Synopsis of Dr Wylie's (1) Lectures June 27th 1834

6.11 - Political Economy relates to the acquisition & distribution of national wealth. (2) Wealth consists in possessing articles of value (3) Value is, generally, derived from the adaptation of any thing to the wants of our nature: but (4) commercial value results from an objects being desirable to many & procurable by exchange for other things. (No limit to the wants of man — they increase as he advances in improvement & refinement — all his relations, conditions &c. multiply his wants) (We must distinguish between value & utility. Some things are highly useful (even essential to our existence) which because they are furnished to all by nature, are not valuable E. g. air, water &c. Some things are highly useful to the possessor but not valuable to others because they cannot be procured by any exchange. E. g. talents. Genius &c.

(5) Price is the standard of commercial value — Nothing can be worth more than what it will demand in the market.

Artificial means of augmenting price, such as excises, monopolies, imposts, increase not the real but commercial value of goods. Their operation is to take money or value from the consumer without an equivalen. Natural means increase the real value of an article e.g. the labor bestowed on any useful materials— — —

Chapter 2nd Of Industry or labor, & its different kinds. The spontaneous productions of nature have no commercial value. Commercial value is derived from labor alone. (That wealth is derived from labor is a fundamental maxim.) There are three kinds of labor, (or Industry) viz. Agricultural, Manufactural, & commercial. The 1st (Agri.) consists in the aggregation or collection of any natural products including even fishing, mining &c. The 2nd (Manuf.) consists in some change wrough in the composition or form of natural products (mechanical or chemical)

The 3rd kind of Industry in conveying the products of nature or of art to the consumer.— In all these kinds of labor the power of man can do nothing without nature (nature ~~for~~ seems to do most for the agriculturist.)

Art augments the value of materials prodigiously. (vide Say's P. E. Page 5th) a pound of iron made into watch springs

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In commerce it is not the act of exchange but the approximation, (or the transfering of articles to where they are more needed) that increases the value. There are many agents employed in different parts of the world in bringing articles to us & they all must be paid for their labor.

Chapter 3rd Productive Capital. Consists (1) of tools, implements, machinery &c. (2) of means of subsistence to the operator (3) of raw materials (4) of money. It is interesting to trace the progress of improvement, the invention of tools &c. The operator must have something to live on whilst he is producing his commodities. He must have material on which to operate as well as tools, implements, machinery &c. & lastly he must have some money with which to procure necessary articles whilst he is going forward with his operation. But money is not the main capital of a nation. What portion of money is necessary not easily determine much depends on briskness of circulation.

Chapter 4th Productive power of natural agents. These are the properties of things exerting themselves according to the laws of nature. (2) Some of these are capable of being appropriated: others are not. E.g. Land & its productions improvements & are — high seas, air &c not. (3) These agents do nothing without the hand of man & capital (4) Wealth is accumulated labor. Other things being equal, wealth will generally be in proportion to labor employed.

Chapter 5th The concurrence of individual capital & natural agents — These may be possessed by different persons & little can be done without the union of them all: hence the possessor of one may lend to others. This explains rent, interest, & wages, — Rent is the consideration paid for natural agents. Interest the consideration for capital & Wages the consideration for industry (or labor) — In states of small capital money for materials must be paid in advance, as they must be procured from different sources.

<u>Chapter 6th</u> Operations common to all kinds of industry (1) those of the Philosopher (2) of the artist (3) of the workman. The provence of the philosopher is to find out the laws of nature — Of the artist to apply the discoveries of the philosopher, — ~~of~~ draw schemes in his own mind form combinations &c. — Of the workman to execute the schemes of the artist. The philosopher is sometimes in advance of the artist; & the artist sometimes in advance of the workman. In such cases many valuable discoveries, inventions &c. have been lost for want of suitable persons to bring them into operation. The kn. of the Phil. diffuses itself over the world — not so with the kn. of the artist (this may be & often is confined within a narrow circle e.g. the art of manufacturing cloth in England unknown to us) The Phil. can do nothing without the aid of the others: hence wealth & science are not always found together. The <u>theory</u>, application & execution are all necessary to the result. Improvements in manufac- industry are more easily made than in any other departments.

Chapter 7th The labor of man, of nature & of machinery. (1) The effect of a machine is to employ the labor of nature instead of that of man. (2) Since the labor of machinery supercedes & displaces the hands before employed, is it not injurious to the poor? No. For (1) new machines are slowly brought into operation (2) hands are needed in their construction & management &c. (3) Consumers, a class in which all are comprised are benefited by the effects of the machine, in reducing the price of the article produced (4) The machine increases the amount of the articles produced: ergo, employment to more hands. (5) Articles are produced in greater perfection. (6) They multiply other products by increasing the demand & puting it in the power of more to purchase them.

Chapter 8th Division of labor Its advantages & disadvantages. (1) Division takes place in all kinds of labor, whether of the phil. the artist or the workman farmer merchant &c. In agriculture least from the nature of vegitation &c.

(2) Division increases products (& by consequence wealth) This is owing (1) to dexterity (2) to the saving of time (3) to the facilitating of labor-saving machinery. but (4) it requires a greater amount of capital & cannot take place where the number of consumers is small (5) it limits the sphere of mental exertion & thus degrades the man & (6) it makes him more dependent on his employer. (7) The remedy of this is in early education.

Chapter 9th Different kinds of Commerce. (1) What gives rise to commerce is the diversity of products in different places (2) The kinds are External, internal, wholesale, retail, of the banker & broker, carying trade & speculation. (3) External bears bears very little proportion to the internal - the latter is uniformly more profitable.

Chapter 10th Transformation of capital.
(1) In agriculture the rent, interest, & wages may be paid & the original stock reproduced: but allowance must

be made for the wear of (?) land, injury of boats & such waste &c.
like. The result may be = + or − (positive or negative)
(2) In manufactories fixtures of every kind must be kept
up — the material undergoes a change E. g. soap, cloth &c
(3) The invested capital may undergo a change at every em-
porium. (4) in all cases the quicker the transmutation
the greater the profit. Distant voyages in trade & slow
processes in art, must have profits in proportion.

Chapter 11th Multiplication of capital

A surplus being obtained as supposed in the chapter above (2) It
may be converted into money & buried in the earth or locked up in a
box — there is no loss. (3) It may be expended in entertainments — no loss
(4) It may be laid out in furniture, plate &c. Still there is no loss.
(5) It may be added to productive capital, then there is gain
N.B. This multiplication (or surplus) of capital is the effect of frugality.
(6) Capital in form of money may be most easily accumulated
in this way — (The Jews under a kind of necessity of accumulating
their capital in form of money, from their unsettled life — hence the
proverb "as rich as a Jew.") (7) No new investment be readily

made unless there is a variety of departments of labor in society.
(8) Modern nations are growing rich because more frugal. we now use paper instead of tapestry, gilded instead of solid plate (Franklin's advice to the inhabitants of Paris to use daylight instead of candle-light.

Chapter 12th Unproductive capital, may exist ~~of~~ in the form of money secreted, jewels, plate, &c. — Capital when employed may be taxed - ergo. in Arbitrary governments (as in Turkey) it is often secreted. The same takes place in political convulsions revolutions

Chapter 13th. Immaterial products. The prescription of the Physician) the pleading, preaching, judgment, song, play, fire-works, public functions. Of these some cannot be had without previous expenditure. E. g. 1 & 2nd, others may (3) Laws should be simple to lessen the labor & expense of Lawyers) (4) Theatres ought to be discouraged (5) Some kinds of play ought to be patronised more than they are E. g. public walks, roads lined with trees, groves, amusements for children &c. (6) houses & furniture productive of an immaterial product viz comfort.

Chapter 14th Extrinsic circumstances affecting production (1) The right of property (2) The importance of this is great & evident. (3) but this right cannot be maintain ed without Government. Yet Gov. itself often invades this right by exorbitant taxes, Slavery &c. (4) The fundamental maxim is that the proprietor best knows in what way to dispose of his capital; yet it should be observed that in new channels of industry, individual can neither see nor protect their interest. hence manufactures need protection = (N.B.) As arts are multiplied there is a saving E.g. In London a slaughtered ox is used up entirely. — Industry, the results of which are not palpable, needs Governmental protection or interference. E.g. Education, Timber, quarries, mines &c.

Chapter 15th. Of Demand & Vent.

(1) Demand produces vent. (2) Products can only be procured by means of other products, or money, which represents them & facilitates exchange. No one wishes to keep surplus products on hands, — Ergo. a demand will always make sales though money be ever so scarce. (3) demand arises from the number of consumers & their ability to purchase; & this last is the result of productions: so

that it is production that makes demand for production (4) The interest of every man is promoted by the prosperity of those around him. — Town & country have a mutual & recipirical dependence on each other — so of nations (5) Importation of products from abroad (vide Say) is not injurious to the nation importing; because products can be bought only by products. But this is too general — it holds only when the channels of industry at home are filled. (6) Mere consumption is no benefit — else we might consume by fire — but consumption ending in comfort or pleasure is a benefit. The consumer, unless he is at the same time a producer, is a squanderer & does not increase wealth.

(July 7th 1834)

Chapter 16th Of Brisk Circulation.

(1) A value invested can never be realised so as to be ready for a new investment till the article in which it is invested be complete. hence the more rapid the completing process the better E.g. The sooner the cotton is brought to the spiner, spun taken to weaver wove, printed, taken to the whole sale merchant, sold to the retailer & finally to the consumer the greater is the saving of capital, interest & wages (3) Circu-

lation is impeaded by embargoes, alarms, & excessive speculations or jobing &c. But (4) It may be injuriously accelerated by depreciating currency E.g. Assignats, Continental money, bank notes (as in the period immediately succeeding the late war.

3 Chapter 17th Government regulations affecting production (1) They are intended to affect either the kind or the mode of production. Section First The Kind. (1) In agriculture men will naturally cultivate those articles to which the soil, climate &c. are congenial — Gov. should not interfere E.g. The beet root in France. (2) So in manufactures — Querry. Should Gov. encourage the manufacture of materials of home production in prefference to those of foreign origin? No. For the foreign must be bought with domestic productions; yet there are some exceptions (as young nations &c.) (3) In commerce interference on the part of Gov. is more common & perhaps more injurious.

Balance of trade is that struck between exports & imports. The value of an import is that of the commodity increased by the value of the transfer, & that of exports must be estimated by the same rule. (4) The accumulation of the precious metals in shape money adds nothing to the wealth of a nation; for there is a certain quantity needed only as a vehicle or medium of exchange & whatever is added to this operates by way of depreciation. So that it can never be told by the Gov. whether it is better or not to import specie. (5) To the nation at large i.e. to her merchants money is not requisite to make exchange: for the merchant knows the value of commodities relative to each other, & can make the exchanges, dealing largely without money. (6) The exportation of Specie does not diminish nor does its importation increase capital. The money sent out must have been obtained by products previously exported & vice versa. (7) Specie is less consumable than other products: but that is no reason why its importation should be encouraged. The bank of England in 1812 expelled English guineas to France in spite of the severest gov. regulations. This ends what we have to say on the Balance of trade.

Govermental interferance continuing imposts on on imported products enables the home manufacturer to sell the like products at a higher price in proportion to the imposts which comes off of the consumer; but (2) an influx of capital into the new sphere sinks the price again & (3) the abduction of labor & capital for the supply of this new sphere lessons their quantity in the old sphere, & thus increases the price of products therein. (4) If interest on foreign capital be low, products may be afforded low there

&, therefore, imports have been thought necessary to equalize things (Say). The efflux of capital for foreign goods diminishes it at home & consequently increases interest. This produces an influx & turns the tide. But this argument is good only on the supposition (1) that foreign nations will admit our products & (2) that the channels are filled at home. (5) It is contended that the nation adopting restrictive measures gains in the capacity of producers as much as it loses in that of consumers. Not so; for the loss is great, but imperceptable— the gain small, but palpable: besides the loss & gain are neither equal as it respects individuals (6) Bounties on exports given when exported, or given as drawbacks at the commencement of the process, as E.g. to a loom favours the home consumer as well as the producer— (7) Restrictions often drive industry abroad. (8) Smuggling restricted will not prevent the daring &c. from practicing it.

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<u>Section</u> 2nd Regulations affecting the <u>manner</u> of productions (1) In agriculture Government cannot well interfere, except by bounties for the best productions & for the destruction of noxious animals & insects (2) In the <u>arts</u> Government may interfere by apprenticeships, by incorporated companies, by pattents &c.

Section 3rd privileged trading companies. They are generally badly managed by the multiplicity of agents employed which prevents the accumulation of wealth. (2) They are justified only in opening new channels of trade which are attended with peculiar hazard & expense.

<u>Sec.</u> 4th <u>Corn laws</u>. Corn being necessary to life, a constant supply becomes a thing of common interest (2) being a heavy article there is advantage in producing it near the consumer. (3) Storehouses & Graneries cumbersome & expensive method (4) Maximum prices in times of scarcity increase the difficulty. (5) The policy of England in her corn laws

(6) A variety of esculent productions a good expedient in case of emergency. (7) Where commerce thrive there is little danger of suffering want of provisions. E.G. Holland.
+: (by corn is meant all esculents that yield nourishment)

Chapter 18th Productive efforts of government.

(1) When Gov. engages in creating a product, the value of which is less than the expense incurred in producing it. there is a loss which falls upon the taxpayer viz the people. The employment given to the laboring class no compensation for they might be better employed (2) But the making of roads, canals, disseminating kn. by means of libraries, Museums, Lyceums, Schools voyages &c. are all useful (3) the manufacturing of arms & building of ships are often engaged in by government (4) War & robery bad policy— Had not Rome engaged in these she might have yet remained.

Chapter 19th Of Colonies & their products.

(1) Colonies are settlemements in foreign countries by emigrants from the mother country (2) The emigrants either contemplate a permanent settlement or, after having made his fortune to return. (3) The increase of wealth in colonies arises from a virgin soil, enterprise & frugality E.G. Miletus & Ephesus, in Asia Minor; Syracuse ~~& Ag~~ Aagentum in ~~Itify~~ & lastly the United States of America. (4) Colonization is connected with Slavery. The Slave works for his master & consumes for himself. His labor, therefore, is not so productive as free labor. Yet may be more productive to such masters as work him hard & limit his expense & leave him to die as when wornout. (5) The Coloneal System

Chapter 20th Emigration

A traveler who expends a given sum in any foreign country does not enrich it to that amount; for he receives value in return. Yet it is not the same thing as if he were to remain abroad & consume the same articles. Their price would not be the same to *him* & he consumes *in* the country many commodities which could not be sent to him abroad — Absenteeism injurious (2) The permanent emigrant transfers a greater benefit than his capital & industry; but this at least he transfers (if he is a moral enterprising informed skilled person) he is of inestimable benefit to society) Revocation of the edict of Nantz. (Lewis XIV) (3) The way to attract emigrants is to give them liberty & security.

Chapter 21st Of Money.

(1) The mass of products must be exchanged before consumption (one person produces but a small portion of the articles he needs) & this exchange requires a medium (of exchange) (2) the further the division of labor is carried the greater the need of money: for individual operations will be confined to narrow limits & there must be more exchange of products.

Section 2nd Material of Money (1) it must possess inherent value (2) be divisible (3) a sameness of quality (4) hard (5) sufficiently rare (6) susceptible of stamp.

Sec. 3rd Any commodity is increased in value from the circumstance of its being used as money. & money is more valuable if transfered ~~to~~ other countries. (A maxim. Any thing is more valuable in proportion to the different uses to which it may be applied.) Sec. 4th Coinage (1) It supercedes the necessary labor of weighing & assay bullion (2) Gov. should coin to prevent fraud. (3) The stamp answers (or is an index) to the value.

Section 5th Alteration of the standard of money has often been ~~practiced~~ practiced; but it is a fraud highly injurious to public credit & public morals (Kings & rulers often diminish the weight of money to serve their own purposes when in debt

 (July 10th 1834)

Sec. 6th Money is neither the sign nor the standard of wealth. It would be a mere ~~standard~~ sign if it possessed no intrinsic value. A note of the bank of England represents nothing: but one of a specie-paying bank does. Query. Does the total amt. of money in a country equal the sum of all the values therein? No. For though property &c. is valued nearly in proportion to the amount of the circulating medium, yet there are may things which the possessors do not want to dispose of & hence as there is no exchange of such articles, there is no need of the medium of exchange in those cases. (2) It is not a standard of wealth, for a standard ought to be invariable, as weights & measures, but money is variable — labor & wheat are better standards. The comparative value of money with itself in distant places is of verly little importance. E.g. If we wish to import an article from China it is enough for us to know what it will cost us there & what it will be worth here.

Sec. 7th Money as it ought to be (1) The substance the precious metals divided & impressed (2) The denomination of the coin ought to be according to some standard or weight. The French standard is formed thus; the metre is $\frac{1}{10.000000}$ of a quadrant of the earth $\frac{1}{100}$ of which is a senimetree. The gramme is the weight of a cubic sentimetre of water.

Sec. 8th Base metal coinage. It is customary to isue a small amount of base metal coined (as copper with us) but the value must be but little improved by coining, otherwise it would be counterfeited as such metal can be esily procured.

Sec. 9th Form of coined money. The globe presents the least surface to friction but it is inconvenient — The (flat) cylender the best. (2) The impression certifying the weight & quality ought to be distinct & not easily defaced. Baso-relievo-impressions preferable to the alto relievo, because the latter weakens the coin. (3) the smaller the pieces the more waste by friction.

Sec. 10th The gov. should bear the loss by friction.

Chapter 22nd Signs or representatives of money.

Sec. 1st obs. (1) Bills of exchange, letters of credit, promissory notes — The 1st is a written obligation to pay at a different place, the last at a different time & ~~the~~ the 2nd at a different time & place. (2) Bills of exchange can represent no more than the value possessed in the place on which they are drawn. (3) Accomodation paper is a bill of exchange to be answered by another — (properly representing nothing

Sec. 2nd Banks of Deposite — originate in small commercial states — now out of use

Sec. 3rd Banks of discount (1) Consist of associated capitalists that discount bills of exchange & their own notes. (2) by their means merchants may invest their whole capital in business. (3) Suppose there was just enough & no more than to supply the circulating medium — in that case none would be exported or imported. — Add one half of bank notes — that amount of specie would then go abroad to bring back its value in other commodities (4) But the advantages are not so great as might be supposed after all — Suppose the money needed for circulation is $\frac{1}{5}$ (some say $\frac{1}{30}$) of the annual products — If 20.000000 be the Capital, or annual produce the circulating medium would be 4.000000 One half (or 2.000000) is all that can be added in paper. & if the annual products be to the whole capital as 1 is to 10 the interest of the notes will then be $\frac{1}{100}$ of the capital (5) Paper can only supplant a *portion* of the circul. *medium* (less prob. than $\frac{1}{2}$) (6) Forging may then be more injuriously practiced with paper money; but it in some measure prevents highway robery.

Sec. 4th Paper Money, that which is made a legal tender — not convertable; but passes for a time (1) because many persons are always in debt (& paper will discharge debts) (2) It will pay taxes (3) Fools will take it (a very comprehensive class) (4) Because when it has displaced good money it becomes necessary to perform the office of exchange. — Gov. engaging in war for money, assignats & mandats, (An assignat is a note for which the person holding it can obtain public land at sale — ~~a man~~ according to the value — a mandat is a script for which h may receive a gien quantity of land. 3 The Bank of England maintains the credit of her notes by limiting its specie.

(End of Part first)

July 18th 1838

Part Second, Distribution of national wealth

Chapter 1st value supply, & demand (1) value relates to the object which in the valuation a thing is compared (2) the value which an individual fixes to an article signifies nothing - others must agree with him (3) This can only be known by what they will give for it, or what it will bring in the Market. This is its current price (4) The desire & ability of numbers of purchasers i.e. consumers ~~create~~ makes the demand. - The desire arises from man's nature & situation. (5) The numbers increase as the price falls & vice versa. (6) supply is the sum of articles for sale - An object is not in circulation when withdraw for consumption or exportation, or held at a price at which it will not sell - Anticipation affects price E.g. good & bad crops - supply of some things is limited by nature E.g. spices - price when below the cost of production destroys production

Chapter 2nd sources of revenue are (1) labor, capital & natural agents (2) Right to revenue results from property in these sources.

(3). Say maintains that the right of property in the two first is the most sacred; but it is a useless distinction: for without labor & capital agents cannot be ~~applied~~ appropriated. (4). Of these sources some are alienable, some are not – Some are consumable, some not – Some neither alienable nor consumable but destructable (5) The consumable are so productively or unproductively. (6) A man does not entrench upon his fortune by consuming his revenue (7) the curent value of the appropriable sources of revenue will be as the demand & that as their products, not as their immediate utility. (8) The immediate result of these sources is not products but productive agency – The productive service of land v. g. 100 bushels of wheat 1st exchange, turned into money 2nd money turned into articles turned into articles of consumption 3rd the value of revenue is as these articles, not their price but their quantity – national – Individual revenue is as the price & not the quantity. (9) Saving in the ~~quantity~~ cost of production increases the revenue (10) Revenue changed 1000 times still remains till actually consumed (11) revenue ceases when added to capital (12) Any of the sources hired transfers its productive agency & the hirer runs the risk; yet the revenue is but one (13) Individual revenue is to be estimated relatively to the value of the objects procurable by it. So with national revenue — mutatis mutandis.

Chapter 3rd Real & relative variation of price (1) Price is what money an article will readily bring; & that money represents other articles procurable by it (2) Buying & selling price — The 1st is as the cost of a product, which again resolves itself into other products — (3) The cost of products being reduced increases (1) the gain, the competition & then ~~the~~ reduces the price (4) When products vary in price the variation is relative — the nation neither gains nor loses; but individuals do (5) A fall of price may be general or partial (6) Increase of demand increases products; as this does saving in the cost of products. e. g. Printed books. (7) Advance of price diminishes national wealth & vice versa. (8) The reduction of Price to nothing would be the acme of wealth.

Chapter 4th Nominal ~~value~~ variation of price & the peculiar value of bullion & coin. (1) One product always bought for another whether money be used in the change or not (2) Since the discovery of America Silver has fallen to $\frac{1}{4}$ of its former value: but it is 10 times more plenty (3) Bullion is not so val —

ucible as coin, by the price of coinage The demand for silver since the discovery of South America must have increased 25 fold (4) Variations in the price of silver are slow but great. (5) Rich countries require proportionally less coin; because (1) it is more rapid in circulation (2) Credit supplies its place (6) Silver is to gold, in quantity as 45 to 1 – in value as 15 to 1.

Chapter 5th Manner of distribution of wealth.

(1) The relative value of products are generally directly as the demand & inversely as the supply. (2) Wholesale employers of productive agency are the organ through which demand & supply reciprocally act (3) The value of a product is distributed among the producers, some of whom are reimbursed or paid before the article is finished. In this way are distributed the revenues of the whole community. (4) National revenue is the gross amount of products. (5) The expenditure of an individual goes to constitute the revenue of the receivers. E.g. A cargo of flour taken to France the returns belong to us; if of more in value than

the cargo the gain is ours - if less the loss (6) perishable products annually consumed are an item of national revenue (7) Were the whole world one community the gross value of their product would be their revenue. (8) Money is no part of revenue - revenue sometimes never takes the form of money (9) No value not created within the year is revenue. (10) No revenue can perform a double office or become the revenue of two persons.

Chapter 6th What branches of production are most profitable? This depends on a great variety of circumstances not easily traced - certain changes - habits, customs, manners, taste &c. have much to do in this particular. (2) Labor is generally most profitable when laid out in producing necessaries; because luxuries are used by few & first to be retrenched in hard times (E.g. the manufacture of candlesticks is generally more profitable than that of chandeliers.)

Chapter 7th Revenue of Labor.

Sec. 1st profits of labor - Demand & capital stimulate labor &c. Why is the price of labor high in the United States? There is great demand &c.

(2). Different kinds of labor. That most profitable which is (1) least agreeable (2) least regular (3) Labor is attracted most where there are high prizes, though many blanks (like lottery) E.g. Law, War, Church of England (4) If the expense of acquiring skill be advanced by the public the salaries of persons thus favoured ~~must~~ will be diminished.

Section 2nd The profits of the man of Science are small; because they are thrown at once into the market & are also imperishable — (but he is paid in honor (2) The discovery of a new process kept secret is profitable. (3) Profits of the adventurer — He may be a capitalist; but the price of his labor will always be in proportion to the supplies & demand (4) Two things limit (1) He must have credit (2) A rare combination of talents — besides he undergoes a risk of fortune & character (2) Different kinds of labor require different degrees of talent. (When Labor is high it is more favourable to the poor & less) to the rich. Section 3rd Profits of the operative. (1) Small for little talent or skill is requisite. (2) But the expense of his rearing must be paid (No one can be an operative in infancy;

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This expence is advanced (or sustained) by parents & paid to him, & he in turn advances it to his children. If his profits are not sufficient children are not produced or atleast not reared. The cost of children less in the country, which produces a current of laborers to towns cities. (Political Economy considers a human being as a working machine (3) In dense population scarcity often diminishes the price of labor (yet the misery of the poorer classes arising from this source must not be attributed to civilization. It occurs more frequently in savage life. The decline of a country shows itself first by a decline of a demand for rough labor. (5) Female labor cheap because they are supported partly by their friends. (Monks – Monachism.) (6) A sudden decline of the price of labor is often like a death-warrant to the operative. (7) The beneficence of Gov. if not judiciously applied often aggravates the evil. (8) In contest for wages between the master & the workman the former has the advantage. Masters combine more easily than workmen & the latter must die if not employed. (9) Should the undertakers (or masters) support the workmen in case of necessity, or Should the community? Ans The latter (10) will laborers be

more stimulated by want or by good pay? Ans. by the latter.
(11) Improvidence of the poor – Morality & intelligence the best remedy. – Savings banks generally injurious.

<u>Section 5</u> The superiority of the moderns is owing to the opening of new channels of industry in the arts to the poorer classes of the community. – Formerly having nothing to do they were turbulent. Hence wars for plunder, (now unknown in Europe.) So soon as the nations become more enlightened as to the colonial system, it is to be hoped that that system, which is the cause of war will be done away.

Chapter 8th Revenue of capital.

(1) A demand for capital is produced by enterprise.
(2) Revenue for capital is the profit derived from it without labor. Sec. 1st Loan at interest, formerly called usury. Predjudices against it (which occasioned the change of the name) arose from an ignorance of its nature, of frugality, & of the advantage derived to the poor from the rich – In the middle ages usury was condemned by

all ecclesiastic & civil – The Jews the only lenders –
Loans were actually made in cases of extreme distress
(1) Distinguish what is paid for the use of capital from
what is paid for the use of risk of case – (2) This
last is properly insurance & will be as (1) the made in which
the borrowed money is employed – war, crusades, voyages
by sea increase the insurance (2) as the duration of the
loan (3) as the ability & character of the borrower –
punctuality before &c. – A merchant who has been
known to fail without good grounds, loses his credit (4)
as good government – Interest is high in times of con-
fusion (in Turkish countries) in the middle ages &
wherever the validity of contracts is not secure. –
Laws against insolvency are favourable to the bor-
rower – (5.) True interest will be inversely as the
supply & directly as the demand for capital. The latter
will according to the number of lucrative employments
(6) Interest is generally lower in towns & cities; because money
is plentier & in brisker circulation.

(7) Low interest commonly, but not always a sign of prosperity in a community (8) Disposed & not fixed capital is concerned in the matter of interest. (9) Maximum limits fixed by law gen. injurious to the borrower (10) Abundance or scarcity of money affects the rate of interest only as money respects the number of commodities in circulation - for capital is value whatever form it may take (11) Credit does not supply capital, no less than ready money; but must be paid for no less than the money.

Sec. 2nd Profits of Capital (1) Nothing without the concurrence of labor. (2) Greatest in new employments & generally where the risk is greatest (3) Under good management capital may be made productive in almost any business - & without this it can avail nothing - Employment of capital most beneficial to the community. (1) To the proprietor that is best which is attended with least risk & most profit; but (2) Since it not only produces revenue itself but enables land & industry to produce revenue, it does not equally benefit the community if expended abroad. Laid out at home it may make the Alps fertile (This is Say's doctrine) It is true in part, only (3) Next to agriculture improvements superior machinery & the home trade profitable to the community & lastly foreign trade — This is the order in which capital is employed; but for a different reason — They are so employed not because they are more profitable in this order; but because agriculture must furnish the raw materials for art & art must multiply trade — Besides it is not true that home trade flourishes before foreign (E.g. Lumber.) So that it may be doubted whether there is any exception to the maxim "that what is best for individuals is best for the community — Capital employed abroad at a high interest increases revenue & stimulates industry.

Chapter 9th Revenue of Land.

Sec. 1st profits of landed property (1) Land

produces grain fruits, vegitable from its surface; coal, minerals, peat &c. beneath its surface (2) It is the only natural agent that can be appropriated but it does not begin to be appropriated till it has furnished produce & there is a demand for the products. (3) When land yields but a small percent on the purchase money it is either because it is poor or it has been sold too high. E.g. A farm which cost 5 dollars per acre yielding $1 per acre, is as profitable as that which cost $100 yielding $20 per acre.
(4) Land is more liable to taxation but less to risk than other capital (5) Land which yields from its situation ever so ~~much~~ small profit may be cultivated by the holder himself though it might yield him no rent.
Sec. 2nd Rent. This is fixed at the highest rate of profit because little capital is necessary on the part of the renter & the quantity of the land is limited. (2) Long leases are favourable to the leasee (3) Metayres (sometimes called cropers) are renters without capital. There are many inducements to a country life.

Chapter 10th The effect of revenue derived by one nation from another. (1) No Nation can transfer to itself the revenue of the industry of another. (2) Foreign capital stimulates industry & increases the profits of land in the country where it is employed. (3) It makes no difference in what form the revenue of capital is transmitted to the capitalist. The interest of English capital is received from India in products.

Chapter 11th Of Population

Sec. 1st As affected by products (1) In organised nature the germs of life are multiplied so as to secure the continuation of the species. (2) In the human species the faculty of increase is limitted by the means of sustenance, raiment & shelter, (3) There will be to each as the products of his labor &c. (4) Man is provident; yet population always presses on the limit. (5) Nothing can greatly either increase or diminish population which does not affect the production of the means of sustaining life— Not premiums for children on the one hand nor war & plagues on the other (6) monachism prevents population more by idleness than by celibacy (7) population may be dense & yet the means of subsistence redundant — it may be sparse yet these means deficient — Famines were more frequent in the middle ages than they now are, & among savages than in civilised countries. (8) Great Britton has long been becoming more populous (though carrying on many wars)

(9) Fertility of soil, salubrity of air, morality & liberty promote population. — Protestant countries more populous than catholic.

Sec. 2nd Quality of production as affecting the local distribution of population (1) convenient for artists to live together — Towns in population = country (2) In pasture lands, Say observes that a greater proportion of hands can be spared for manufactury; & cites Flanders, Holland, & Normandy as instances but Tartary is an instance of the contrary. (3) Till the 17th century towns in Europe were insignificant

(4) As manufacturies make towns they cannot be started without capital. In truth towns are rather the consequences than the causes of prosperity. (5) Situation in regard to natural & commercial advantages does much E.G. Alexandria, Palmyra, Constantinople, Rome, London, New York.

Part 3rd Of the consumption of wealth

Chapter 1st Different kinds of consumption.

(1) Consumption is the end of production & the reverse of it. Substance is not consumable (nor producable) but the utility or value is. That which cannot lose its value is not consumable E.G. Land. Some material products are consumed instanter, others annually (E.G. corn) Some are consumed in a course of years E.G. houses ships tools &c. (2) When values are consumed productively they undergo a sort of metempsychosis, reappearing in a new form. Value may be considered as the impalpable soul of a thing (3) Annual consumption differs from capital & revenue (4) All persons consume (5) Opulent nations consume more & they are the

happier for it. (consumption cannot go ahead of production if so the consumer is on the road to bankrupcy.)

Chapter 2nd Effect of consumption generally.

According to Say, it is "the loss of value. But this is ~~the~~ true only of unproductive consumption e.g. fuel. This kind of consumption requires no skill: (but there is wisdom in knowing how to consume or spend an estate properly.) (2) Except in the case of the small farmer, or the large one who holds slaves few producers consume much of their own products; with these exceptions they are exchanged for money & ~~then~~ for other products which they consume. Constant consumption is a great matter in domestic economy - a great many little outlayings amounts to a large sum in time - It has been used as a proverb. "No man can grow rich without asking his wife" & again "She (the wife) may throw out more with a spoon than he can throw in with a shovel."

The confining of money within the nation does not prevent consumption.

Chapter 3rd Productive consumption does not immediately satisfy any human want, but goes to the production of or constitution of other products. (E.g. Manufac
(2) The gain is directly as the quantity of products reproduced; & inversely as the consumption of raw materials used. E.g. The drill sawing corn in China. If the price of labor were high in China the sewing might not be worth the wages. Where the raw material costs nothing the gain is as the consumption (3) A saving is also afforded by making the means more productive. An artist who does not adopt the economical processes used by others must fail in his business. Laudato major, tamen parvum colito - "you may be pleased with a big farm but cultivate a small one." -

Chapter 4th Unproductive consumption (1) cannot constitute new value. Its end is the gratification of human want. (2) Consumption in that kind of articles is (1) that which satisfies real wants & not those created by luxurious refinement - much comfort in good houses, pavements, roads &c. hospittles &c. Splendid ones more showy but hard to be kept up. (2) which last longest & are of the best materials. E.g. A coat made of good cloth more valuable, often, than of inferior for the trimmings & making cost the same, & that of good cloth lasts longer. Fashion is injurious when it leads persons to throw away articles before they are consumed. (3) which is collective — A club or company can procure a cook as cheap as an individual. (4) Which comports with moral rectitude (5 Where riches are unequally divided luxury obtains on the one hand & want on the other — they always go together.)

Chapter 5th Individual Consumption.

(1) Food, clothing, lodging, intellectual & moral improvement & amusement are the principal things for which consumption takes place. (2) The amount expended for these objects should fall below the revenue, in order that casualities, settlements for children, claims of humanity &c. may be provided for. (3) Prodigality & ava-

vice the extremes to be avoided (4) As to motives, vanity & sensuality prompt to the one; the other springs from selfishness united with timid forecast. (5) Economy is the mean (or medium) & lays the foundation of many virtues (6) Luxury is injurious both to individuals & to a community. It occasions production it is true but not of the most profitable kind. To the consumers it is gen. ruinous. — A taste for elegance indeed gives the first impulse to the indolent savage — yet luxury does not augment, but waste the means of consumption, since articles of consumption cannot be produced by prodigality.

July 18th 1834

Chapter 6th Public Consumption.

Sec. 1st Nature & effects of it: (1) The public needs, & therefore buys & consumes the personal services of its officers, civil & military. (2) There is a distribution of value here, as will appear by tracing the course of production from the farm of the taxpayer to the camp or the court. (3) There is no return of this value but in the form of immaterial products. i.e. the various

functions of government. (43) Money paid in taxes re-
turns again into circulation, but not as a gratuity. (4)
Governments have not the same motives to economy as individ-
uals have, but were they wise & good they would have stronger
Governments in fact do become extravagant, especially where
offices are hereditary. (5) Aristocratical ~~governments~~ republics are more
economical than monarchies & Democracies - (6) really
great men have been always economical E.g. Washington,
Charlemagne, Prince Eugene, Napoleon. (7) Extrav-
igance leads to base actions in governments as well as in in-
dividuals - Charles II sold Dunkirk (a harbor) & took a bribe
to delay a sailing to the East Indias in 1680 - (8) The
elastic power of a nation is so great that economy soon
enables it to recover from the greatest losses.

Sec. 2nd Objects of national expenditure. (1) Immaterial
products - public improvements - roads, bridges &c. - Manufac-
tures, Saltworks - pomp of public functionaries - (2) It
may, however, not be the best policy to reduce salaries too
low. Ignorance in office is a most expensive thing.

Talent & even integrity cannot be had without pay— a knave *may* make an office support itself (3) Offices to which no pay is attached *must* be filled by the *rich*. Should the richest pasengers sit at the helm? (4) After all the care that can be taken the public is seldom, if ever as well provided for as individuals— About government there is much time lost in attending to forms & ceremonies &c. Sec. 3rd *National Defence*.

(1) Standing armies & a marine are the most economical modes of defence to nations exposed to aggression; but they are dangerous to *liberty* (2) The immense machinery which science has introduced in the art of war & makes it highly expensive— The purse now is more than a match for the sword. (3) War is distructive to national prosperity— withdraws labor from productive spheres— destroys most where products most exist— corrupts morals— benefits none. *Sec 4th* Public instruction

The public is interested in the diffusion & advancement of knowledge & should provide for it. (2) Say advises the confering of premiums on the production of elementary ~~works~~ books

Lancasterian system doubtful—

(4) National church more than doubtful (5) Liberal endowment of a few seminaries of the best order & care in the management of elementary schools very important.

Of Benevolent Institutions.

Poor houses, assylums for the sick & aged &c. (1) May be considered as ~~contributions~~ provisions made by the contributions of persons who suppose themselves liable at some future time to the contingency for which they provide; or as mere charitable foundations (2) They tend to depress wages, because the encourage population, ergo competition. Extremes. If none existed the laboring classes would have to support their own poor, & wages would rise: If they existed in such numbers as to provide for all the poor, the workers would be relieved of their burden & their wages would fall. – Nations take a middle course & provide for some (3) Invalid sailors & soldiers should always be supported. (whether at public establishments or by pensions has been a question – But better as our Government has done (viz. by pensions) (4) Houses of industry recommended by Say, – inexpedient except for vagrants.

Sec. 2nd Charges of public edifices & works – (1) Consist of (1) the surface occupied (2) Capital expended in construction (3) Charge of maintainance.

Chapter 7th Contributors to public consumption. (1) Private liberality, public domains, conquered nations, taxes (this last the principal) (2) As all are benefitted, all should contribute (3) Local institutions should be supported by the district in which they are situated; for there is the chief benefit; & besides, things are apt to be ill conducted distant from the centre of observation.

Chapter 8th Taxation – Effects of generally – (1) Taxes are values transfered from individuals to government by law. (2) They are so much withdrawn either from productive or unproductive consumption (3) They stimulate exertion it is true; but so would a conflagration (4) Rich nations pay the most taxes but that is the consequent, not the cause of their wealth. (or it is a post hoc & not a propter hoc.)

(5) The best taxes are (1) moderate in their ratio (2) least harrassing (3) That press impartially (4) That have a good moral tendency. Sec 2nd Different modes of Assessment & the classes they press upon respectively — A Government may levy contributions on all its people — Time & value should be estimated in taxes. (2) Taxes are direct when a specific portion of revenue is demanded; — indirect when levied on articles to be consumed (3) The more various the modes of taxation the more equally it presses (4) Indirect taxes more cheerfully paid because they escape notice — levied by piecemeal — not vexatious in collection — Give the government power to direct labor by pressing some things & passing over others. It has been objected to indirect taxation that it is expensive in the collection, that it is fluctuating & incentive to fraud & also unequal (5) When taxes raise the price of an article the consumer pays it — when not the ~~consumer~~ producers. But the tax never raises the price of the article by the amount of the tax; for it diminishes the demand. Say lays down this as a universal rule; but

it has exceptions (6) Tax on an article affects all concurrent producers in proportion as they contribute to the val it bears when taxed. (E. g. On manufacturers of lace affects the flax grower very little but on linen it does. laid on wine it affects the raiser of vines &c. (7) Taxes upon necessaries affects all ~~upon~~ luxuries but few. (8) Does tax on land affect the rent only & not the farmer? Is it really different in the case of houses? Vide Say; page 431-2 — Land holder & owners of capital cannot evade tax (9) Tax is the more burdensome the earlier it is levied on during the process of production The producer requires greater amount of capital to go into business. (10) Excessive taxation renders products scarce in relation to specie; since they are absorbed by it & specie not (11) Taxation may become so excessive as to produce a return to barbarism. Sec 3rd Taxes in kind (i.e. a portion of the products) are every way objectionable, though they require what is always in hand in some cases, as in China, may encourage agriculture; yet they are most unequitable because they attack the gross amount of products & not the nett revenue. They are cumbersome & require many agents. Sec 4 Land Tax of England. In 1692 a valuation of land was made & a tax of 4s on the £ ~~was~~ of the rent or according to the rent money. was imposed which has not been increased.

This operates as a premium on improvement (2) yet as in the case of the low lands & the high lands of Tuscany (Say page 441) the resul may require correction by a new valuation.

Chapter 9th National Debt. Sec. 1st The contracting of debt by national authority & its effects (1) Nations borrow generally for unproductive consumption. The debt thus contracted is not a debt from the right hand to the left but is so much consumed. National loans do not, it is true, diminish the amount of money but they do the amount of wealth. (3) Government sometimes borrows not to pay the principle but the interest only. This grants a perpetual annuity (4) In redeemable loans the principle may be paid sometimes by establishments & sometimes by increased interest, to cease at the death of the creditor. Sometimes the interest is to continue to survivors till all have expired (This is called Tontines) These are improvident ways of borrowing. Sometimes appointments to office are conditionally loaned. Sometimes ~~rev~~ revenue is anticipated, the government assigning the revenue not yet due & paying discount (This is the way the Romans did

This in England is the floating debt in distinction from the fundent, in which the interest only is payable (5) A state able to borrow spreads the burden ~~over~~ of one year over many years & draws contributions from posterity (6) It has been alleged that a national debt is a real value added to the sources of wealth; but suppose the government bankrupt; will that diminish the wealth of the nation? (~~no~~) considered as an aggregation of individuals (Ans no) That the disburstment increases the ~~accumulation~~ circulation; but since this is made out of the annual products it would be the same without the debt: they are not made in the same way. (3) That it binds the creditors to the Government; but if the Government is an evil the debt aggravates & perpetuates it. (4) That it is an idea of public opinion; but that is only as it respects its solvency. (5) That it affords a prompt investment of capital & prevents its emigration.—This may be an injury.

Section 2nd Public Credit. (1) Is the confidence of the public in the Government as a debtor. It is high when loans can be effected by the government on the same terms as by individuals (2) Representative governments ought to have the best credit; for the people are both the debtor & creditor (3) Resources of Government are great (this gives credit) & as people look only at the present & do not remember the past, the credit of a government is not easily lost. (4) But Governments cannot be sued at law, as individuals, & they are more prodigal. (5) A government politically weak, but strong in wealth & credit may subsidise (that is give money to) its neigbors in self defence (& they sometimes do for purpose of mischief.) E.G. England (6) Sinking funds is the principle of compound interest operating in an inverted order (E.g. paying the interest & part of the principle annually) but its operation is falacious if the government use the credit thereby acquired by going on to borrow, & it becomes expensive in proportion to its actual efficiency, for the public creditors will sell their securities dear in proportion to their expectation of payment from the government. (7) National Bankrupsy — an act of it would benefit the tax-payers to the same

(52)

amount as it would injure the creditors; but it would release the nation besides from the expense of collecting revenue - It would ruin many - (85) Finally A hoard the opposite of a debt - Invites the spoiler & tempts the spendthrift & benefits no body. (This Ends Political Economy)

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