivator, would be such as would make the price received for these five quarters afford a profit of 10 per cent. As an approximation, therefore, it may be stated, that the threshing-machine, after every fair allowance for its cost, must reduce the expense of bringing five quarters to market, from 10£. to ten elevenths of 10£, or 9£. 1*s*. 10*d*.;—or effect a saving in threshing corn, of 3*s*. 7¼*d*. per quarter. But a correction must be applied for the reaction effected from time to time on the price of corn by the appearance of the additional quantity created by the operations of this and other cultivators in consequence of the invention of threshing-machines. For example, the fact might turn out to be, that instead of a saving of 3*s*. 7¼*d*. per quarter producing the effect described, a saving of 3*s*. 11¼*d*. might be finally required to do it, in consequence of corn contemporaneously falling from 40*s*. to 39*s*. 8*d*. through the reaction on the price*. If this diminution of expense should be effected by threshing-machines, such an outlay would be made on the land as would cause the additional five

* If there was no reaction on the price of corn, the saving of 3*s*. 7¼*d*. per quarter would cause on the estate in question an increase of produce of a hundred-and-twentieth part. If this estate may be taken as a sample of the average quality of estates throughout the country, a hundred-and-twentieth may be assumed as the average increase of produce effected by threshing-machines; but if not, then some other fraction must be assumed. Suppose then, that the average increase is a hundred-and-twentieth. This increase, being comparatively small, will have an effect on the price of corn at all events not very remote from diminishing it in the contrary proportion, or reducing it from 40*s*. to 39*s*. 8*d*. But if the price would fall by 4*d*., a saving of 3*s*. 7¼*d*. will be too little, and the saving, to produce the effect described, must be more nearly one-eleventh of 39*s*. 8*d*. and fourpence more, or 3*s*. 11¼*d*. If instead of 4*d*. the price would fall by 2*d*. only by 8*d*., it would only make an alteration of nearly coincident amount in the magnitude of the saving required.

quarters to be produced. But at the same time that these five quarters were being produced by an annual outlay of 9£. 0*s*. 3¼*d*., the annual outlay necessary to bring the other 600 quarters to market would be reduced from 1000£. to 881£. 17*s*. 6*d*.;—making the whole final outlay 890£. 17*s*. 9¾*d*., and the final receipts, at 39*s*. 8*d*. per quarter, 1199£. 18*s*. 4*d*. But the portion of these receipts which is necessary to replace 890£. 17*s*. 9¾*d*. with a profit of 10 per cent, is 979£. 19*s*. 7*d*. A tenant may therefore be found who will agree to lay out 890£. 17*s*. 9¾*d*. on condition of retaining 979£. 19*s*. 7*d*. out of the proceeds, and pay the residuum as rent. Hence if the land-owner chuses to let his estate, 219£. 18*s*. 9*d*. is what, under the new dynasty of threshing-machines, he may obtain for rent.

If the improvement was of the second kind, and if it demanded, for example, on the estate supposed, an additional outlay of 100£ per annum,—the first thing which may be remarked is, that it would not take place at all unless the addition made by it to the value of the produce would be at least 110£ per annum. If the addition was exactly this, then the rent would remain unaltered, and the amount of the farmer's yearly profits would be increased by 10£. But if it was more, as for instance 125£ per annum, then 15£ would be added to the annual rent as soon as the landlord had the opportunity of appealing to the competition in his favour, and the amount of the farmer's yearly profits would be increased by the other 10£ as before. In other words, the whole of the gain would be added to the rent, except the portion required to pay the necessary profits of the tenant on the additional outlay. If the use of the improved method induces any further changes in the addition that can be made to the outlay so as to be returned with a living profit on the sum added, they must be accounted for separately.—As the direct effect of this species of improvement is to create an increase in the produce, its tendency is to create a comparatively great reaction on the price of corn. No correction however is required on this account; because when the addition to the value of the produce is supposed to be 110£ or any other sum, this includes all reactions.

The effect, then, of all agricultural improvements is to increase the quantity of produce and lower its price; but improvements which consist in a saving of expense, do this in a much less degree than those which require an augmented outlay. Improvements of the first kind diminish the quantity of capital demanded from the tenant, and consequently the final amount of the profits that will be left him; improve-

ments of the latter kind increase both. In improvements of the first kind, the landlord finally obtains the whole of the gain, and a part of what used to be the profits of the tenant besides. In those of the latter kind, he obtains only that part of the gain which is left after paying the increased amount of profits of the tenant. An improvement of this last kind is always advantageous to the tenant; and, except in the lowest class of cases where nothing is left after paying the necessary profits of the tenant, to the landlord also. An improvement of the other kind is always very advantageous to the landlord; but it is against the tenant, in the same way as a diminution in the quantity of capital that can be employed with a profit is against any other dealer;—in the same way, for example, as the introduction of cabriolets with one horse is against the interest of the dealers who have been accustomed to convey single passengers in coaches with two. In the instance of cabriolets, it is possible that the difference may be made up to the dealers, by the increased number of persons who are induced to ride. But this is not the case with the tenants; because their profits on the additional quarters produced, are not equal to the diminution of profits arising out of the diminution of capital employed on the remainder.

The phenomena attendant on the rent of land in general will be found to correspond precisely with those which attend on the rent of the vineyard that produces Tokay; and great clearness will result from attention to the magnified case. More particularly light is thrown on the cause of the principal phenomenon, which is the permanence of the excess of the price of the aggregate produce above the cost of its production. The outlay stops at the point where the last addition to it only creates such an addition to the whole produce, as returns the sum added to the outlay with a living profit on itself; but the nature and constitution of the soil are such, that this does not carry the produce to any thing like what will reduce the price of the whole, to what returns the whole outlay with only a living profit. The last 10£ added to the outlay increases the whole proceeds by no more than, it may be, 11£, and another 10£ would increase it by less; and therefore the outlay stops. But this does not prevent the fact, that the whole outlay may on an average be producing cent per cent, or any greater amount.

Perhaps the subject may be made clearer, by considering what the case would have been, if no addition to the outlay would have increased the produce of the vineyard at all. There is no natural impossibility in such having been the

fact; and simple ignorance on the part of the cultivators would amount in practice to the same thing. In such circumstances, there would be no addition to the outlay above that of an ordinary vineyard; and yet the aggregate produce would be selling for five or six times the cost of its production. The outlay, for example, might be 1000£; but the produce, instead of selling for 1200£ or 1300£, might sell for 6000£. Suppose now, that instead of the case being exactly thus, an addition of 10£ could be made to the outlay, with the effect of creating an addition to the value of the whole produce, amounting to 11£ or whatever else is considered as 10£ with the lowest living profit. The 10£ would be added accordingly; but the result would still be, that an outlay of 1010£ produced a return of 6011£. And it is because the nature and constitution of the soil are such that *no more* than 10£ can be added to the outlay so as to be returned with a living profit on the sum added, that the whole outlay never overtakes the whole price, or reduces it to the cost of the whole production. If, for example, a second 10£ was added, the constitution of the soil is such that the increase effected in the produce would be worth, it may be, 10£; which is no profit at all. And if a third 10£ was added, the increase in the produce might be only worth 9£; which is a loss of 1£. But no man in his senses, when by laying out 1010£ he can obtain 6011£, will lay out 1020£ to obtain 6021£; still less 1030£ to obtain 6030£. The competition for the produce causes high price; but the high price does not increase the outlay, to any thing like what creates an increase of produce sufficient to reduce the price of the whole to the cost of production. &c. All these conclusions may be rigidly transferred to corn.

If it is urged that the land which produces Tokay is the case of a vineyard possessing extraordinary properties in comparison of other vineyards, and that there is nothing analogous to this in the case of corn, and therefore the cases are not alike:—the answer is, that if all the other vineyards were to lose the faculty of producing wine, the price of Tokay would only be increased; and the land that produces Tokay would *then* be in the same circumstances with respect to wine, that the corn land of any country where the quantity is limited in comparison with the demand, is in with respect to corn.

On returning to the passages extracted, it will be seen that the first inaccuracy occurs at the words '*when it is necessary*;' the truth being, that land of inferior quality is not taken into cultivation because it is necessary but because it is profitable. The necessity might exist long enough, if it did not make itself intelligible to the cultivator through his purse. And

the inaccuracy is of importance, because it holds of the great aboriginal fallacy of the Theory of Rent. But the inference on which that fallacy is directly built in the passages quoted, is first intimated in the words '*and that payment constitutes rent.*' The payment described *is* rent; but that does not prove that rent is this and nothing else. A ploughman puts his children on their guard against this sophism, by the homely illustration that 'a mare is a horse, but a horse is not a mare.' If he was a logician according to forms, he would tell them that one is the *inclusum*, the other the *includens*, and that these are not interconvertible terms. The fallacy looks out again more confidently in the words '*It follows that*' &c; and in the next paragraph it is embodied into 'a general expression,' in which rent is stated to be the difference between the greatest and least returns, instead of stating that the difference between the returns, *when circumstances happen to be such as to produce a difference of returns at all*, will be equal to the rent.

If it is urged that both the present writer and his original have distinctly represented the cultivation of the inferior soils as flowing from the appropriation of land and the limitation of its quantity, and that to affirm that rent proceeds from the secondary cause is tantamount to affirming that it proceeds from the first,—the answer is, that it is one thing to affirm that the competition is the simple cause of rent in all cases, and would equally cause it if no difference of qualities, and no knowledge of the art of forcing crops, were in existence,—and another thing to affirm, that it causes rent through the intervention of these circumstances, and would not cause rent without them. The consequences into which this discrepancy branches out, will be seen in the sequel.

It may be useful to go through such passages in the Theory of Rent delivered by its original propounder, as are at variance with the principles deduced in what has preceded.

Rent invariably proceeds from the employment of an additional quantity of labour with a proportionally less return.—*Principles of Political Economy and Taxation. By David Ricardo, Esq.* p. 58.

The aboriginal fallacy of the Theory of Rent. An additional quantity of labour will be employed because prices have risen, which at the same time raises rents; and not rents rise because more labour is employed.

It is true, that on the best land, the same produce would still be obtained with the same labour as before, but its value would be enhanced in consequence of the diminished returns obtained by those who employed fresh labour and stock on the less fertile land.—*Ricardo.* p. 61.

The value of one man's produce is not enhanced because the returns obtained by another man in less favourable circumstances are smaller than his own; for the tendency of the latter individual's creating new produce at all, is to reduce the price of produce, not increase it. But the price of all agricultural produce is first enhanced from an extrinsic cause, namely the increase of competition among the purchasers; and this enhancement makes it profitable for the last man to produce, in spite of the partial reaction created by the appearance of his new produce in the market.

The reason then, why raw produce rises in comparative value, is because more labour is employed in the production of the last portion obtained, and not because a rent is paid to the landlord.—*Ricardo.* p. 62.

Tokay does not rise in comparative value either because more labour is employed in the production of the last portion obtained, or because a rent is paid to the landlord. It rises in consequence of the increase of the demand for it, compared with the quantity that can be supplied; and *then* it becomes profitable to employ a certain quantity of additional labour in the production of a new portion of produce, and the rent is raised at the same time.

The value of corn is regulated by the quantity of labour bestowed on its production on that quality of land, or with that portion of capital, which pays no rent.—*Ricardo.* p. 62.

The value of corn is not regulated by this, but does itself regulate the quality of land, and the portion of capital, that can be brought into action with a profit.

The inverted proposition as given opposite, amounts to saying, that the price of corn is regulated by the cost for which it can be produced on the last quality of land, or with the last portion of capital, that can be brought into activity *with a living profit at the going price.* Or in other words, that the price is regulated by the price; which is reasoning in a circle.

Nothing is more

Among the properties here assigned

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 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.—*Ricardo.* p. 62.

as the causes of no rent, the property of abundance, or of unappropriated land not having begun to be scarce, is the only effective one. The rise in the price of agricultural produce, at one and the same time raises rent, and makes it practicable to cultivate land less fertile or whose powers have decayed. But there is no foundation for the inverted proposition, that it is only when the powers of land decay, that there will be rent. It is however quite true, that land possesses no advantages over other sources of useful produce on account of its yielding a rent; for all that is given to one, is taken from another. The overlooking this, appears to have been the error of the *Economistes.*

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.—*Ricardo.* p. 63.

When air, water, &c. can be appropriated and the supply is limited in proportion to the demand, they are made the subjects of rent, without any reference to the existence of various qualities. A gaoler who should take bribes for the luxury of breathing a freer atmosphere, would receive rent for air. And if a walk on the roof sold for half-a-crown, while putting the head out of window was only sixpence,—he would have been equally able to obtain the half-crown, if his gaol had happened to have no windows at all. It is the high price of fresh air altogether, that makes the window sell for sixpence; and not the window selling for sixpence that makes the roof sell for half-a-crown.

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.—*Ricardo.* p. 63.

If manufacturers can afford to purchase a less efficient material, at the same price as they used to purchase a better, it must be because the demand for the articles finally manufactured has raised their price sufficiently to prevent loss; and not the price rise because less efficient materials have been employed.

If the surplus produce which 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 machinery in the kingdom; and a rent would be paid to all those who possessed the most productive machinery.—*Ricardo.* p. 64.

This appears to be only an expansion of the proposition conveyed in the preceding extract.—It is however quite true, that there is no advantage in the aggregate, from the fact that land affords a rent.

The rise of rent is always the effect of the increasing wealth of the country, and of the difficulty of providing food for its augmented population.—*Ricardo.* p. 65.

It is the effect of the last alone. It is true that the necessity for giving an increased quantity of manufactured goods in return for agricultural produce, which raises rent, will at the same time increase the national wealth; because it implies the production of an increased quantity of useful commodities. But the rise of rent and the increase of the national wealth, proceed from a common cause; not one from the other.

Rent increases most rapidly, as the disposable land decreases in its productive powers.—*Ricardo.* p. 66.

It would increase still more rapidly, if there was no disposable land with any difference of productive powers at all. The less is the produce of the belt

of land which is so circumstanced as to be called into activity by any particular increase of price, the less will be the magnitude of the reaction upon price and rent; and it will be least of all, if the belt of land happens to be none. The relation between rent and the productive power of the disposable land, is one of opposition, not of concatenation. It is of the same kind as the relation between the water in a reservoir and a leak. The accumulation of water increases most rapidly, as the leak decreases. To infer that the existence of the leak is essential to the accumulation, would present a fallacy like that conveyed in this part of the Theory of Rent.

"Wealth increases most rapidly in those countries where the disposable land is most fertile, where importation is least restricted, and where through agricultural improvements, productions can be multiplied without any increase in the proportional quantity of labour, and where consequently the progress of rent is slow. —*Ricardo*. p. 66.

The effect of agricultural improvements, in all cases, has been shown to be, not to retard the progress of rent, but to promote it.

But *that* corn which is produced with the greatest quantity of labour is the regulator of the price of corn.—*Ricardo*. p. 67.

The aboriginal fallacy, again. The corn which is produced with the greatest quantity of labour does not regulate the price of corn, but the price of corn determines what is the greatest quantity of labour that can be profitably expended on producing corn.

Adam Smith, therefore, cannot be correct in supposing that the original rule which regulated the exchangeable value of commodities, namely the comparative quantity of labour by which they were produced, can be at all altered by the appropriation of land and the payments of rent.—*Ricardo*, p. 67.

Adam Smith knew, that the limitation of the land, as soon as the time arrives when the population begins to press against the production, introduces a new element of the exchangeable value of the produce, namely that of monopoly price. Under a monopoly where the quantity of produce is necessarily limited, the question is no longer how much it cost in producing, but how much the competition among the purchasers will induce them to give. Tokay does not cost more in producing than any other wine; or at all events not more in proportion to the price. But it sells for a great deal more, because the supply is limited and the competition great; and the difference becomes rent.

To say the value was regulated by the cost because it was regulated by the cost of the last portion produced,—would only be a quibble, even if the latter part was true. For the question is, why the *whole or average* produce of one kind of commodity sells only for the average cost of production including a living profit; and of another for four or five times as much.

Adam Smith, therefore, was right.

Raw material enters into the composition of most commodities, but the value of that raw material as well as corn, is regulated by the productiveness of the portion of capital last employed on the land, and paying no rent;—*Ricardo*. p. 67.

The incorrectness of this has been shown, in what has been said of corn.

and therefore rent is not a component part of the price of commodities.—*Ricardo*. p. 67.

If this means that rent is not the cause of the price of the produce or of any part of it, it is true; but not for the reason assigned. The reason is, because the price of Tokay is the cause of

the high rent of the vineyard, not the rent the cause of the high price of Tokay.

At the same time there is no objection to the ordinary sense in which rent is said to be a component part of the price of a commodity; meaning only that the price of some of its component parts is a monopoly price or one that affords a rent. The two senses are different; and must not be confounded.

—and we have seen, that with every portion of additional capital which it becomes necessary to employ on the land with a less productive return, rent would rise.—*Ricardo*. p. 68.

The aboriginal fallacy again. The price of produce rises first, and determines what addition of capital can be employed with a profit; and at the same time raises rent.

It follows from the same principles, that any circumstances in society which should make it unnecessary to employ the same amount of capital on the land, and which should therefore make the portion last employed more productive, would lower rent. —*Ricardo*. p. 68.

Any saving in agricultural processes is such a circumstance; and agricultural savings do not lower rent, but powerfully increase it. The error arises, as before, from attributing the production of rent to a wrong cause.

Any great reduction in the capital of a country, which should materially diminish the funds destined for the maintenance of labour, would naturally have this effect.—*Ricardo*. p. 68.

It would lower rent; but it would be because it diminished the power of the competitors to bid, and consequently the price of corn.

The same effects may however be produced when the wealth and population of a country are increased, if that increase is accompanied by such marked improvements in agriculture, as shall have the same effect of diminishing the necessity of cultivating the poorer lands, or of expending the same amount of capital on the cultivation of the more fertile portions. —*Ricardo*. p. 69.

The effects of agricultural improvements upon rent, have been shown to be of a contrary nature.

If a million of quarters of corn be necessary for the support of a given population, and it be raised on land of the qualities of No. 1, 2, 3; and if an improvement be afterwards discovered by which it can be raised on No. 1 and 2, without employing No. 3, it is evident that the immediate effect must be a fall of rent; for No. 2, instead of No. 3, will then be cultivated without paying any rent; and the rent of No. 1, instead of being the difference between the produce of No. 3 and No. 1, will be the difference only between No. 2 and 1. With the same population, and no more, there can be no demand for any additional quantity of corn; the capital and labour employed on No. 3, will be devoted

If a million of quarters be raised on land of the qualities of No. 1, 2, 3, and an improvement in agriculture subsequently takes place, the effect will be that there will be some increase of produce on 1 and 2 and 3, and some reduction of price in consequence; and the landlord will every where take all that remains after paying the necessary profits of stock, for rent. With the same population and no more, there can be no demand for any additional quantity of corn *at the same price as before*; but there will, at a reduced price. Men economize in the use of corn, as of every thing else, when it is dear, and use it more liberally when it is cheap; and to say they do not, is only the fallacy of saying *some* men do not. If it was not so, it would be impossible to get through a scarce year, or to consume all the corn that is produced in one of extraordinary plenty. The nature of effectual demand is entirely overlooked.

to the production of other commodities desirable to the community, and can have no effect in raising rent unless the raw material from which they are made cannot be obtained without employing capital less advantageously on the land, in which case No. 3 must again be cultivated.—*Ricardo.* p. 69.

But improvements in agriculture are of two kinds: those which increase the productive powers of the land, and those which enable us to obtain its produce with less labour. They both lead to a fall in the price of raw produce; they both affect rent, but they do not affect it equally.—*Ricardo.* p. 70.

Their effect on rent is of a nature directly contrary to what is intended to be stated. They both increase it.

If, by the introduction of the turnip husbandry, or by the use of a more invigorating manure, I can obtain the same produce with less capital, and without disturbing the difference between the productive powers of the successive portions of capital, I shall lower rent; for a different and more productive portion will be that which will form the standard from which every

The aboriginal fallacy again. Landlords may be asked whether turnip husbandry and invigorating manures have lowered rent. If they had, landlords would have been seen forming, not a Board of Agriculture, but a Board for the Suppression of Turnips and the Prevention of Manure.

other will be reckoned.—*Ricardo.* p. 72.

— but since the same cause, the difficulty of production, raises the exchangeable value of raw produce, and raises also the proportion of raw produce paid to the landlord for rent, it is obvious that the landlord is doubly benefited by difficulty of production. First he obtains a greater share, and secondly, the commodity in which he is paid is of greater value.—*Ricardo.* p. 75.

In the case of a monopoly like that, for example, of the vineyard which produces Tokay, an increase of the difficulty of production cannot raise the exchangeable value of the produce; because that is raised already above the height which would be assigned by the difficulty of production. The difficulty of production only diminishes the quantity of gain which will remain with the owners of the monopoly. In the same manner in the case of other agricultural produce, the difficulty of production cannot raise the exchangeable value, as long as there is a monopoly gain on rent which can be taken from the landlord. Neither can it raise the proportion of the produce left to the landlord for rent; for, as in the case of Tokay, it evidently diminishes it. The assertion made to the contrary, is only the aboriginal fallacy repeated.

The idea of having discovered a new principle for the determination of Rent which among other qualities has that of being independent of the rate of profits of capital, leads to what is presented as a discovery of the regulating principle of Profits. Rent, it is urged, has been discovered to be a thing of fixed and determinate magnitude, depending on something in the decreasing qualities of land, and 'independent of the general result of the productive powers of labour and capital'*; —Wages, 'depend on the proportion between population and capital'†;—and these two being settled, 'it is evident that the portion which remains is Profits‡.' That 'wages depend on the proportion between population and capital,' is tantamount to saying, that the greater share a man gets, the richer he will be. But it is never stated why the proportion between population and capital is different at one time and place from what it is at another, or what it is that induces such a condition of things as makes the shares different. To state how things vary, is not to state their absolute magnitude; for one may be

* Mill, p. 85. † Ib. p. 41. ‡ Ib. p. 68.

indefinitely great and another indefinitely small, and still both vary after the same law*. A labourer in Ireland will live and bring up a family upon potatoes; a labourer in England will see the world unpeopled first. Why does not the labouring population in England increase till wages are reduced to the same condition as in Ireland; or why is not the population in Ireland diminished till it bears the same proportion to capital as in England? This is the question that wanted answering; and the answer would have pointed to another element essential to the determination of both Wages and Profits, and whose existence is incompatible with the solution advanced. And this element, as long since pointed out by Adam Smith, is the force of opinion and habit. Englishmen have the physical capability of living on potatoes as much as other men, but fortunately they have not the habit; and though it might be wrong to say they would starve first in their own proper persons, they will utterly refuse to multiply upon such diet, the effect of which on population is ultimately the same. And the causes of these differences of habit, are to be found in every thing that has affected the past or affects the present condition of society,—in ancient institutions, in modern improvements, in past and present laws, in battles lost and won, in reformations of religion, in the progress of science, in the manners of the higher classes, in the information of the lower, in every thing which man can neither suddenly alter nor create, and which connects his present mode of existence with that of his ancestors and his posterity. Fluctuations will be perpetually taking place in the existing proportion between population and capital; but the element which, in the midst of these, keeps the average rate of wages to one point and not to another, or which determines the point to which wages shall tend as to a mean, is not physical but mental. There may be a lowest physical point somewhere; but happily all civilized, and most uncivilized nations, are considerably above it. The New-Hollander may approach the lowest physical point, when he feeds on worms; but this has no bearing on the question why one man lives on beef and another on potatoes, for both diets are happily far removed from that of the New-Hollander. The Englishman will not live and bring up a family upon potatoes; because, though he may consent to live on them when

* In the language of algebra, x and X may both vary as $\frac{y}{z}$; but to know any thing about the absolute magnitude of x, it is necessary to know that $x = A \times \frac{y}{z}$. The manner of living imposed by habits and opinions, is the missing A.

he can positively procure nothing else, habit, custom, the opinion of those around him, have made it in his eyes contemptible, irrational, absurd, for a man to be living on potatoes when he has the opportunity of getting any thing better. In his hours of prosperity therefore, he will to a certainty solace himself with bacon, and most probably venture upon beef; and as this absorbs a greater portion of his income in what he views as necessary to his individual existence, it proportionally reduces his disposition to burthen himself with new mouths. If the Irishman had the prospect of all this bacon and beef, he would view it as convertible into potatoes for a family like a patriarch's. The Englishman thinks it but decency to swallow all, and omits the family.

And as opinions and habits determine the final or average proportion which shall be maintained between the numbers of the labouring population and the funds for their support, or in other words determine the average rate of Wages,—so they also determine the average rate of Profits of Stock, which are only the wages of another description of labourers, consisting partly of the recompense of present labour exerted in the form of superintendence, and partly of the recompense of past labour exerted in the creation of their capital*. Public opinion and custom require, for example, that a shopkeeper shall wear a good coat,—shall drink at all times malt liquor and sometimes wine, and give them to his neighbours,—that his wife and daughters, if he has any, shall wear clean linen, and moreover not wash it themselves,—and that when they travel, it shall be by the stage-coach and not by the waggon. Though he may do without some or other of these things in a certain degree when necessity presses hardest, he cannot and will not do without them in the main. If therefore he is a man of foresight, he will at all events defer adding to the population of shopkeepers, till he sees a fair prospect of supporting a family in the way which public opinion pronounces to be respectable. But if he engages in it without foresight, he

* This last part, is the recompense spread over the greatest possible space. If it was proposed to a savage hunter to give a hundred of his deer for a gun, for the sake of the additional deer which his hunting would by means of it obtain for him in future,—if the gun would last only one year, he must expect from it a hundred additional deer within the year, and something more. If it would last two years, he might be content with the prospect of 60 a year, the difference being a compensation for the delay; if four, with 40; if eight, with 25; and if it would last for ever, or for a time to which he sees no end, he might be induced to consent by the expectation of 6 or 8. But in all these cases, what he expects, is the recompense of the labour expended in procuring the hundred deer, spread over a larger space.

will keep down the population of shopkeepers in another way; for he will break. Bankruptcy is the check to the indefinite multiplication of traders, as the evils arising from diminished food are the check to the indefinite multiplication of the lower classes of labourers. In the same manner if the higher order of traders would, or could, do without a certain rate of expenditure, they might remit something of their rate of profits. If a great brewer, for example, would drive his family to the two-shilling gallery in one of his own drays,—or a banker be content, as in India, to sit on a mud floor in the shop of his forefathers, and retire to swallow rice with the condiment of ghee,—there would be some chance of the thing being brought to pass. But 'the crowning city' has determined, that her merchants shall be princes, and her traffickers the honourable of the earth; and they neither can, nor will, resist the award. The opinion of society therefore, is what in the long run determines and keeps up the rate of recompense in this class as well as in the other; and, though there may be individual exceptions, men in general will break, sooner than not live up to what is expected from them. The difficulty is not in finding men who will live up to this mark, but in finding men who will live within their means. The profits of stock, like wages, may be momentarily elevated or depressed by the fluctuations in the proportion between the business to be done and the men who are to do it. When business is scarce, the competition may to a certain degree induce traders to do it at a cheaper rate; and the contrary. But if the scarcity of business is permanent, traders will begin to go out by the horn gate of bankruptcy, and so the balance will be preserved.

The Section on 'Exchangeable Value' omits all notice of commodities produced under a monopoly, or for which the competition causes more to be given than repays the whole expenses with a living profit. Agricultural produce comes notoriously under this description; for the price not only pays the expenses and profits of the cultivator, but a rent besides.

'Cost of production, then, regulates the exchangeable value of commodities.'—*Mill*, p. 93.

This is only true in one direction. The exchangeable value of a commodity of ordinary consumption cannot long continue to be *less* than will pay the cost of production including the necessary profits; but it will be *more*, to an extent limited only by the circumstances of the particular case, whenever the competition increases the price faster than the outlay increases the produce.

If there is any truth in the account that has been given of

the origin and progress of Rent, an immediate corollary from it is, that *taxes upon the land fall on the landlord*. For if the land-owner united the characters of landlord and cultivator by keeping the land in his own hands, the charge must fall upon him; and what he cannot keep himself, he can never recover from others by the invention of selling it to them with their eyes open.

If it is urged that such land-owners might recover the tax from the consumers, by raising the price of corn,—the answer is, that the operation of their individual interests will prevent it. If they raise the price of corn, it is manifest that less must be sold. A high price spins out the consumption of a deficient harvest, and would cause only a portion of the same magnitude to be consumed out of a plentiful one. But none of the land-owners would place so much confidence in the union among his brethren, as either to throw away corn already in his barns, when he had the option of selling it,—or to refuse to grow it, when by the sale of it he could obtain what he considers as a reasonable profit. The quantity of corn grown and sold, therefore, will not be diminished by any such combination; and if the quantity is not diminished, the price for which it is sold cannot be increased. If there was no monopoly gain, the case would be very different indeed. For then the tax would oblige the land-owners to contract their growth, till the price rose to what would pay them for their trouble; in the same manner as other producers do in similar circumstances. And the land-owners themselves will actually do this, with respect to that portion of their produce which will not pay them the necessary profits of stock.

If it is suggested that the landlord may raise the price by throwing the necessity upon the tenants, it is not difficult to see that the tenants will be equally unable to compass the end desired. To put the strongest case, let it be supposed that all the landlords resolve not to abate a fraction of rent on account of the tax, and that all the tenants have been previously bound by long leases which leave them no alternative but that of recovering the tax from the consumers or losing the amount. The tenant then, has made an improvident bargain by which he is likely to lose the amount of the tax for several years, unless it can be recovered from the consumers. But this will not produce in him any inclination to throw more away after it, either by omitting to sell corn which is in his barns, or by omitting to grow it to the utmost that will pay him a living profit upon the last sum added to the outlay. The outlay and the produce will therefore be the same as if the land-owners had held the land in their own

hands; and consequently, as before, the tax will not be recovered in the price. The tenants therefore must put up with the loss, till they have the opportunity of recurring to the fair competition between landlords and tenants, when the tax will be thrown upon the landlords; for it is impossible that any resolutions of the landlords should induce the tenants to go on accepting less than a living profit.

The way then to determine the effect of any tax or charge upon land or agricultural produce, is to see what the effects would be upon land-owners uniting the characters of landlord and cultivator, and what alterations would be made in the bargain which they would have to offer to the competition among tenants.

By the application of this principle, it will appear, that the Section on 'Taxes on Rent' (Mill, p. 248.) is right in the conclusion delivered, but not for any reason that is there stated. The inability of the landlords to protect themselves by throwing the tax upon the tenants, who pertinaciously refuse to starve upon less than a living profit;—the inability of either landlords or tenants to raise the price of corn for their own convenience and throw the tax on the consumers;—are the reasons why taxes on rent, whether levied from the person of the landlord or of the tenant, must fall upon the landlord.

The Section entitled 'A Tax on Profits' presents the following results.

'A direct tax on profits of stock offers no question of any difficulty. *It would fall entirely upon the owners of capital, and could not be shifted upon any other portion of the community.*

As all capitalists would be affected equally, there would be no motive to the man, engaged in any one species of production, to remove his capital to any other. If he paid a certain portion of his profits, derived from the business in which he was already engaged, he would pay an equal portion, derived from any other business to which he could resort. There would not, therefore, in consequence of such a tax, be any shifting of capital from one species of employment to another. The same quantity of every species of goods would be produced, if there was the same demand for them. *That there would on the whole be the same aggregate demand, is also immediately apparent.* The same capital is supposed to be employed in the business of production, and if part of what accrued to the capitalist was taken from him, lessening to that extent his means of purchasing, it would be transferred to the government, whose power of purchasing would be thence to the same degree increased.'—*Mill*, p. 256.

The Profits here meant are manufacturing profits, as distinguished from agricultural; for 'Taxes on the Profits of

the Farmer' form the subject of a subsequent Section. It may however be useful to consider the two kinds in a different order.

When there is a monopoly gain behind, as there is in the case of agricultural profits, it will be found by application to the case of a land-owner uniting the characters of landlord and cultivator, that the effects of a tax on profits, upon the cultivator, will be the same as those of a reduction of price. On the landlord the effects will in the first instance be, that the tax on the final amount of the cultivator's profits will be taken out of the rent. But at the same time there will be a reaction on the price of corn in the way of increasing it, in consequence of the partial diminution of produce; and of this increase of price the landlord will have the benefit. To recur, for example, to the case formerly taken,—If corn was at 55*s.* and a tax of 20 per cent was imposed on the profits of the capital employed, the first approximation to the result would be, that the cultivator instead of cultivating all the land and making all the outlay that would return him 10 per cent, would stop at that which would leave him 10 per cent after payment of the tax, or which would return him in the first instance $12\frac{1}{2}$. The effects of this on the outlay, on the amount of the cultivator's profits, and on the quantity of produce, would be the same as those of a reduction of the price of corn from 55*s.* to 44*s.*; for it would be the same thing in respect of the last 10£ added to the outlay, whether what was received for its produce was reduced one fifth by a tax, or by corn falling one fifth. The outlay would therefore be reduced from 1020£. to 1010£, the annual amount of profits from 102£ to 101£, and the produce from 609 quarters to 605. The price received for the 605 quarters at 55*s.* would be 1663£. 15*s.*; so that after deducting 20£. 4*s.* for the tax on 101£, the final receipts of the individual combining the characters of landlord and cultivator would be 1643£. 11*s.* And since what he could dispose of to a tenant would be simply the opportunity of making the outlay of 1010£ with the condition of retaining 1111£ out of the proceeds, what would remain to him in the shape of rent would be 532£. 11*s.*, instead of 552£. 15*s.* as it was before;—or the rent would be diminished by 20£. 4*s.*, which is the tax. But to all this there must be applied a correction, for the reaction on the price of corn created by the general diminution of produce which arises from the tax and is represented in this particular case by four quarters. If on an estimate like that formerly entered into in a note, the amount of this reaction might be stated at sixpence per quarter, the price of corn instead of 55*s.* would be 55*s.* 6*d.* And the

effect of this increase of price would be in a small degree to increase the outlay, the amount of profits, and the produce. But the principal effect, neglecting inconsiderable fractions, would be, that the price of the 605 quarters would be increased by sixpence a quarter or 15*£*. 2*s*. 6*d*., which would be added to the rent. A further correction might be made by calculating the effect of the small increase of produce last mentioned upon prices, and similar corrections might be extended to an indefinite number; but their amount would be insignificant. The corrected rent therefore may be stated at 547*£*. 13*s*. 6*d*.

What in the case of a tax on profits makes the result so little prejudicial to the landlord, is that the reaction upon prices, and its effect in raising rent, are the same as if the rate was levied on the whole produce; while the actual levy is only on the profits. Thus in the case assumed, the reaction upon prices is as great as would have been caused by a tax of one fifth, or a double tithe; while the sum taken by the tax, or what falls on the other side of the landlord's account, is less than an eightieth, or than the eighth of a tithe. And what is thus saved by the landlord, is at the expense of the consumers.

There remains the case where there is no monopoly gain behind; or in other words the case of a tax on manufacturing profits. And here it is evident, that if the tax on the profits of the capitalists amounted, for example, to nine tenths, the capitalists would not live upon the tenth without doing all in their power to throw the loss on other persons. It lies therefore on the affirmant to prove, that they *can* throw the tax on nobody else.

If the difficulty of bringing silver from the mine, should, from the failure of the mines or other natural causes, be increased till it approached to the difficulty of procuring gold, —the producers of silver, if there was no monopoly gain behind upon which the difference could be thrown, must of necessity raise its price, and consent to the diminution of the extent of their sales which would be the consequence. For nothing can continue to be produced and sold, for less than what will replace, with a living profit, the payments that must be made by the producer. But precisely the same effects would follow, if the increased difficulty of bringing silver to market arose from a tax instead of a natural impediment. For example, if what the capitalists accounted a living profit was 10 per cent, and the tax amounted to 20 per cent on their profits, the capitalists, to live, must demand the prices which would leave them in the first instance $12\frac{1}{2}$ per cent instead of

10,—or, for the silver which costs them 100*£* and which they used to sell for 110*£*, they must now ask 112*£*. 10*s*. And the effects of this on the quantity of silver produced and sold, would be the same as if the necessity for selling the silver for 112*£*. 10*s*. instead of 110*£*, had arisen from its costing ten elevenths of 112*£*. 10*s*., or 102*£*. 5*s*. $5\frac{1}{2}$*d*., instead of 100*£*,—or as if from natural causes the difficulty of producing silver had been increased by ten elevenths of $2\frac{1}{2}$, or $2\frac{3}{11}$, per cent.

If the tax instead of being confined to the profits of the producers of silver, extended to manufactures in general, the same consequences would ensue in all; or the prices of all the commodities must be raised to the point which would give the producers their living profits after deducting the tax. The producers before demanded such prices as left them 10 per cent, and no business was done without it; and for the same reasons and by the same processes that this took place with respect to the 10 per cent, it would take place with respect to the $12\frac{1}{2}$, when the $12\frac{1}{2}$ was made the lowest by which men could live. And the effect of this on the production and consumption of manufactured goods in the aggregate, would be the same as if an ordinance of nature had suddenly determined that the difficulty of every kind of operation connected with manufactures should be increased by $2\frac{3}{11}$ per cent; for the prices at which the goods could be sold, and consequently the quantities finally sold and consumed, would be the same in the two cases. But of such a physical visitation, the consequence would be, that of a given quantity of manufacturing industry and intelligence exerted by the community, the produce would in the aggregate be diminished in the proportion of 100 to $102\frac{3}{11}$. The consequence, therefore, of the tax would be the same; in addition to the abstraction of the tax.

Under such a visitation, the labouring classes would proceed to bring about a return to the same substantial rate of wages as before, by their painful but irresistible resource of reducing their numbers. But though they could by this method effect a return to the same rate of wages, they could not effect a return to the same quantity of employment at that rate. Their numbers, therefore, must finally be diminished.

The manufacturing capitalists would go on increasing their prices, though at the expense of diminishing their sales, till they secured to themselves their living rate of profits as before. But, like the labourers, though they secured to themselves the substantial enjoyment of the same rate of profits, they could not secure the same quantity of profits at that rate; for they can never get over the fact, that there is a positive diminution of the production and consumption of the commu-

nity. Hence the number of persons engaged in trade must be finally diminished also; either by men's abstaining from adding to the population of traders, or by the shorter cut of bankruptcy.

On comparing the effects of a tax of 20 per cent on manufacturing profits with those of a tax of 20 per cent on agricultural profits as stated in a former place, it will be perceived that the loss or prevention of production is of very different comparative magnitude in the two cases. In one, it is necessarily equal in value to the tax; and amounts, in the instance stated, to about $2\frac{3}{11}$ per cent on the whole produce. In the other, it depends on the accidents of there being land which will be thrown out of cultivation, and outlay which will be cut off; and its absolute magnitude in the instance stated amounts to less than $\frac{2}{3}$ per cent on the whole produce, being to the percentage in the other case nearly as 2 to 7. The difference between the effects of taxes on agriculture and on manufactures, will be further illustrated on arriving at the case of Tithes.

A tax on the profits of manufacturers, then, will be taken by the government once, and there will be an additional loss or prevention of an equivalent quantity of production besides, which will be lost to the community without advantage to the government or any body else, in a manner analogous to what would be the result of a deterioration of the powers of nature. The tax falls on the consumers, and the gratuitous loss on the capitalists and labourers. And this last gratuitous loss is measured by, and is in fact identical with, the losses arising to the manufacturing capitalists and labourers from the diminution of the extent of their business.

The assertion that there would on the whole be the same aggregate demand, points to an inaccurate notion of demand. Demand is spoken of as if it was something to which all other things must bend,—as if men began by determining that they *must* and *would* have a certain quantity of commodities, and the consequence was that they had it. Whereas the truth is that effectual demand,—the demand of those who are willing to pay the whole of the expenses and profits necessary for bringing the commodity to market,—is a floating or variable quantity, that alters with every change of price or variation in the facility of production. It is by means of this connection between the increase of price and the diminution of effectual demand, that a deficient harvest is made to last till the arrival of the next; and the contrary. In this and other passages, demand appears to be confounded with desire,—or with that kind of demand which, in the language of Adam

Smith, a very poor man may be said to have for a coach and six.

The Section entitled 'A Tax on Wages' omits, as before, to give any reason for their absolute magnitude. And in consequence, much of it is expended in reasoning upon a case which never exists. It is never true physically, that 'wages 'are already at the lowest point to which they can be reduced; 'that is, just sufficient to keep up the number of labourers 'and no more.' It is always true virtually, or including the effects of habit and opinion; with the exception of such temporary fluctuations as, when they are in the way of increase, it may be conceded will be immediately put down by the appearance of a tax. 'When wages are so low as barely to 'keep up the number of labourers, wages must rise to the 'amount of any tax imposed upon them, because there is a 'continual diminution of the supply of labourers till the rise 'is effected.' If this might be construed as alluding to the virtual instead of the physical boundary, the conclusion would to a certain extent coincide with what have been represented as the just inferences with respect to Wages and Profits. Two consequences however remain; both of them contrary to the conclusions of the author. One is, that taxes on the wages of labourers employed in agriculture will in the end be taken from the landlord in the rent. The other, that taxes on the wages of manufacturing labour will be recovered from the capitalists, and finally from the consumers, so far as that will be done by the restoration of the old substantial rate of wages; but that there will still be a gratuitous loss to the capitalists and labourers conjointly, in the shape of a diminution of their business, over and above the loss of the tax by somebody else besides, in the same manner as was noted under the head of Taxes on Profits.

To the recovery of Taxes on Wages from the capitalists Mr. Ricardo has objected, that 'the rise in the price of goods 'will again operate on wages, and the action and reaction, 'first of wages on goods, and then of goods on wages, will be 'extended without any assignable limits*;'—which he represents as an 'absurd conclusion,' that makes 'the principle indefensible.' But the supposition that any absurd conclusion will arise, is founded on inattention to the nature of infinite series. Because a series is endless in its number of terms, it does not follow that its amount is infinite†. If a man was to proceed to calculate all the successive actions and reactions of

* Principles of Political Economy and Taxation.—p. 301.

† The most familiar example is the series $\frac{1}{2} + \frac{1}{4} + \frac{1}{8} +$ &c. *ad infinitum*; which is the foundation of the sophism of Achilles and the tortoise. The sum of the terms *ad infinitum* is equal to 1.

wages and prices upon each other, he might find himself engaged in what mathematicians call the method of approximation; which, though he could never positively arrive at its end, he might carry to as minute a fraction of a farthing as would satisfy the most scrupulous accountant. But there exists a palpable cause which would prevent the effect of these actions and reactions, not only from being infinite—for that they could never be—but from rising above a certain amount. And this cause is, the impossibility of money prices rising above what can be conducted by the circulating medium. The nature of the process is the opposite of that by which an excess of circulating medium causes a depreciation of the currency and increase of money prices. And this process and the other, will go on at the same time without interfering with each other; as the pieces on a chess-board are carried forwards or backwards with relation to one another, though the board and the ship in which it is contained are all the time moving in some direction of their own. On the whole therefore, there is nothing that is absurd; and the error charged upon Adam Smith a few lines further on, resolves itself into the defectiveness of the writer's own conclusion respecting the origin of Rent.

The next Section, entitled 'Direct Taxes which are destined to fall equally upon all sources of income', commences as follows.

'Assessed taxes, poll taxes, and income taxes, are of this description. After what has been said, it is not difficult to see upon whom, in each instance, the burden of them falls.

In as far as they are paid by the man, whose income is derived from rent, or the man whose income is derived from profits of stock, the burden of them is borne by these classes. No additional demand arises from the tax; and, *therefore*, neither can landlords raise their rents, *nor capitalists the price of their commodities.*'—Mill. p. 267.

Either the words 'In as far as they are paid by the man' &c. mean 'In as far as the burden of them is finally borne by the man,' &c. which makes a truism;—or it is intended to infer that the burden is borne by certain individuals, because the tax is paid by them in the first instance. If nothing was required towards determining on whom a tax finally fell, but to ask at whose door the tax-gatherer knocked for the amount, the science of taxation would be wonderfully simplified. The assertion that capitalists cannot raise the price of their commodities because no additional demand arises from the tax, exhibits the same inattention as in a former instance, to the nature of effectual demand. If they cannot increase the demand, they can diminish the supply; and they *must* do it, whether the difficulty of production is increased from a physical cause

or from a tax,—or else go on manufacturing with less than a living profit. And at the same time that the price is thus raised, the effectual demand—the demand of those who are willing to pay the expenses and profits necessary for bringing the commodity to market—will not only not be increased, but will be diminished. All this is nothing but what takes place on every occasion of a rise of price from increased difficulty of production.

With respect to 'assessed taxes, poll taxes, and income taxes', the truth seems to be, that such of them as are levied from the landlords, and from individuals who are living upon some kind of previous accumulation without being engaged in trade, will be finally paid by those persons and affect nobody else;—for to the manufacturing and commercial classes, the expenditure of these sums by the government will be the same thing in the aggregate as if they had been left to be expended by the original owners. Such as are levied from agricultural capitalists or labourers, will finally fall on the landlord in the rent; with the comparatively small alterations in outlay, produce, &c. which have been stated. Such as are levied from manufacturing capitalists or labourers, will produce the effects stated under the heads of Taxes on Profits and on Wages; among which the most important, is the gratuitous loss, in the shape of the destruction of employment, which arises in addition to the tax.

The Section upon 'Taxes on Commodities' is true with respect to only one of the two great divisions into which commodities are to be classed; and only partially true with respect to that.

When a tax is laid on any commodity that has not a monopoly gain behind, it rises in price, 'and the dealer or producer is re-imbursed for what he has advanced on account of the tax. If he were not re-imbursed, he would not remain upon a level with others, and would discontinue his trade.' And if the tax was laid upon all commodities, it would still 'fall upon purchasers'. Such—with the exception of the limitation relating to monopoly produce—are the admissions of the author. It would be curious to know how he convinces himself, that this is true when the tax is demanded from the producer under the title of a tax on his commodities, and would not have been true if the same sum had been demanded from him under the title of a tax on his profits.

The omissions are, First, The distinction into commodities which are produced under a monopoly, and commodities which are not; or in other words into agricultural produce, and what are ordinarily known by the name of manufactured

goods. For in the case of the first kind, the tax will be recovered from the residuary proprietors, who are the landlords.

Secondly, The gratuitous loss or prevention of production, analogous to what would take place from a deterioration of the powers of nature, which will necessarily attend a tax on manufactured goods, in the same way as if it had been levied by an impost of a different proportion upon the profits of the individuals engaged in the production. For example, if the rate of profits be 10 per cent, it will be the same thing whether a tax of 20 per cent is levied on the profits, or a tax of $2\frac{1}{2}$ per cent on the prime cost, or of $2\frac{5}{11}$ on the selling price. The effect of any of which will be, in addition to the payment of the tax, to cause a gratuitous loss or prevention of manufacturing production, amounting to a reduction in the proportion of 100 to $102\frac{5}{11}$.

A tax, therefore, on manufactured goods, is taken by the government once, and there is a gratuitous loss or prevention of production besides, equal in value to the tax. The tax falls on the consumers, and the gratuitous loss on the capitalists and labourers.

On the first of these omissions is founded the fallacy in the next Section, entitled 'A Tax upon the produce of the Land.'

'A tax upon the produce of land, a tax upon corn, for example, would raise the price of corn, *as of any other commodity*. It would fall by consequence, neither upon the farmer, nor upon the landlord, but upon the consumer. The farmer is situated *as any other capitalist, or producer*; and we have seen sufficiently in what manner the tax upon commodities is transferred from him that produces to him that consumes.'—*Mill.* p. 282.

The first fallacy is in the conclusion of the preceding Section *that all commodities are alike*. The next is in the inference, that a tax on corn will raise the price *because it is a commodity*.

What follows is equally remote from being correct. The farmer is *not* situated as any other capitalist or producer; for he precisely differs from them in the capital point of having a monopoly gain at his back from which he may recover. To say that he is situated as any other capitalist or producer, is like saying that a man in a house on fire is situated as a man in a ship;—when the most notable fact about the whole case is, that one has a back-door by which he may escape, and the other has not.

The landlord is equally exempted. We have already seen that there is a portion of the capital employed upon the land, the return to which is sufficient to yield the ordinary profits of stock, and no

more. 'The price of produce must be sufficient to yield this profit, *otherwise the capital would be withdrawn*.'—*Mill*, p. 282.

The fallacy here is in the assumption that the tenants *can* raise the price of corn, to gratify either themselves or the landlords, and that capital cannot be withdrawn. The tenant must be indemnified for the tax; but not out of the price of corn. A portion of capital *will* be withdrawn; though it will be a comparatively small one. So far is there from being any difficulty in capital being withdrawn, that it is what happens on every diminution of demand. The idea of there being any difficulty in its happening, may be referred to the opinion before mentioned, of the existence of an unalterable demand.

'If a tax is imposed upon produce, and levied upon the cultivator, *it follows that* the price of produce must rise sufficiently to refund the tax. If the tax is 10 per cent or any other rate, upon the selling price, corn must rise in value one-tenth, or any other proportion.'—*Mill.* p. 282.

It follows that *something* must be altered. But it no more follows that it must be the price of produce, when it may also be the rent,—than it follows that because a man's brother is dead it is Thomas, when he has also a brother named John.

The real effects on the landlords and tenants, of a tax on agricultural produce, will, with the exception of a small reaction, be the same as those of a reduction of price of equal amount. To recur, for example, to the case stated before,—If corn was at 44*s.*, and a tax was imposed of 4*s.* per quarter, the first approximation to the result would be, that the outlay would be reduced from 1010£ to 1000£, the produce from 605 quarters to 600, the annual amount of profits from 101£ to 100£, and the rent from 220£ to 100£. For it would be the same thing to the land-holder both in his character of cultivator and landlord, whether a loss of 4*s.* per quarter was occasioned by a reduction of price or by a tax. But the effect of the tax will not be to cause a loss of precisely 4*s.* per quarter; for there will be a certain reaction on the price of corn in the way of increasing it, in consequence of the diminution of produce which arises from the tax and is represented in the particular case by five quarters. If on an estimate like those formerly entered into, the amount of this reaction might be stated at fourpence per quarter, the price of corn instead of 44*s.* would be 44*s.* 4*d.* And the effect of this would be in a small degree to increase the outlay, the amount of profits, and the produce. But the principal effect, neglecting inconsiderable fractions, would be that the price of the 600 quarters would be increased by fourpence a quarter, or 10£; which will be added

to the rent. The corrected rent therefore may be stated at 110£. A further correction might be made by calculating the effect of the small increase of produce last mentioned upon prices, and similar corrections might be extended to an indefinite number; but their amount would be insignificant. The tax therefore, with the exception of the reaction amounting to 10£, is taken from the rent.

On referring to the case of Taxes on Agricultural Profits it will be readily discerned, how much more prejudicial to the consumers would have been the raising of a given sum by a tax of that description, than by a tax on agricultural produce.

The next Section, which is on 'A Tax upon the Profits of the Farmer, and upon Agricultural Instruments,' concludes that

'It would in the first place *raise the price of raw produce; because that price is determined by the produce of the capital which pays no rent, and which, if it sustains a tax, must rise like any other taxed commodity, to indemnify the producer.*

In consequence of this rise of price, it would increase the rent of the landlords.'—Mill. p. 284.

This is the great aboriginal fallacy, which assigns the produce of the capital that pays no rent as the regulator of the price of corn, instead of the price being the regulator of the addition that can be made to the capital. There is also the same inattention to the nature of effectual demand, that was formerly noticed. The produce of the capital which pays no rent, if it is to sustain a tax *and continue to be produced*, must rise in price to indemnify the producer. But the fallacy is in assuming that it will continue to be produced; the truth being that the outlay will always stop at the point where the last sum added to it will be returned with a living profit clear of all deductions.

The real effects of a Tax on the Profits of the Farmer, have been shown under the head of Taxes on Profits.

'A tax upon the instruments of agriculture, is the same thing in effect, as a tax upon the profits of the farmer. *It raises the value of produce, without affecting the quantity which goes as rent to the landlord.—Not only, therefore, does the whole of the tax fall upon the consumer, but he is charged with another burthen, the additional rent which is paid to the landlord. The community is taxed, in part for the use of the government, in part for the benefit of the landlords.*'—Mill. p. 285.

If the Tax on Agricultural Instruments is of such a nature that its amount varies in proportion to the magnitude of the produce, it is a tax on produce; and the tax with the exception of a small effect of reaction upon prices will be taken out of

the rent, with sundry small alterations in outlay, profits, and produce. If the amount does not vary at all with the produce, it is a dead charge upon the cultivator, and will be taken out of the rent without affecting any thing else. If it does something between both, the effects will be of some intermediate nature, according to the circumstances of the case.

The next Section is upon 'Tithes and Poor Rates.'

'Tithes are a tax upon the produce of the land; a tenth of the produce, perfectly or imperfectly collected.

'The operation, therefore, of this tax, has been already ascertained. *It raises the price of produce, and falls wholly upon the consumer.*'—Mill. p. 286.

That tithes are a tax upon the produce is clear. The consequence therefore will be, that with the exception of a small reaction, they will be taken from the rent; with certain small alterations in outlay, profits, and produce, as before stated. The truth of this or of the opposite representation, depends on the existence or non-existence of a fallacy in the Section entitled 'A Tax on the Produce of the Land.'

The *cheval de bataille* of those who believe that taxes on agricultural produce fall on the consumers, is the malt tax. If a tax is laid on malt, the price of beer rises till the tax is recovered to the dealers; and it would do the same if the tax was laid on barley. What then, they say, so clear, as that the tax falls on the consumers?

The fallacy here is in bringing forward only half the case. If a tax is laid on barley, the quantity of land laid down with barley will be diminished, in such a manner as according to the guesses of the growers will cause the price to rise to what, after paying the tax, will make it as advantageous to grow barley as any thing else. And though the guesses may be rough and imperfect the first year, they will be better in every succeeding year, and will in the end attain to the greatest exactness that can be desired. But if the price of barley is raised through the quantity grown being diminished, the prices of some other kinds of produce must fall through the quantity grown being increased; for the land will be employed in growing something else. The land-owners therefore furnish the tax, and in the first instance recover it from the consumers of barley in the price. But on the other hand they suffer a reduction of the prices of other kinds of produce; which makes a deduction from their recovery of the tax, and a set-off to the consumers of agricultural produce against the increased price paid for the article taxed. The consumers of beer pay a higher price for their barley, and consume less;

but the consumers of wheat or of something else pay a lower price for what they consume, and consume more. There is some loss of business to maltsters, brewers, and publicans; but there is an increase of business to millers, bakers, or whoever are the dealers in the articles whose consumption is increased. And as no man lives on beer alone, the tax will be compensated, at all events in a certain degree, not only to the consumers of agricultural produce in the aggregate, but to every individual consumer of beer also. And if it should turn out in the end, that the aggregate gains of the consumers by the reduction of the prices of other things, are equal to their losses by the rise of barley,—or in other words that they have paid the same sum for the whole produce as before,—the consumers will be just where they were, with the exception of the altered proportions which have been forced upon them, and the land-owners will have furnished the tax without recovery.

In the absence of taxation altogether, the distribution of the land to different kinds of produce would be regulated by the tendency of individual interests to create such a supply of each kind, as would induce a state of relative prices that made it impracticable for an individual to gain any thing by growing more of one kind and less of some other. The question whether in any particular case the land-owners would receive more or less for the whole produce after the natural distribution of crops had been altered by a tax on a particular article, is the same as the question whether they would obtain more or less if it were possible for them to alter the natural distribution by a combination among themselves; and is one to which a general answer cannot hastily be given. But whatever might be the answer in particular cases, it is clear that if the taxation was extended to different articles till it fell on all kinds of produce in such manner as to leave no inducement for altering the relative proportions of different crops, the sum received by the land-owners would be the same as before the tax. For as there would be no inducement to alter the relative proportions, so there would be no general diminution of the growth of all kinds; because it would be prevented by the absence of sufficient union among the growers, as was shown in demonstrating the impossibility of land-holders recovering a tax by raising the price of corn. But if the quantities grown were in all respects the same as before, the sums received for them must be the same; for there is the impossibility just mentioned, that any act or wish of the growers should induce the consumers to give more for a given quantity of produce than they were obliged to by the competition among themselves. The land-owners therefore in such a case, would

receive from the consumers in the aggregate, and from every individual consumer also, the same sum for the same produce as before. But if each and all of the consumers paid the same sum for the same produce as before, the consumers would be just where they were, and the land-owners would have furnished the tax without recovery.

In the case of a general tax either *ad valorem* or in kind like a tithe, the taxation *does* fall on all kinds of produce so as to leave no inducement for altering the relative proportions; and consequently the landlords will furnish the tax without recovery. Whether, therefore, the loss of the landlords and the compensation to the consumers be complete in the case of the taxation of a single article like malt, or not,—they are complete in the case of a general taxation either *ad valorem* or in kind like a tithe.

If, to view the thing in another light, the taxation described is supposed to be extended to the different kinds of produce in succession, each kind will at one period have its price raised and growth diminished in consequence of being taxed itself, and will at other periods be among the kinds whose prices fall in consequence of the increased growth of them which takes place through something else being taxed. In which there is no difficulty in seeing, how the end is to bring the prices and growths of all kinds to what they were at first; while at every step a levy equal to the new tax, or at least one which in conjunction with all the successive levies is finally equal to the sum of the successive taxes, is made upon the land-owners.

If the above are the consequences to the land-owners when they keep the land in their own hands, they will equally result when it is let to tenants; as has been proved before.

The difference between a tax on barley and a tax on malt,—if barley was grown only to be made into malt, which is not very far from being the case,—would be that the tax-gatherer would knock at the door of the maltster instead of the grower, and that the grower would deduct the tax from the price paid by the maltster, instead of paying it to the tax-gatherer. And there would further be a small saving to the consumers in the price of malt, in consequence of the maltster not being obliged to advance the tax during the time occupied in converting the barley into malt.

Another argument brought to prove that tithes fall on the consumers,—and which is indeed no other than the theory formerly noticed of an unalterable demand,—is, that if a tax or tithe has a tendency to throw a certain belt of land out of cultivation or cause a certain diminution of outlays, and

thereby create a diminution of produce, the price must be raised till it makes the produce the same as before, *because men cannot go without the produce.* In fact this assumption is probably at the bottom of the frequent introduction of the subject of demand, and of the idea that the corn which is produced with the greatest quantity of labour is the regulator of the price*.

The fallacy here, as has been mentioned already, is in the inattention to the nature of effectual demand, and the assumption that the produce cannot be diminished. It is not true that men say, We must and will have such and such a quantity of corn whatever may be the price. But they say, We will have as much as it is more convenient for us to pay for at the price for which the grower will grow it, than to do without. It is a question of equilibrium, between the inconvenience of paying a high price and the inconvenience of economizing in the use of corn; and whatever may be the laws by which the magnitudes of these two inconveniences severally vary, there must be an equilibrium somewhere, at a point short of consuming the old quantity. That men cannot live without a certain quantity, meaning thereby *some* quantity, of food, is true;—but it is not true that men are living on a *fixed* quantity, which will not be diminished on an increase of price. At the siege of Gibraltar General Elliott ascertained by experiment upon himself, that a man can live on four ounces of food per day. If this is assumed as the smallest quantity on which life can be sustained, it is still, in the first place, not true that the community, or any considerable portion of its members, are living on four ounces of food per day;—and secondly, even if it was true, the result of an increase of price would be, not that the same quantity of food would continue to be bought by the consumers whatever was the price, but that the population would begin to decrease by all the modes consequent on insufficient food, and that for this decrement there would be no food bought at all. So far

* This argument is advanced in very plain terms by Mr. M'Culloch.

'Suppose no tithes are levied, and that the wheat raised on the *poorest* 'lands, or with the capital last applied to the soil, and which determines 'the price of the whole crop, yields a sufficient profit to the cultivator, 'and no more, when it sells for 70*s.* a quarter—the price must rise to 77*s.* 'before the same profit can be obtained after tithes are imposed. In this 'case the tithe cannot possibly occasion any diminution of rent; for this 'produce pays no rent; so that if it were not compensated to the culti'vators by an increase of prices, they would withdraw their capital from 'cultivation, and the necessary supplies would no longer be obtained.'—*Supplement to the 4th and 5th Editions of the Encyclopædia Britannica. Art.* Taxation. p. 629.

from there being any necessity that the same quantity of food shall be bought, it does not even follow that the buyers shall all live to buy. But there is no necessity for pushing the argument to this length. It is sufficient to attend to the fact, that when there is a necessity for the consumption being diminished because the corn is not there to be consumed, an increase of price is the engine which carries it into effect;—a clear proof that increase of price diminishes consumption.

The real magnitude and effects of the increase of price consequent on a tax or tithe, have been shown already. There will be a certain diminution of produce, which will cause a certain reaction on the price in the way of increasing it; and this increase of price will cause the diminution of produce to be finally something less than it would have been without it. But to suppose that it can go the length of destroying the diminution of produce altogether, is like the story of the two cats that ate up each other. Whatever was eaten, there must have been something left to eat it. Whatever may be the effect of the increase of price, there must be some diminution of produce left, to cause an increase of price to exist. The truth therefore is, that there will be a reaction; but one far short of restoring the produce to its original magnitude, or throwing the tax on the consumers.

A late publication has been profuse of arguments on the subject of Tithes; and it may be worth while to follow them.

'We now come to the important conclusion. This may be stated in a few words. The lowest soil in cultivation pays no rent [*to the landlord*]. Every soil from which produce is extracted pays tithe [*to the clergyman*]. Rent therefore [*to the landlord*], and tithe [*to the clergyman*] are not identical [*Who ever thought they were?*], but altogether different. But tithe, not being a portion of the rent of land, [*Here shift the meaning of rent, from the net payment to the landlord, to the total residuum left after paying the expenses and necessary profits of the cultivator.*] can only be a tax on produce, and in the language of Mr. Ricardo, 'like all taxes on produce falls wholly on the consumer.'—Westminster Review. No. II.

The fallacy here, is manifestly in shifting from one meaning of the word rent to another during the argument*.

* A still more extraordinary fallacy on the same basis appears in the Supplement to the 4th and 5th Editions of the Encyclopædia Britannica. 'But, independently of these considerations, the fact that tithes and 'other taxes on raw produce do not form a deduction from rent, but go 'to increase the price of produce, is obvious from the circumstance that 'the tithe of expensive crops, and which require a great expenditure in 'their cultivation, frequently amounts to *four* or *five* times the rent of the 'land.' The Rev. Mr. Howlett, by far the ablest advocate of tithes, and whose authority cannot, therefore, be questioned, informs us that the

We think, however, that there is a simpler mode of arriving at the same conclusion.

If tithes are not paid by the consumer, as it is contended, they are portion of the rent of land [*that is, of the total residuum left after paying the expenses of cultivation; not, it may be presumed, of what is left after themselves are paid*]. This is admitted. It will also be granted, that every acre in England not specially exempted, whatever it may yield under the name of rent [*to the landlord after the tithe is taken*], returns to the clerical incumbent a tithe of its gross produce. It follows, that the lowest possible rent [*total residuum*] of land in England—for tithe is [*taken out of the*] rent, by the supposition—is a tenth of its gross annual produce. [*This is quite true. The tithe will prevent the land from being cultivated, except where nine tenths of the gross annual produce will pay the expenses and necessary profits of cultivation, or where, after the payment of these, there will be a residuum of at least one tenth.*] If this be the case in England [*where there is a tithe*], it must be so universally, wherever land is appropriated and brought into cultivation [*whether there is a tithe or not; such is the argument*]. It is well known that the farmer on the banks of the Ohio, so far from paying a tithe of his produce as rent [*either to the landlord or to the tithe-owner*], pays no rent at all. The same might no doubt be observed of lands much nearer home. The lowest rent [*residuum*] of land, therefore, [*in places were no tithe is taken,*] is not the tithe of its produce [*Who ever thought it was?*]; and [*consequently,—for such is the argument,*] where such a portion is extracted by provision of law, [*that is, in places where tithe is taken,*] that portion is not rent of land, but a tax on produce.'—WESTMINSTER REVIEW, No. II.

The fallacy here—if the term can be applied—consists in arguing that tithe is not taken out of the residuum where tithe exists, because tithe is not taken out of the residuum where there is no tithe at all.

'Again: Assuming, as before, that tithe is portion of the rent

---

'tithe of an acre of hops, raised on land worth 40*s.* or 50*s.* an acre, is, 'after deduction of drying and duty, generally worth from £3 to £4; and 'he further states, that he had known £7 or £8 paid for the tithe of an 'acre of carrot-seed where the land was not worth 20*s.*! In such cases, it 'is plainly as great an absurdity to affirm that tithes fall exclusively on the 'rent of the landlord, as it would be to affirm that a *part* is greater than 'the *whole*.'—Art. TAXATION. By J. R. M'Culloch, Esq. p. 630.

The whole of this is a confusion of ideas arising from the two meanings of the word rent.

When a tax or tithe is said to form a deduction from rent, this manifestly means from *the rent as it would be without the deduction of the tax*, and not *as it is after the deduction.*

Nobody ever said that the 8£ which is the tithe of an acre of carrot-seed, is taken out of the 20*s.* which is left for the landlord afterwards; but that it is taken out of the 9£ which is the residuum after paying the expenses and necessary profits of cultivation, and that it is because 8£ is taken for tithe, that only 20*s.* is left for the landlord.

[*residuum*]; we will take, for the sake of argument, the case in which the tithe and the remainder of the rent shall together amount to less than a fifth of the gross produce; or, in other words, in which the portion of rent [*residuum*] paid under the name of rent [*to the landlord*], shall be less than the portion paid under the name of tithe [*to the clergyman*]. Of land in this condition we will suppose two contiguous parcels. Such land will, of course, be all of the same fertility. If the legislature raise the tithe on one parcel to a fifth, [*It is impossible. The whole residuum is not a fifth. The land must cease to be cultivated if it were enacted. It is ordering five quarts to be taken out of a gallon.*] but make no alteration on the other, it is plain that from the former parcel the church alone will extract a rent of a fifth of the gross produce; [*The church will extract nothing at all; for there will be a stop put to the production altogether, in consequence of the demand being greater than will leave the expenses of cultivation.*] whilst from the latter parcel, the landlord and church together will receive something which will be less than a fifth. Here then we should have two parcels of equally fertile land, paying two different rents, at one and the same period; which is absurd. Tithe, therefore, as before, is not of the nature of rent, but of a tax on produce.'—WESTMINSTER REVIEW, No. II.

The fallacy here consists in arguing on what would come to pass, if out of a gallon the legislature should take five quarts. It is John Cade declaring that 'the three-hoop'd pot shall have ten hoops.'

'To conclude, if tithe be rent, the American government by imposing it on the lands in the back settlements, which now yield no rent at all, or a nominal sum which is next to none, may at once *create* a rent equal to the tenth of the gross produce. Advancing another step, it may *create* rent to the amount of half, or even, the whole of the gross produce—a supposition too absurd to be insisted on.'—WESTMINSTER REVIEW, No. II.

If the American Government were to impose such a tax, it would put a stop to the cultivation of lands in the back settlements altogether; with the exception of those where nine tenths of the produce were sufficient to give a living profit to the cultivator. There would be a certain reaction on the price of produce, which would in some degree increase the quantity of land that would be able to resist the tax; but the effect would be in the main to check the cultivation of the back settlements, in the same manner that would result from a diminution of one tenth in the productive powers of nature there. The fallacy therefore, is in supposing that the American government would *get* the tax, tithe, rent or whatever else it may be called, because it *enacted* it.

"Let us suppose," it has been said [by a writer on the opposite side], "that the produce of a given quantity of the least fertile

soil, which is said to pay no rent, sells for 40£, and that the claim of the tithe-owner now amounting to 4£ were abolished, would the whole produce, which now sells for 40£, be in that case sold for no more than 36£? Yes, say the political economists: "No, say common sense and experience; if the 4£ now received for tithes, ceased to be exacted, another claimant to an equal amount would instantly start up in the person of the landlord."

This, the writer in the Westminster Review says would be true, if the remission of the tithe was confined to this particular portion of soil, but would not be true if the remission was general. Which is what remains for him to prove.

'Instead of remitting the tithe of that particular portion, we will suppose it to be remitted universally. The produce of the same portion which formerly sold for 40£, would now fetch only 36£.

For: If the capital employed by the farmer on the particular portion of soil referred to in our case were 31£, and the common profits of stock on that sum were 5£, he would sell *his* produce for 36£ and no more, whether it consisted of 10 quarters or of 9. [*He would not; the competition among the consumers of corn would be such as to enable him to get 40£ for the produce as before. And even if the sellers were so dull as not to find this out, there would be a necessity for the price being raised in consequence of the rapid consumption of the stock in hand. Corn sold for 4£ a quarter before, because nothing less than that price would induce the competitors to agree in such a division as would spin out the consumption to the needful length; and the same necessity would exist afterwards. But the landlord will immediately come down on the tenant for 4£ increase of rent; or, if he refuses to pay it, find another tenant who will.*] If the whole produce of the land he occupied were 10 quarters, of which he paid one to the parson, he must sell the remaining 9 quarters for 36£, because he must have the ordinary rate of profits on his capital. [*They are not sold for 36£ because this is necessary to his having the ordinary rate of profits; but it is because they can be sold for 36£ in consequence of the state of the competition, that the tithe-owner or the landlord can lay hands on the other quarter and still leave him a living profit.*] If the tithe were abolished, and he continued to sell the 10 quarters at the same rate per quarter as he had formerly sold the 9 quarters, his gains would exceed the ordinary profits of stock by the price of the tenth quarter [*and therefore the landlord will take advantage of the competition among farmers, to take the excess from him in the shape of rent*]. This would be speedily corrected by the competition of other growers, [*It would not; because it is corrected already by the interference of the landlord, and because other growers are in the same situation with respect to their own landlords.*] which would compel him to reduce his price till he gained no more than the ordinary profits of stock. The 10 quarters, therefore, the whole produce of the particular portion of soil referred to in our case, and which formerly sold for 40£, would now be worth only 36£.'—WESTMINSTER REVIEW. No. II.

The whole of this is a begging of the point at issue; which is whether the excess will not be taken by the landlord in the shape of rent. Whether it will or not, ascends to the great question concerning the origin of Rent.

In opposition then to all these arguments, the conclusion is, that Tithes fall on the landlords, but have also a certain effect in preventing the cultivation of poor soils, and diminishing the outlay upon others. And it becomes of importance to ascertain the magnitude of this last effect, and to compare it with what would have been the result if the support for the clergy had been raised by a tax on the produce of manufactures instead of agriculture.

In England the waste lands have been estimated at a seventh of the whole. Hence if it may be assumed that the quality of this seventh varies uniformly, from that quality where the expenditure of a given sum will return enough to pay the expenses with the necessary profits and a ninth of all this besides for tithe, to that where it would produce nothing,—the abolition of tithes, in calling into cultivation all the land down to that which would return the expenses and profits without the tithe or furnish nine tenths of the former lowest produce, would call into cultivation one tenth of the waste, and increase the quantity of cultivated land by one sixtieth. And if three quarters of corn per acre is a fair average produce for the whole of the cultivated land in the country, and one quarter per acre for the worst,—the produce of the new land called into cultivation by the abolition of tithes would be a hundred-and-eightieth part of what existed before.

Again, the rents in England are supposed to be in the aggregate a third of the produce. Hence the case so often assumed as an example,—with corn at 55*s.*,—is not very far from an average case. And in it, the diminution of produce consequent on the reduced outlay arising from a tax of one tenth or a tithe, would be less than the three-hundredth part. Adding therefore this effect to the other, the whole diminution of produce effected by tithes in England, supposing them to be universal, may be estimated at less than the hundred-and-twelfth part.

The value of the whole annual produce of agriculture in Great Britain, compared with that of manufactures, has been estimated as being as one to three. If then the support of the clergy were to be raised by a tax on the produce of manufactures instead of agriculture, the tax must be a third of a tithe, or $\frac{10}{3}$ or $3\frac{1}{3}$ per cent. And the consequence of this would be, in addition to the tax being paid by the consumers, to cause a gratuitous loss or prevention of production, which,

if 10 per cent may be assumed as the average rate of manufacturing profits, would be equal to ten elevenths of $\frac{10}{3}$ per cent on the whole amount of goods manufactured! And the value of this, would be to the value of the hundred and twelfth part of the agricultural produce, which is what is supposed to be kept out of existence by the system of tithe,—as $\frac{10}{3} \times \frac{10}{11} \times \frac{1}{3}$, to 1 divided by 112; or as 1 to $\frac{112}{100}$ or something more than 10 to 1,—an inequality not to be got over by any conceivable inaccuracy in the numerical assumptions. In which it is remarkable, that the result is independent of the comparative values of the agricultural and manufactured produce, and will be the same whatever is their proportion. The explanation of which is, that if the manufactured produce is less, a greater portion of it must be taken.

Hence the real state of the charge against tithes is, first, that the tax is paid by the landlords instead of being paid by the consumers as would have been the case if it had been levied on manufactures; and secondly, that there is a saving of more than nine tenths of the loss or prevention of production which would have taken place by the other mode. When tithes are asserted to be a peculiarly pernicious and impolitic mode of taxation, these facts are always kept out of sight. The proof of the assertion falls to the ground upon examination, like the proof of many other popular outcries. As the woodpecker, the rook, and the goatsucker, have been persecuted time out of mind for imaginary injuries, so the ecclesiastical rook has been charged with collecting his subsistence in a manner peculiarly injurious to the public, through clear ignorance or concealment of the nature of his process. Some species of commutation might possibly be better still. But it is plain that the extended outcry has been made either through ignorance, or a desire to direct the hostility of the community to a particular quarter by misrepresentation.

If a tax or tithe should be remitted on a certain portion of the land, the effect would be the removal of something approaching to a proportionate part of the consequences that resulted from the tax. For example, if the tithe in England, provided it were universal, would diminish the whole produce by the hundred-and-twelfth part, and if this would increase the price of corn by sixpence a quarter,—the effect of the remission of tithe on an average third of the land, would be that the produce of the country would be increased by something not far from a third of a hundred-and-twelfth part, and the price of corn fall by about twopence a quarter. And the value of the tax remitted, with the exception of the reaction produced by these petty alterations, would go into the

pockets of the landlords. For it is evident that this would be the result if the land-owners held the land in their own hands. It could make no difference in the prices in the market, whether corn was sold there for the benefit of the tithe-owner or the grower. If the tithe-owner could eat all his corn himself, the case would be different; but as it is, the same quantity of corn must be brought to market, and consequently be sold for the same price. And of this price, the whole that is left after paying the necessary profits of the capital employed, would be rent.—These seem to be all the effects that arise from a partial remission of the tax.*

The next subject is that of Poor Rates.

'If the poor rate were levied in proportion to profits upon farmers, manufacturers, and merchants, it would be a tax upon profits. If &c. —But if a separate tax is laid upon the farmers, we have already seen *that it operates immediately to raise the price of corn sufficiently high to afford them compensation for the tax, and raises the rent of the landlords. It is to them a benefit, not a burthen.*'—Mill. p. 286.

The reasons for opposing the conclusion marked in italics, have been formerly stated.

A poor rate is commonly levied in proportion to the rent. In the case, therefore, of a land-owner uniting the characters of landlord and cultivator, it would be simply a tax upon rent, and would alter nothing else. And the same will take place when the characters are divided.

If a poor rate was levied in proportion to profits or to produce, it would be a tax on profits or on produce, and its effects will be found under those heads.

The Section on 'A Tax per acre on the Land' infers that if the tax was levied only on cultivated land

'Such a tax would *raise upon the consumers, not only so much per acre to the government, but a great deal more for the benefit of the landlords.*'—Mill. p. 290.

and it founds this upon the former argument, that there is a

* In an Article on the Corn Laws in No. 88 of the Edinburgh Review, as published by anticipation in the Morning Chronicle of Oct. 17, 1826, some inferences on the effect of tithes are presented as derived from the fact of the impost being of partial application.

'It is obvious that *the price of corn must have been regulated by the price for which it can be raised on the last lands cultivated that are free from tithe*, and not for what it could be raised for on the last lands cultivated that are subject to that charge.' It appears, therefore, &c.

'Corn *can* be raised on the sand above high-water mark, if any body chuses to do it in defiance of the loss; but it is clear that it is not meant to say that this corn would regulate the price.' What is meant therefore must be, that the price of corn has been regulated by the price for which

portion of capital employed upon the land, the return to which is sufficient to afford the ordinary profits of stock, but nothing more, and that

'If any addition is made to the cost of producing, *a rise of price must afford compensation.*'—p. 288.

The fallacy of this, as before stated, is in supposing that this portion of capital will of necessity continue to be employed. By application to the case of the land-owner uniting the characters of landlord and cultivator, it is plain that a tax per acre on the land, whether confined to cultivated land or not, will be taken from the landlord. In cases where the tax per acre should be greater than the rent, the landlord, if he could escape the tax by it, would keep the land out of cultivation, or even disown it altogether. But if he cannot by either of these means escape the tax, he will have no resource but to get all the rent he can, and make up the tax out of his own pocket.

To recapitulate. The Theory of Rent with its adjuncts is proved to be fallacious, First, By the irrationality of the conclusion that what it assigns as the cause *is* the cause; as demonstrated by the application of a similar conclusion in other cases;—and Secondly, By the results being contradicted by the evidence of experiment. The theory says, that no rent should be paid where land is of a uniform quality and the art of forcing crops is unknown. The palpable fact is, that a heavy rent is paid in countries lying under precisely these circumstances. The theory says, that landlords lose rent by turnips and drill husbandry. Landlords quietly do all in their power to encourage both. The theory says, that taxes on agricultural produce are shifted on the consumers. Landlords and tenants both know, that no power on earth can induce the consumers to give more for a given quantity of corn than the competition obliges them to do. The theory says, that taxes on the farmer's profits, and on his instruments of agriculture,

---

it can be raised on the last lands cultivated *with a living profit at the going price.* In other words, that the price has been regulated by the price; which is reasoning in a circle.

If it is urged that the price is regulated by the *necessity*, this necessity has no organ for expressing itself but through the price. Which makes the circle as before.

The whole is in fact the fallacy of inversion noticed under the Theory of Rent. The price of corn is neither regulated by one of the things mentioned nor by the other; but the state of competition first settles what shall be the price in proportion to the quantity, and the price determines the quality of land on which it is worth while to grow corn, in tithed lands and tithe-free respectively. And no difference will be made to the consumers, by tithe being taken or not taken; except the slight alterations in produce and price which have been stated.

raise rent. Landlords know, that they pay for them out of the rent. The theory says, that rent is made higher by poor rates. Landlords know, that it is as snow by sun-shine. The theory says, that a land-tax raises a sum on the consumers, for the benefit of the landlords. Landlords are so dull, as never yet to have voted for a land-tax but under the pressure of necessity. When the measure of the truth of a theory shall be the hostility of its results with experiment, this theory may be believed on argument. Till then, it must be believed because it is a convenience to have the labouring classes told, that the clergy are supported out of the price of bread.

The theory of 'No General Glut' is in a certain degree connected with the rest.

'Every commodity is always, at one and the same time, matter of demand, and matter of supply. Of two men who perform an exchange, the one does not come with only a supply, the other with only a demand; each of them comes with both a demand and a supply. The supply, which he brings, is the instrument of his demand; and *his demand and supply are of course exactly equal to one another.*'—Mill. p. 232.

This is the rhythm of an argument, without the substance. The fallacy lies in assuming that the demand and the supply are equal. The supply of every individual is the *source* of his demand,—the *storehouse* from which his demand is taken;—but it is not his *demand*. Nobody ever doubted that the portion of an individual's supply which he succeeds in exchanging with a living profit, is the instrument of his demand; but the question was, whether he might not have a further portion behind, which he could not exchange, or could not exchange with a living profit. The sportsman's charge of shot is the instrument of his demand upon the covey; but it by no means follows that his demand upon the covey shall be equal to his charges of shot.

It seems to be abundantly clear, that if the manufacturing capitalists who now demand a profit of, it may be, 10 per cent on the capital they advance, and consider it as only a living profit, could be persuaded to advance it for 4, their goods would be offered at less price, and a greater quantity would be from time to time manufactured and sold. And if they could be induced to advance capital with no profit at all, a still greater increase of sales might take place. And it might be greater, still if, for arguments sake, it were possible that they should consent to advance capital at 4 per cent loss.

By the converse of the argument it seems equally clear, that if the capitalists, from any cause whatever, proceed to manufacture at any of the rates severally specified above,—the

quantity of goods from time to time produced will be such as could only be sold with a profit of 4 per cent, or with none, or with a loss of 4 per cent, respectively; and consequently such as it is impossible to sell with a living profit, when the living profit is 10 per cent. The quantity of production, therefore, will be finally kept down by the accumulation of what it is impossible to sell with a living profit, and the withdrawing of a portion of the producers by bankruptcy.

All that remains to be accounted for, is why, in a given state of manufacturing skill, all the manufacturers and shopkeepers in the country do not make and sell more than they actually do; as, for instance, ten times as much. And here it will be found, that there is an ultimate reference to corn. For if they were to proceed to attempt such an increase, they must proceed to create a labouring population approaching to ten times the present number; because when a man is working twelve hours a day already, it is in vain to think of making him work ten times as much. And whether they set about effecting this increase by the shortest road, which would be by the introduction of adult workmen from other countries, or waited for the slower progress of population at home,—it is clear that they must commence by advancing in the shape of wages the means of obtaining a supply of corn which, first or last, is to amount to something like ten times the present supply. But since no prices could have the effect of making the agriculturists produce a tenfold supply, the projectors must, to use a maritime phrase, be *brought up* by the impossibility of furnishing what would purchase the corn required to go on. Hence if they persisted in the attempt to furnish it, they would first discover that their profit was being eaten up in the contest, next that it was nothing, and next that they were continuing the struggle at a ruinous loss. The secret therefore lies in the slowness of the increase of the produce of land, compared with the increase of manufactures which might otherwise be created to tempt the agriculturists withal. It would be easy to double the quantity of goods manufactured, if the offer of them would teach the agriculturists to produce food for two men where they produce for one now, and leave a certain profit for the manufacturing capitalists besides. But as it is impossible for one to keep pace with the other, there must be a point where the increase of manufactures must stop.

There is then, in any given state of productive power and skill, a certain quantity of all kinds of commodities which can be produced and sold with a living profit. And if more are produced, they cannot be sold with a living profit; and this is a General Glut.

All manufacturers, if not restrained by foresight of the consequences, have the power of increasing their individual produce without reference to what can in the aggregate be finally sold with a living profit. They can do it through the operation of one agent, credit; by which is meant the practice of selling goods for the promise of future payment. There is no man of moderate respectability, who could not through this agency double his rate of manufacturing from the present moment till he appeared among the bankrupts in the Gazette, if he chose to take the consequences. Many foresee the consequences and avoid; some do not, and so create a glut. And this tendency to plethora is kept down from time to time by evacuations in the Gazette; which do not, however, take place with perfect continuity,—any more than a bleeding at the nose is spread over every minute of every hour;—but appear by fits and starts, as circumstances direct the eruption of the process. There appears therefore reason to suspect, that the habit of giving credit, which in earlier stages of society may be a useful stimulant, is in more advanced states a principal agent in producing something like a periodical return of commercial distress.

It is not true that there would be no glut, if there was only less of one thing and more of something else. The cause of the glut extends to all commodities, and cannot be remedied by altering their proportions.

Agriculturists have also the power of making a mistake in the calculation of the last sum which can be added to the outlay so as to be returned with a living profit; and they doubtless do so occasionally in a certain degree. But the effects of such a mistake are confined to a comparatively inconsiderable sum, and are consequently of insignificant amount; which is the reason why little is ever heard about cultivation being carried to a ruinous extent.

There remains a subject which it is necessary to go through con volto nè torbido, nè chiaro protesting against any inferences from the limitation of the commentary.

Every body knows the fact, that in the greater number of countries, the population is stationary, or nearly so. But what does this prove, so long as we are not informed, by what causes it is prevented from increasing? We know well, that there are two causes, by which it may be prevented from increasing, how great soever its natural tendency to increase. The one is poverty; under which, let the number born be what it may, all but a certain number undergo a premature destruction. The other is prudence; by which either marriages are sparingly contracted, *or care is taken that children, beyond a certain number, shall not be the fruit.*—Mill, p. 50.

'There are two modes in which *artificial means* may be employed to make population and capital keep pace together: *expedients may be sought*, either to *restrain the tendency of population to increase*; or to accelerate beyond its natural pace the increase of capital.'—Ib. p. 57.

'The result to be aimed at is, to secure to the great body of the people *all the happiness which is capable of being derived from the matrimonial union, without the evils which a too rapid increase of their numbers involves*. The progress of legislation, the improvement of the education of the people, and *the decay of superstition*, will, in time, it may be hoped, accomplish the difficult task of reconciling these important objects.—Ib. p. 58.

'If we may, thus, infer, that human happiness cannot be secured by taking forcible methods to make capital increase as fast as population; and if, on the other hand, it is certain, that where births take place, more numerous than are required to uphold a population corresponding to the state of capital, human happiness is impaired, it is immediately seen, *that the grand practical problem is, To find the means of limiting the number of births*.—Ib. p. 65.

'If Mr. Owen means that population should not go on, and if *expedients* can be employed to limit sufficiently the number of births, there is no occasion for these [Mr. Owen's] establishments.'—Ib. p. 67.

What is it 'the new school of political economy' would be at? And where is it that *superstition* above all things, interferes with their wishes? It cannot be unfair to allow the writer to explain himself, by extracts from others of his acknowledged works.

'It is perfectly evident, that, so long as men are produced in greater numbers than can be fed, there must be excessive misery. What is wanted then is, the means of preventing mankind from increasing so fast, from increasing faster than food can be increased to support them. To the discovery of these means, the resources of the human mind should be intensely applied. This is the foundation of all improvement. In the attainment of this important end, it is abundantly plain that there is nothing impracticable. There is nothing which offers any considerable difficulty, *except the prejudices of mankind*.—Supplement to the 4th and 5th Editions of the Encyclopædia Britannica. Art. BANKS FOR SAVINGS, p. 93.

'As the tendency in population to increase faster than food, produces a greater number of individuals than can be fed,—as this is the grand parent of indigence, and the most prolific of all the sources of evil to the labouring portion of mankind, take all possible means for preventing so rapid a multiplication; *and let no mere prejudice, whether religious or political*, restrain your hands in so beneficent and meritorious an undertaking. *It would be easy to offer suggestions on this head, if we were not entirely precluded from going into detail*. It is abundantly evident, in the mean time, that indirect methods can alone avail; the passions to be combated cannot

be destroyed, *nor, to the production of effects of any considerable magnitude, resisted*. With a little ingenuity *they may*, however, *be guided*, and, instead of *spending themselves in hurtful*, made *to spend themselves in harmless channels*. This it is the business of *skilful legislation* to effect.—Ib. Art. BEGGAR. p. 246.

What are the best means of checking the progress of population, when it cannot go on unrestrained without producing one or other of two most undesirable effects,—either drawing an undue proportion of the population to the mere raising of food, or producing poverty and wretchedness, it is not now the place to inquire. It is indeed, the most important practical problem to which the wisdom of the politician and moralist can be applied. It has, till this time, *been miserably evaded* by all those who have meddled with the subject, as well as by all those who were called upon by their situation to find a remedy for the evils to which it relates. And yet, *if the superstitions of the nursery were discarded*, and the principle of utility kept steadily in view, *a solution might not be very difficult to be found*; and the means of drying up one of the most copious sources of human evil, a source which, if all other sources of evil were taken away, would alone suffice to retain the great mass of human beings in misery, might be seen *to be neither doubtful nor difficult to be applied*.—Art. COLONY. p. 261.

It may occur to some readers, that abstinence from marriage is the remedy intended. But this is inconsistent with the data, as will be proved by going through the passages marked with italics in the extracts. For 'marriages to be sparingly contracted,' is one way; but to 'take care that children, 'beyond a certain number, shall not be the fruit,' is another. Abstinence from marriage cannot be termed either 'artificial 'means,' or 'expedients.' The plan is 'to secure to the great 'body of the people all the happiness which is capable of be'ing derived from the matrimonial union,' though 'without 'the evils which a too rapid increase of their numbers in'volves;' which is something quite different from abstinence from marriage. What is found to oppose the plan, is 'su'perstition;' and superstition was never understood to be opposed to abstinence from marriage. The evil of improvident marriages has long been known; but nobody ever entered before on 'the grand practical problem' of 'limiting the num'ber of births,' without diminishing marriages, by means of 'expedients.' The thing is stated to be easy, if it were not for the 'prejudices of mankind,' *religious* among others; and religious prejudices never hindered abstinence from marriage. 'It would be easy to offer suggestions on this head,' but there is something that 'precludes from going into detail.' There is nothing to prevent the going into detail to the utmost, on the subject of abstinence from marriage. The passions, 'it

is declared, are not proposed to be 'resisted;' but they are to be 'eluded,' and made to 'spend themselves in 'harmless channels.' Of all the occupations invented for legislators, assuredly that here proposed is the oddest. The question, it is affirmed, has hitherto 'been miserably evaded;' yet all has been said on abstinence from marriage, that can be said. 'If the superstitions of the nursery were discarded, the solution might be found;' and assuredly there are no nursery superstitions on the subject of abstinence from marriage.

It would be a painful thing to load any sect or school with a disagreeable misconstruction; but if any thing like it should happen in the present case, the aggrieved have a ready remedy, which is, to explain what it is they *do* mean. Men are certainly not always obliged to prove a negative; but when circumstances of reasonable suspicion have arisen out of their own act, the most innocent persons on earth must either do so, or remain under the imputation. There is no use in pretending not to know, what has been disseminated in full and disgusting detail by the instrumentality of the press*. It is submitted, without violence or exaggeration, to the judgement of unprejudiced persons, whether in the absence of explanation, the passages extracted do not necessarily lead to the conclusion that 'the new school of political economy' intended what is alluded to above.

It may appear questionable to some, whether it is right to bring such a subject into notice. The objection would be valid, if the matter was really drawn out of obscurity. But when a theory has been published in Encyclopædias, recommended in octavos, dispersed in detail by the press, and urged,

* To describe it as nearly as is easily practicable, it was an appeal to the doctrines of political economy on the evils of a redundant population, concluding with a detail of 'expedients' for procuring abortion in an evanescent period by mechanical means; or to define it with more accuracy in the words of the extracts, for procuring 'the happiness capable of being derived from the matrimonial union,' without 'children being the fruit.' It was printed in two different forms; and possibly in more. One was of a superior type and paper, in general appearance resembling the hand-bills of fashionable venders of perfumery; and, as might be gathered from the circumstances of the individual case, was distributed anonymously by the twopenny post. The other was in the manner of the lowest order of quack advertisements which are thrust into the hands of passengers at Temple Bar; and was, apparently for distribution among the labouring classes. It was stated in some of the public prints of the time, that tailors were the class among whom the plan found its principal supporters, and that the progress of the sect was stopped by a threat of public prosecution. *Were the authors anxious to connect the name of political economists with the lowest class of offenders that trouble the police-offices?*

as cannot be doubted, on the acceptance of every new institution for purposes of education to the extent of what the influence of the propounders can effect,) this objection seems to be gone by, and nothing is left but to examine the theory on the grounds, first of morality, and secondly of its adaptation to the attainment of the end proposed. And on the first of these, it may be conceded to the fullest extent, that the question shall stand solely on 'the principle of utility,' or the effect on the general happiness. What, then, is to be the situation of the women of the lower and middle classes, when in every street political economists go about seeking whom they may devour, under the assurance that they bring with them the 'expedients' for evading the ordinary consequences of sexual irregularity? And what will be the purity of the wives and daughters of the higher classes, when in every room the footmen are neighing after the chambermaids under assurances of like impunity? There is difficulty enough in keeping the passions of mankind in a state of decent repression, with all the existing checks on their irregular exhibition; and what is to be the case when one of the strongest checks, the fear of consequences, is removed? Society may and must struggle, with so much of men's passions as are connected with the great operations of nature and the continuation of the species; but it has long agreed to rid itself of the intolerable nuisance of struggling with any others, by referring them to a class of crimes which it is not usual to describe except by omitting to name.

And next for its adaptation to the end proposed. And here it is plain, First, that as long as such practices are not universal, their adoption by one will only make room for the natural use of marriage by another, and consequently the reduction of population will be nothing. Secondly, that the ultimate effect must be the same as that of the permission of infanticide; which is well known to end in increasing the density of population, through men's entering into marriage with some view to the practice while it is at a distance, and shrinking from it afterwards.

It is impossible not to notice the contrast presented by the purity, and even elegance, of the author of the great discoveries on the subject of Population. *Virginibus puerisque canto* may, as far as the spirit of the author is concerned, be written on every page of the work of Mr. Malthus; and his illustrations, such as those of 'the tree with its branches and foliage,' and 'the sunny spot in man's whole life where his imagination loves to bask,' are the very poetry of science.

Though the instructors of youth are not bound to enter

into the actual confutation of every unseemly error that men may fall into, enough has been said to show the importance of bringing the pursuits of political economy within the pale of academical education. When such efforts are being made to teach the new *mumpsimus*, the least the universities can do is to teach the old *sumpsimus*. As long as the accredited guardians of learning stand aloof from a branch of science peculiarly adapted for the exercise of cultivated reason, it necessarily falls into the hands of those who have less power to distinguish fallacies, and less caution to avoid them.

THE END.

PRINTED BY RICHARD TAYLOR,
SHOE-LANE, LONDON.