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Anne-Robert-Jacques Turgot, *Reflections on the Formation and Distribution of Riches* [1770]



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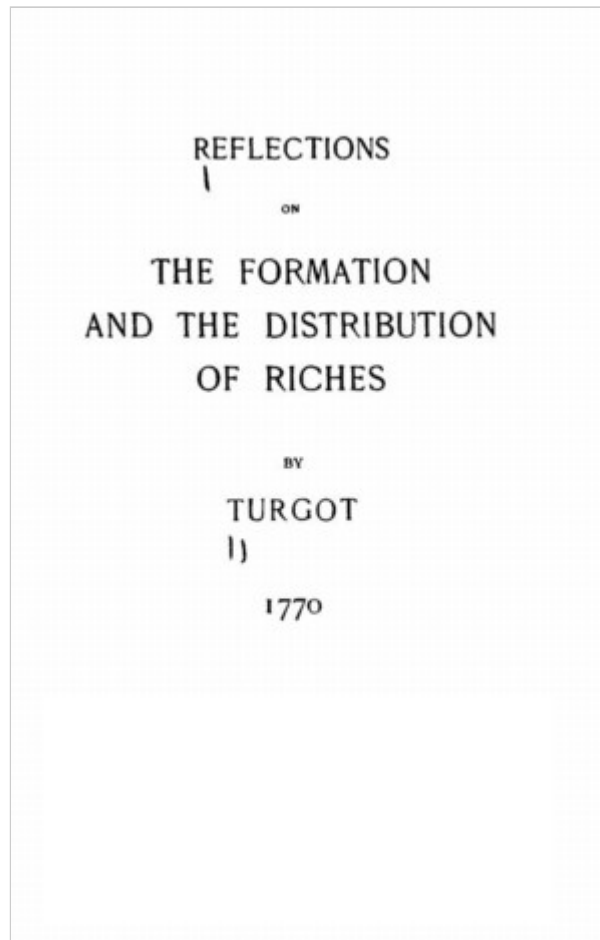
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Author: [Anne-Robert-Jacques Turgot](#)

Translator: [Sir William James Ashley](#)

About This Title:

An 1898 edition of one of the more important works on economics before Adam Smith's *Wealth of Nations*. It covers a broad range of topics including money, exchange, value, and capital investment in agriculture. Turgot discussed economic matters with Smith when Smith visited France in the 1760s.

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1. The Impossibility Of The Existence Of Commerce Upon The Supposition Of An Equal Division Of Lands, Where Every Man Should Possess Only What Is Necessary For His Own Support.

If the land was divided among all the inhabitants of a country, so that each of them possessed precisely the quantity necessary for his support, and nothing more; it is evident that all of them being equal, no one would work for another. Neither would any of them possess wherewith to pay another for his labour, for each person having only such a quantity of land as was necessary to produce a subsistence, would consume all he should gather, and would not have any thing to give in exchange for the labour of others.

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2. The Above Hypothesis Neither Has Existed Nor Could Continue. The Diversity Of Soils And Multiplicity Of Wants, Compel An Exchange Of The Productions Of The Earth, Against Other Productions.

This hypothesis never can have existed, because the earth has been cultivated before it has been divided; the cultivation itself having been the only motive for a division, and for that law which secures to every one his property. For the first persons who have employed themselves in cultivation, have probably worked as much land as their strength would permit, and, consequently, more than was necessary for their own nourishment.

If this state could have existed, it could not possibly be durable; each one gathering from his field only a subsistence, and not having wherewith to pay others for their labour, would not be enabled to supply his other wants of lodging, cloathing, &c. &c., except by the labour of his hands, which would be nearly impossible, as every soil does not produce every material.

The man whose land was only fit to produce grain, and would neither bring forth cotton or flax, would want linen to cloath him. Another would have ground proper for cotton, which would not yield grain. One would want wood for his fire, and another be destitute of corn to support him. Experience would soon teach every one what species of productions his land was best adapted to, and he would confine himself to the cultivation of it; in order to procure himself those things he stood in need of, by an exchange with his neighbours, who, having on their part acquired the same experience, would have cultivated those productions which were best suited to their fields, and would have abandoned the cultivation of any other.

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3. The Productions Of The Earth Require Long And Difficult Preparations, Before They Are Rendered Fit To Supply The Wants Of Men.

The productions which the earth supplies to satisfy the different wants of man, will not, for the most part, administer to those wants, in the state nature affords them; it is necessary they should undergo different operations, and be prepared by art. Wheat must be converted into flour, then into bread; hides must be dressed or tanned; wool and cotton must be spun; silk must be taken from the cocoon; hemp and flax must be soaked, peeled, spun, and wove into different textures; then cut and sewed together again to make garments, &c. If the same man who cultivates on his own land these different articles, and who raises them to supply his wants, was obliged to perform all the intermediate operations himself, it is certain he would succeed very badly. The greater part of these preparations require care, attention, and a long experience; all which are only to be acquired by progressive labour, and that on a great quantity of materials. Let us refer, for example, to the preparation of hides: what labourer can pursue all the particular things necessary to those operations, which continue several months, sometimes several years? If he is able to do it, can he do it with a single hide? What a loss of time, of room, and of materials, which might be employed, either at the same time or successively, to tan a large quantity of skins! But should he even succeed in tanning a single skin, and wants one pair of shoes, what will he do with the remainder? Will he kill an ox to make this pair of shoes? Will he cut down a tree to make a pair of wooden shoes? We may say the same thing of every other want of every other man, who, if he was reduced to his field, and the labour of his own hands, would waste much time, take much trouble, be very badly equipped in every respect, and would also cultivate his lands very ill.

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4. The Necessity Of These Preparations, Bring On The Exchange Of Productions For Labour.

The same motive which has established the exchange of commodity for commodity, between the cultivators of lands of different natures, has also necessarily brought on the exchange of commodities for labour, between the cultivators and another portion of society, who shall have preferred the occupation of preparing and completing the productions of the earth, to the cultivation of it. Every one profits by this arrangement, for every one attaching himself to a peculiar species of labour, succeeds much better therein. The husbandman draws from his field the greatest quantity it is able to produce, and procures to himself, with greater facility, all the other objects of his wants, by an exchange of his superflux, than he could have done by his own labour. The shoemaker, by making shoes for the husbandman, secures to himself a portion of the harvest of the latter. Every workman labours for the wants of the workmen of every other trade, who, on their side, toil also for him.

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5. Pre-eminence Of The Husbandman Who Produces, Over The Artificer Who Prepares. The Husbandman Is The First Mover In The Circulation Of Labour: It Is He Who Causes The Earth To Produce The Wages Of Every Artificer.

It must, however, be observed that the husbandman, finishing every one with the most important and the most considerable objects of their consumption (I mean their food, and the materials of almost all manufactures) has the advantage of a greater degree of independence. His labour, among the different species of labour, appropriated to the different members of society, supports the same pre-eminence and priority, as the procuring of food did among the different works he was obliged, in his solitary state, to employ himself in, in order to minister to his wants of every kind. This is not a pre-eminence of honour or of dignity, but of physical necessity. The husbandman can, generally speaking, subsist without the labour of other workmen; but no other workmen can labour, if the husbandman does not provide him wherewith to exist. It is this circulation, which, by a reciprocal exchange of wants, renders mankind necessary to each other, and which forms the bond of society: it is therefore the labour of the husbandman which gives the first movement. What his industry causes the earth to produce beyond his personal wants, is the only fund for the wages, which all the other members of society receive in recompence for their toil. The latter, by availing themselves of the produce of this exchange, to purchase in their turn the commodities of the husbandman, only return to him precisely what they have received. There is here a very essential difference between these two species of labour, on which it is necessary to reflect, and to be well assured of the ground on which they stand, before we trust to the innumerable consequences which flow from them.

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6. The Wages Of The Workman Is Limited By The Competition Among Those Who Work For A Subsistence. He Only Gains A Livelihood.

The mere workman, who depends only on his Lands and his industry, has nothing but such part of his labour as he is able to dispose of to others. He sells it at a cheaper or a dearer price; but this high or low price does not depend on himself alone; it results from the agreement he has made with the person who employs him. The latter pays him as little as he can help, and as he has the choice from among a great number of workmen, he prefers the person who works cheapest. The workmen are therefore obliged to lower their price in opposition to each other. In every species of labour it must, and, in effect, it does happen, that the wages of the workman is confined merely to what is necessary to procure him a subsistence.

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7. The Husbandman Is The Only One Whose Industry Produces More Than The Wages Of His Labour. He, Therefore, Is The Only Source Of All Wealth.

The situation of the husbandman is materially different. The soil, independent of any other man, or of any agreement, pays him immediately the price of his toil. Nature does not bargain with him, or compel him to content himself with what is absolutely necessary. What she grants is neither limited to his wants, nor to a conditional valuation of the price of his day's work. It is a physical consequence of the fertility of the soil, and of justice, rather than of the difficulty of the means, which he has employed to render the soil fruitful. As soon as the labour of the husbandman produces more than sufficient for his necessities, he can, with the excess which nature affords him of pure freewill beyond the wages of his toil, purchase the labour of other members of society. The latter, in selling to him, only procures a livelihood; but the husbandman, besides his subsistence, collects an independent wealth at his disposal, which he has not purchased, but which he can sell. He is, therefore, the only source of all those riches which, by their circulation, animates the labours of society: because he is the only one whose labour produces more than the wages of his toil.

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8. First Division Of Society Into Two Classes, The One Productive, Or The Cultivators, The Other Stipendiary, Or The Artificers.

Here then is the whole society divided, by a necessity founded on the nature of things, into two classes, both industrious, one of which, by its labour, produces, or rather draws from the earth, riches continually renewing, which supply the whole society with subsistence, and with materials for all its wants; while the other is employed in giving to the said materials such preparations and forms as render them proper for the use of man, sells his labour to the first, and receives in return a subsistence. The first may be called the productive, the latter the stipendiary class.

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9. In The First Ages Of Society, The Proprietors Could Not Be Distinguished From The Cultivators.

Hitherto we have not distinguished the husbandman from the proprietor of the land; and in the first origin they were not in fact so distinguished. It is by the labour of those who have first cultivated the fields, and who have inclosed them to secure their harvest, that all land has ceased to be common, and that a property in the soil has been established. Until societies have been formed, and until the public strength, or the laws, becoming superior to the force of individuals, have been able to guarantee to every one the tranquil possession of his property, against all invasion from without; the property in a field could only be secured as it had been acquired, by continuing to cultivate it; the proprietor could not be assured of having his field cultivated by the help of another; and that person taking all the trouble, could not easily have comprehended that the whole harvest did not belong to him. On the other hand, in this early age, when every industrious man would find as much land as he wanted, he would not be tempted to labour for another. It necessarily follows, that every proprietor must cultivate his own field or abandon it entirely.

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10. Progress Of Society; All Lands Have An Owner.

But the land begins to people, and to be cleared more and more. The best lands are in process of time fully occupied. There remains only for those who come last, nothing but barren land, rejected by the first occupants. But at last, every spot has found a master, and those who cannot gain a property therein, have no other resource but to exchange the labour of their hands in some of the employments of the stipendiary class, for the excess of commodities possessed by the cultivating proprietor.

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11. The Proprietors Begin To Be Able To Ease Themselves Of The Labour Of Cultivation, By The Help Of Hired Cultivators.

Mean time, since the earth produces to the proprietor who cultivates it, not a subsistence only, not only wherewith to procure himself by way of exchange, what he otherwise wants, but also a considerable superfluity; he is enabled with this superfluity, to pay other men to cultivate his land. For among those who live by wages, as many are content to labour in this employment as in any other. The proprietor, therefore, might then be eased of the labour of culture, and he soon was so.

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12. Inequality In The Division Of Property: Causes Which Render That Inevitable.

The original proprietors would (as I have already mentioned) occupy as much land as their strength would permit them with their families to cultivate. A man of greater strength, more laborious, more attentive about the future, would occupy more than a man of a contrary character. He, whose family is the most numerous having greater wants and more hands, extends his possessions further; this is a first cause of inequality.—Every piece of ground is not equally fertile; two men with the same extent of land, may reap a very different harvest; this is a second source of inequality. Property in descending from fathers to their children, divides into greater or less portions, according as the descendants are more or less numerous, and as one generation succeeds another, sometimes the inheritances again subdivide, and sometimes re-unite again by the extinction of some of the branches; this is a third source of inequality. The difference of knowledge, of activity, and, above all, the oeconomy of some, contrasted with the indolence, inaction, and dissipation of others, is a fourth principle of inequality, and the most powerful of all: the negligent and inattentive proprietor, who cultivates badly, who in a fruitful year consumes in frivolous things the whole of his superfluity, finds himself reduced on the least accident to request assistance from his more provident neighbour, and to live by borrowing. If by any new accident, or by a continuation of his negligence, he finds himself not in a condition to repay, he is obliged to have recourse to new loans, and at last has no other resource but to abandon a part, or even the whole of his property to his creditor, who receives it as an equivalent; or to assign it to another, in exchange for other valuables with which he discharges his obligation to his creditor.

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13. Consequences Of This Inequality: The Cultivator Distinguished From The Proprietor.

Thus is the property in the soil made subject to purchase and sale. The portion of the dissipating or unfortunate, increases the share of the more happy or industrious proprietor; and in this infinite variety of possessions, it is not possible but a great number of proprietors must possess more than they can cultivate. Besides, it is very natural for a rich man to wish for a tranquil enjoyment of his property, and instead of employing his whole time in toilsome labour, he rather prefers giving a part of his superfluity to people to work for him.

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14. Division Of The Produce Between The Cultivator And The Proprietor. Net Produce, Or Revenue.

By this new arrangement, the produce of the land divides into two parts. The one comprehends the subsistence and the profits of the husbandman, which are the rewards for his labour, and the conditions on which he agrees to cultivate the field of the proprietor; the other which remains, is that independent and disposable part, which the earth produces as a free gift to the proprietor over and above what he has disbursed; and it is out of this share of the proprietor's, or what is called the revenue, that he is enabled to live without labour, and which he can carry wherever he will.

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15. A New Division Of Society Into Three Classes. Cultivators, Artificers, And Proprietors, Or The Productive, Stipendiary, And Disposable Classes.

We now behold society divided into three branches; the class of husbandmen, whom we may denominate cultivators; the class of artificers and others, who work for hire upon the productions of the earth; and the class of proprietors, the only one which, not being confined by a want of support to a particular species of labour, may be employed in the general service of society, as for war, and the administration of justice, either by a personal service, or by the payment of a part of their revenue, with which the state may hire others to fill these employments. The appellation which suits the best with this division, for this reason, is that of the disposable class.

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16. Resemblance Between The Two Laborious Classes.

The two classes of cultivators and artificers, resemble each other in many respects, and particularly that those who compose them do not possess any revenue, and both equally subsist on the wages which are paid them out of the productions of the earth. Both have also this circumstance in common, that they only gain the price of their labour and their disbursements, and that this price is nearly the same in the two classes. The proprietor agreeing with those who cultivate his ground to pay them as small a part as possible of its produce, in the same manner as he bargains with the shoemaker to buy his shoes as cheap as he can. In a word, neither the cultivator, nor the artificer receives more than a bare recompense for his labour.

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17. Essential Difference Between The Two Laborious Classes.

But there is this difference between the two species of labour; that the work of the cultivator produces not only his own wages, but also that revenue which serves to pay all the different classes of artificers, and other stipendiaries their salaries: whereas the artificers receive simply their salary, that is to say, their part of the productions of the earth, in exchange for their labour, and which does not produce any increase. The proprietor enjoys nothing but by the labour of the cultivator. He receives from him his subsistence, and wherewith to pay for the labour of the other stipendiaries. He has need of the cultivator by the necessity arising from the physical order of things, by which necessity the earth is not fruitful without labour; but the cultivator has no need of the proprietor but by virtue of human conventions, and of those civil laws which have guaranteed to the first cultivators and their heirs, the property in the lands they had occupied, even after they ceased to cultivate them. But these laws can only secure to the idle man, that part of the production of his land which it produces beyond the retribution due to the cultivators. The cultivator, confined as he is to a stipend for his labour, still preserves that natural and physical priority which renders him the first mover of the whole machine of society, and which causes both the subsistence and wealth of the proprietor, and the salaries paid for every other species of labour, to depend on his industry. The artificer, on the contrary, receives his wages either of the proprietor or of the cultivator, and only gives them in exchange for his stipend, an equivalent in labour, and nothing more.

Thus, although neither the cultivator and artificer gain more than a recompense for their toil; yet the labour of the cultivator produces besides that recompense, a revenue to the proprietor, while the artificer does not produce any revenue either for himself or others.

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18. This Difference Authorises Another Distinction Into The Productive And Barren Classes.

We may then distinguish the two classes not disposable into the productive class, which is that of the cultivators, or the barren class, which comprehends all the other stipendiary members of society.

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19. How The Proprietors May Draw A Revenue From Their Lands

The proprietors who do not cultivate their lands themselves, may adopt different methods of cultivating them, or make different agreements with those who cultivate them.

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20. First Method, Or Cultivation By Labourers On Wages.

They may, in the first place, pay men by the day or the year, to work their fields, and reserve to themselves the whole of the produce; this includes a supposition that the proprietor pays all advances, both for seed, and the wages of the labourers, until after the harvest. But this method requires great labour and assiduity on the part of the proprietor, who alone can direct his men in their labour, see that they employ their time well, and watch over their fidelity, that they shall not carry away any part of the produce. It is true that he may pay a man of more knowledge, and whose fidelity he knows, who, in quality of manager and conductor, may direct the workmen, and keep an account of the produce; but he will be always subject to fraud. Besides, this method is extremely expensive, unless a large population, or want of employ in other species of labour, forces the workmen to content themselves with very low salaries.

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21. Second Method, Cultivation By Slaves

In times not very distant from the origin of society, it was almost impossible to find men willing to work on the lands of another, because all the land not being as yet occupied, those who were willing to labour, preferred the clearing of new lands, and the cultivating them on their own account; this is pretty much the case in all new colonies.

In this situation violent men then conceived the expedient of obliging other men by force to labour for them. They employed slaves. These latter have had no justice to look for, from the hands of people, who have not been able to reduce them to slavery without violating all the laws of humanity. Meantime, the physical law of nature secures to them their part of the productions which they have raised; for the master must necessarily nourish them, in order to profit by their labour. But this species of recompence is confined to mere necessaries for their subsistence.

This abominable custom of slavery has formerly been universal, and has spread over the greatest part of the globe. The principal object of the wars carried on by the ancients was, to carry off slaves, whom the conquerors either compelled to work for them, or sold to others. This species of thieving, and this trade, still continues, attended with all its cruel circumstances, on the coast of Guinea, where the Europeans encourage it by going thither to purchase negroes for the cultivation of their American colonies.

The excessive labour to which avaricious masters force their slaves, causes many of them to perish; and it becomes necessary, to keep up the number requisite for cultivation, that this trade should supply annually a very large number. And as war is the principal source which supplies this commerce, it is evident that it can subsist no longer than the people continue divided into very small nations, who are incessantly plundering each other, and every district is at continued war with its neighbours. Let England, France, and Spain carry on the most cruel hostilities, the frontiers alone of each state will be the only parts invaded, and that in a few places only. All the rest of the country will be quiet, and the small number of prisoners they could make on either side, would be but a weak resource for the cultivation of each of the three nations.

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22. Cultivation By Slaves Cannot Exist In Great Societies.

Thus when men are formed into great societies, the recruits of slaves are not sufficiently numerous to support the consumption which the cultivation requires. And although they supply the labour of men by that of beasts, a time will come, when the lands can no longer be worked by slaves. The practice is then continued only for the interior work of the house, and in the end it is totally abolished; because in proportion as nations become polished, they form conventions for the exchange of prisoners of war. These conventions are the more readily made, as every individual is very much interested to be free from the danger of falling into a state of slavery.

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23. Slavery Annexed To The Land, Succeeds To Slavery Properly So Called.

The descendants of the first slaves, attached at first to the cultivation of the ground, change their condition. The interior peace among nations, not leaving wherewithal to supply the consumption of slaves, the masters are obliged to take greater care of them. Those who were born in the house, accustomed from their infancy to their situation, revolt the less at it, and their masters have less need to employ rigour to restrain them. By degrees the land they cultivate becomes their country, they become a part of the nation, and in the end, they experience confidence and humanity on the part of their masters.

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24. Vassalage Succeeds To Slavery, Annexed To The Land, And The Slave Becomes A Proprietor. Third Method; Alienation Of The Land For A Certain Service.

The administration of an estate, cultivated by slaves, requires a careful attention, and an irksome residence. The master secures to himself a more free, more easy, and more secure enjoyment of his property, by interesting his slaves in the cultivation of it, and by abandoning to each of them a certain portion of land, on condition of their paying him a portion of the produce. Some have made this agreement for a time, and have only left their serfs, or slaves, a precious and revocable possession. Others have assigned them lands in perpetuity, refining an annual rent payable either in provisions or in money, and requiring from the possessors certain services. Those who received these lands, under the condition prescribed, became proprietors and free, under the name of tenant, or vassal; and the ancient proprietors, under the title of lords, reserved only the right of exacting payment of the rent, and other stipulated duties. Thus it has happened in the greater part of Europe.

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25. Fourth Method. Partial Colonization

These lands, rendered free at the expence of rent, may yet change masters, may divide or reunite by means of succession and sale; and such a vassal may in his turn have more than he can cultivate himself. In general the rent to which those lands are subject, is not so large, but that, by cultivating them well, the cultivator is enabled to pay all advances, and expences, procure himself a subsistence, and besides, an excess of productions which form a revenue. Henceforth the proprietary vassal becomes desirous of enjoying this revenue without labour, and of having his lands also cultivated by others. On the other hand, the greater part of the lords grant out those parts of their possessions only, which are the least within their reach, and retain those they can cultivate with the least expence. The cultivation by slaves not being practicable, the first method that offers, and the most simple to engage free men to cultivate lands which do not belong to them, was to resign to them such a portion of the produce, as would engage them to cultivate better than those husbandmen who are employed at a fixed salary. The most common method has been to divide it into equal parts, one of which belonged to the cultivator and the other to the proprietor. This has given place to the name (in France) of metayer (medietarius) or cultivator for half produce. In arrangements of this kind, which take place throughout the greatest part of France, the proprietor pays all contingencies; that is to say, he provides at his expence, the cattle for labour, ploughs, and other utensils of husbandry, seed, and the support of the cultivator and his family, from the time the latter enters into the metairie until the first harvest.

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26. Fifth Method. Renting, Or Letting Out The Land

Rich and intelligent cultivators, who saw to what perfection an active and well directed cultivation, for which neither labour nor expence was spared, would raise the fruitfulness of land, judged with reason that they would gain more, if the proprietors should consent to abandon, for a certain number of years, the whole of the harvest, on condition of receiving annually a certain revenue, and to be free of all expences of cultivation. By that they would be assured that the increase of productions, which their disbursements and their labour procured, would belong entirely to themselves. The proprietor, on his side, would gain thereby, 1st, a more tranquil enjoyment of his revenue, being freed from the care of advances, and of keeping an account of the produce; 2nd, a more equal enjoyment, since he would receive every year the same and a more certain price for his farm: because he would run no risk of losing his advances; and the cattle and other effects with which the farmers had stocked it, would become a security for his payment. On the other hand, the lease being only for a small number of years, if his tenant paid him too little, he could augment it at the expiration thereof.

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27. The Last Method Is The Most Advantageous, But It Supposes The Country Already Rich.

This method of securing lands is the most advantageous both to proprietors and cultivators. It is universally established where there are any rich cultivators, in a condition to make the advances necessary for the cultivation. And as the rich cultivators are in a situation to bestow more labour and manure upon the ground, there results from thence a prodigious augmentation in the productions, and in the revenue of the land.

In Picardy, Normandy, the environs of Paris, and in most of the provinces in the north of France, the lands are cultivated by farmers; in those of the south, by the metayers. Thus the northern are incomparably richer and better cultivated than the southern provinces.

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28. Recapitulation Of The Several Methods Of Making Lands Productive.

I have just mentioned five different methods by which proprietors are enabled to ease themselves of the labour of the cultivation, and to make their land productive, by the hands of others.

1. By workmen paid at a fixed salary.
2. By slaves.
3. By ceding their lands for rent.
4. By granting to the cultivator a determined portion, which is commonly half the produce, the proprietor paying the advances necessary for the cultivation.
5. By letting their land to farmers, who undertake to make all the necessary advances, and who engage to pay to the proprietors, during the number of years agreed on, a revenue equal to its value.

Of these five methods, the first is too expensive, and very seldom practised; the second is only used in countries as yet ignorant and barbarous; the third is rather a means of procuring a value for, than abandoning of the property for money, so that the ancient proprietor is no longer any thing more than a mere creditor.

The two last methods of cultivation are the most common, that is, the cultivation by metayers in the poor, and by farmers in the richer countries.

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29. Of Capitals In General, And Of The Revenue Of Money.

There is another way of being rich, without labour, and without possessing lands, of which I have not yet spoken, and of which it is necessary to explain the origin and connection, with other parts of the system of the distribution of riches in society, of which I have just drawn the outlines. This consists in living by what is called the revenue of money, or of the interest which is paid for the loan thereof.

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30. Of The Use Of Gold And Silver In Commerce.

Gold and silver are two species of merchandize, like others, and less valuable than many of them, because they are of no use for the real wants of life. To explain how these two metals are become the representative pledges of every species of riches; how they influence the commercial markets, and how they enter into the composition of fortunes, it is necessary to go back again and return to our first principles.

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31. Rise Of Commerce. Principle Of The Valuation Of Commercial Things.

Reciprocal wants first introduced exchanges of what we possessed, for what we stood in need of one species of provision was bartered for another, or for, labour. In exchanging, it is necessary that each party is convinced of the quality and quantity of every thing exchanged. In this agreement it is natural that every one should desire to receive as much as he can, and to give as little; and both being equally masters of what they have to barter, it is in a man's own breast to balance the attachment he has to the thing he gives, with the desire he feels to possess that which he is willing to receive, and consequently to fix the quantity of each of the exchanged things. If the two persons do not agree, they must relax a little on one side or the other, either by offering more or being content with less. I will suppose that one is want of corn and the other of wine; and that they agree to exchange a bushel of corn for six pints of wine. It is evident that by both of them, one bushel of corn and six pints of wine are looked upon as exactly equivalent, and that in this particular exchange, the price of a bushel of corn is six pints of wine, and the price of six pints of wine is one bushel of corn. But in another exchange between other men, this price will be different, accordingly as one or the other of them shall have a more or less pressing want of one commodity or the other; and a bushel of corn may be exchanged against eight pints of wine, while another bushel shall be bartered for four pints only.) Now it is evident, that not one of these three prices can be looked on as the true price of a bushel of corn, rather than the others; to each of the dealers, the wine he has received was equivalent to the corn he had given. In a word, so long as we consider each exchange independent of any other, the value of each thing exchanged has no other measure than the wants or desires of one party weighed with those of the other, and is fixed only by their agreement.

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32. How The Current Value Of The Exchange Of Merchandize Is Established.

Meantime it happens that many individuals have wine to dispose of to those who possess corn. If one is not willing to give more than four pints for a bushel, the proprietor of the corn will not exchange with him, when he shall know that another will give six or eight pints for the same bushel. If the former is determined to have the corn, he will be obliged to raise his price equal to what is offered by others. The sellers of wine profit on their side by the competition among the sellers of corn. No one resolves part with his property, before he has compared the different offers which are made to him, of the commodity he stands in need of, and then he accepts of the best offer. The value of the wine and corn is not fixed by the two proprietors with respect to their own wants and reciprocal abilities, but by a general balance of the wants of all the sellers of corn, with those of all the sellers of wine. For those who will willingly give eight pints of wine for a bushel of corn, will give but four when they shall know that a proprietor of corn is willing to give two bushels for eight pints. The medium price between the different offers and the different demands, will become the current price to which all the buyers and sellers will conform in their exchanges; and it will be true if we say, that six pints of wine will be to every one the equivalent for a bushel of corn, that is, the medium price, until a diminution of supply on one side, or of demand on the other, causes a variation.

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33. Commerce Gives In All Merchandize A Current Value With Respect To Any Other Merchandize; From Whence It Follows That All Merchandize Is The Equivalent For A Certain Quantity Of Any Other Merchandize, And May Be Looked On As A Pledge To Represent It.

Corn is not only exchanged for wine, but also for any object which the proprietors of the corn may stand in need of as wood, leather, woollen, cotton, &c. it is the same with wine and every other particular species. If a bushel of corn is equivalent to six pints of wine, and a sheep is equivalent to three bushels of corn, the same sheep will be equivalent to eighteen pints of wine. He who having the corn, wants the wine, may, without inconvenience, exchange his corn for a sheep, in order afterwards to exchange the sheep for the wine he stands in need of.

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34. Every Merchandize May Serve As A Scale Or Common Measure, By Which To Compare The Value Of Any Other.

It follows from hence, that in a country where the commerce is very brisk, where there are many productions and much consumption, where there are great supplies and a great demand for all sorts of commodities, every sort will have a current price, having relation to every other species; that is to say, that a certain quantity of one will be of equal value to a certain quantity of any others. Thus the same quantity of corn which is worth eighteen pints of wine, is also the value of a sheep, a piece of leather, or a certain quantity of iron; and all these things have, in the transactions of trade an equal value. To express or make known the value of any particular thing, it is evident, that it is sufficient to announce the quantity of any other known production, which will be looked on as an equivalent for it. Thus, to make known what a piece of leather of a certain size is worth, we may say indifferently, that it is worth three bushels of corn, or eighteen pints of wine. We may by the same method express the value of a certain quantity of wine, by the number of sheep, or bushels of corn it will bring in trade.

We see by this, that every species of commodity that can be an object of commerce, may be measured, as I may say, by each other, that every one may serve as a common measure, or scale of comparison to describe the value of every other species, and in like manner every merchandize becomes in the hands of him who possesses it, a means to procure all others—a sort of universal pledge.

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35. Every Species Of Merchandize Does Not Present A Scale Equally Commodious. It Is Proper To Prefer The Use Of Such As Are Not Susceptible Of Any Great Alteration In Quality, And Have A Value Principally Relative To The Number And Quantity.

But although all merchandize has essentially this property of representing any other, is able to serve as a common measure, to express its value, and to become a universal pledge to procure any of them by way of exchange, yet all cannot be employed with the same degree of facility for these two uses. The more susceptible any merchandize is to change its value by an alteration in its quality, the more difficult it is to make it a scale of reference for the value of others. For example, if eighteen pints of wine of Anjou are equivalent in value to a sheep, eighteen pints of Cape wine may be equivalent to eighteen sheep. Thus he who to express the value of a sheep, would say it is worth eighteen pints of wine, would employ an equivocal language, and would not communicate any precise idea, at least until he added some explanation, which would be very inconvenient. We are, therefore, obliged to choose for a scale of comparison, such commodities as being more commonly in use, and consequently of a value more generally known, are more like each other, and of which consequently the value has more relation to the quantity than the quality.

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36. For Want Of An Exact Correspondence Between The Value And The Number Or Quantity, It Is Supplied By A Mean Valuation, Which Becomes A Species Of Real Money.

In a country where there are only one race of sheep, we may easily take the value of a fleece or of a sheep by the common method of valuation, and we may say that a barrel of wine, or a piece of stuff, is worth a certain number of fleeces or of sheep. There is in reality some inequality in sheep, but when we want to sell them, we take care to estimate that inequality, and to reckon (for example) two lambs for one sheep. When it is necessary to treat of the relative value of other merchandize, we fix the common value of a sheep of middling age and quality, as the symbol of unity. In this view the enunciation of the value of sheep, becomes an agreed language, and this word one sheep, in the language of commerce, signifies only a certain value, which, in the mind of him who understands it, carries the idea not only of a sheep, but as a certain quantity of every other commodity, which is esteemed equivalent thereto, and this expression is more applicable to a fictitious and abstract value, than to the value of a real sheep; that if by chance a mortality happens among the sheep, and that to purchase one of them, you must give double the quantity of corn or wine that was formerly given, we shall rather say, that one sheep is worth two sheep, than change the expression we have been accustomed to for all other valuations.

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37. Example Of Those Mean Valuations Which Become An Ideal Expression For Value.

There exists, in the commerce of every nation, many examples of fictitious valuations of merchandize, which are, as we may say, only a conventional language to express their value. Thus the cooks of Paris, and the fishmongers who furnish great houses, generally sell by the piece. A fat pullet is esteemed one piece, a chicken half a piece, more or less, according to the season: and so of the rest. In the negro trade in the American colonies, they sell a cargo of negroes at the rate of so much per negro, an Indian piece. The women and children are valued, so that, for example, three children, or one woman and two children are reckoned as one head of negro. They increase or diminish the value on account of the strength or other quality of the slaves, so that certain slaves are reckoned as two heads of negroes.

The Mandingo negroes, who carry on a trade for gold dust with the Arabian merchants, bring all their commodities to a fictitious scale, which both parties call macutes, so that they tell the merchants they will give so many macutes in gold. They value thus in macutes the merchandize they receive; and bargain with the merchants upon that valuation. Thus in Holland they reckon by bank florins, which is only a fictitious money, and which in commerce is sometimes of a greater, sometimes of a less value than the coin which is denominated a florin.

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38. All Merchandize Is A Representative Pledge Of Every Object Of Commerce, But More Or Less Commodities For Use, As It Possesses A Greater Or Less Facility To Be Transported, And To Be Preserved Without Alteration.

The variation in the quality of merchandize, and in the different prices in proportion to that quality, which renders them more or less proper than others to serve as a common measure, is also more or less an impediment to their being a representative pledge of every other merchandize of equal value. Nevertheless there is also, as to this last property, a very essential difference between the different species of merchandize. It is (for example) evident, that a man who possesses a piece of linen, is more certain of procuring for it, when he pleases, a certain quantity of corn, than if he had a barrel of wine of equal value: the wine being subject to a variety of accidents, which may in a moment deprive him of the whole property.

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39. All Merchandize Has The Two Essential Properties Of Money, To Measure And To Represent All Value: And In This Sense All Merchandize Is Money.

These two properties of serving as a common measure of all value, and of being a representative pledge of all other commodities of equal value, comprehend all that constitute the essence and use of what is called money; and it follows from the details which I have just now given, that all merchandize is, in some respect, money; and participates more or less, according to its particular nature, of these two essential properties. All is more or less proper to serve as a common measure, in proportion as it is more or less in general use, of a more similar quality, and more easy to be divided into aliquot parts. All is more or less applicable for the purpose of a general pledge of exchange, in proportion as it is less susceptible of decay or alteration in quantity or quality.

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40. Reciprocally All Money Is Essentially Merchandize.

We can take only that which has a value for a common measure of value, that which is received in commerce in exchange for other properties; and there is no universal representative pledge of value, but something of equal value. A money of convention is therefore a thing impossible.

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41. Different Matters Are Able To Serve And Have Served For Current Money.

Many nations have adopted in their language and in their trade, as a common measure of value, different matters more or less precious. There are at this day, some barbarous nations, who make use of a species of little shells, called cowries. I remember to have seen when at college, some apricot stones exchanged and passed as a species of money among the scholars, who made use of them at certain games. I have already spoken of a valuation by heads of cattle; some of these are to be found in the vestiges of the laws of the ancient German nations, who over-ran the Roman empire. The first Romans, or at least the Latins, their ancestors, made use of them also. It is pretended that the first money they struck in brass, represented the value of a sheep, and bore the image of that animal, and that the name of Pecunia has obtained from pecus. This conjecture carries with it a great probability.

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42. Metals, And Particularly Gold And Silver, Are The Most Proper For That Purpose, And Why.

We are now arrived at the introduction of the precious metals into trade. All metals, as they have been discovered, have been admitted into exchange, on account of their real utility. Their splendor has caused them to be sought for, to serve as ornaments; their ductility and their solidity have rendered them proper for utensils, more durable and lighter than those of clay. But these substances cannot be brought into commerce without becoming almost immediately a universal money. A piece of any metal, of whatever sort, has exactly the same qualities as another piece of the same metal provided they are both equally pure. Now the ease with which we can separate, by different chemical operations, a metal from other metals with which it is incorporated, enables us to bring it to a degree of purity, or, as they call it, to what standard we please; then the value of metal differs only as to its weight. In expressing, therefore, the value of any merchandize by the weight of metal which may be had in exchange, we shall then have the clearest, the most commodious, and most precise expression of value; and hence it is impossible but it must be preferred in practice to all other things. Nor are metals less proper than other merchandize for becoming the universal token of all value that can be measured: as they are susceptible of all imaginable divisions, there is not any object of commerce, great or small, whose value cannot be exactly paid by a certain quantity of metal. To this advantage of accommodating itself to every species of division, they join that of being unalterable, and those which are scarce, as gold and silver, have a great value, although of a weight and size little considerable.

These two metals are then, of all merchandize, the most easy to ascertain their quality, to divide their quantity, and to convey to all places at the easiest expence. Every one, therefore, who has a superfluity, and who is not at the time in want of another useful commodity, will hasten to exchange it for silver, with which he is more certain, than with any thing else, to procure himself the commodity he shall wish for at the time he is in want.

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43. Gold And Silver Are Constituted, By The Nature Of Things, Money, And Universal Money, Independent Of All Convention, And Of All Laws.

Here then is gold and silver constituted money, and universal money, and that without any arbitrary agreement among men, without the intervention of any law, but only by the nature of things. They are not, as many people imagine, signs of value; they have an intrinsic value in themselves, if they are capable of being the measure and the token of other values. This property they have in common with all other commodities which have a value in commerce. They only differ in being at the same time more divisible, more unchangeable, and of more easy conveyance than other merchandize, by which they are more commodiously employed to measure and represent the value of others.

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44. Other Metals Are Only Employed For These Uses, In A Secondary Manner.

All metals are capable of being employed as money. But those which are too common have too little value in a large bulk to be employed in the current uses of commerce. Copper, silver, and gold, are the only ones which have been brought into constant use. And even copper, except among people to whom neither mines nor commerce have supplied a sufficient quantity of gold or silver, has never been used but in exchanges of small value.

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45. The Use Of Gold And Silver, As Money, Has Augmented Their Value As Materials.

It is not possible, but the eagerness with which every one has sought to exchange their superfluous commodities for gold and silver, rather than for any other commodity, must have augmented the value of these two materials in commerce. These are only thereby rendered more commodious for their employment as tokens, or common measure.

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46. Variations In The Value Of Gold And Silver, Compared With The Other Objects Of Commerce, And With Each Other.

This value is susceptible of change, and in truth is continually changing; so that the same quantity of metal which answered to a certain quantity of such or such a commodity, becomes no longer equal thereto, and it requires a greater or less quantity of silver to represent the same commodity. When it requires more, it is said the commodity is dearer. when it requires less, that it is become cheaper; but they may as well say, that the silver is in the first case become cheaper, and in the latter dearer. Silver and gold not only vary in price, compared with all other commodities, but they vary also with each other, in proportion as they are more or less abundant. It is notorious, that we now give in Europe from fourteen to fifteen ounces of silver for one ounce of gold; and that in former times we gave only ten or eleven ounces.

Again, that at present in China, they do not give more than twelve ounces of silver for one ounce of gold, so that there is a very great advantage in carrying silver to China, to exchange for gold, to bring back to Europe. It is visible, that, in process of time, this commerce will make gold more common in Europe, and less common in China, and that the value of these two materials must finally come in both places to the same proportion.

A thousand different causes concur, to fix and to change incessantly the comparative value of commodities, either with respect to each other, or with respect to silver. The same causes conspire to fix and vary the comparative value, whether in respect to the value of each commodity in particular, or with respect to the totality of the other values which are actually in commerce. It is not possible to investigate these different causes, or to unfold their effects, without entering into very extensive and very difficult details, which I shall decline in this discussion.

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47. The Use Of Payments In Money, Has Given Room For The Distinction Of Seller And Buyer.

In proportion as mankind became familiarized to the custom of valuing all things in silver, of exchanging all their superfluous commodities for silver, and of not parting with that money but for things which are useful or agreeable to them at the moment, they become accustomed to consider the exchanges of commerce in a different point of view. They have made a distinction of two persons, the buyer and the seller: the seller is him who gives commodities for money; and the buyer is him who gives money for commodities.

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48. The Use Of Money Has Much Facilitated The Separation Of Different Labours Among The Different Orders Of Society.

The more money becomes a universal medium, the more every one is enabled, by devoting himself solely to that species of cultivation and industry, of which he has made choice, to divest himself entirely of every thought for his other wants, and only to think of providing the most money he can, by the sale of his fruits or his labour, being sure with that money to possess all the rest. It is thus, that the use of money has prodigiously hastened the progress of society.

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49. Of The Excess Of Annual Produce Accumulated To Form Capitals.

As soon as men are found, whose property in land assures them an annual revenue more than sufficient to satisfy all their wants, among them there are some, who, either uneasy respecting the future, or, perhaps, only provident, lay by a portion of what they gather every year, either with a view to guard against possible accidents, or to augment their enjoyments. When the commodities they have gathered are difficult to preserve, they ought to procure themselves in exchange, such objects of a more durable nature, and such as will not decrease in their value by time, or those that may be employed in such a manner, as to procure such profits as will make good the decrease with advantage.

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50. Personal Property, Accumulation Of Money.

This species of possession, resulting from the accumulation of annual produce, not consumed, is known by the name of personal property. Household goods, houses, merchandize in store, utensils of trade, and cattle are under this denomination. It is evident men must have toiled hard to procure themselves as much as they could of this kind of wealth, before they became acquainted, but it is not less evident that, as with the use of money, soon as it was known, that it was the least liable to alteration of all the objects of commerce, and the most easy to preserve without trouble, it would be principally sought after by whoever wished to accumulate. It was not the proprietors of land only who thus accumulated their superfluity. Although the profits of industry are not, like the revenue of lands, a gift of nature; and the industrious man draws from his labour only the price which is given him by the persons who pay him his wages; although the latter is as frugal as he can of his salary, and that a competition obliges an industrious man to content himself with a less price than he otherwise would do, it is yet certain that these competitions have neither been so numerous or strong in any species of labour, but that a man more expert, more active, and who practises more oeconomy than others in his personal expences, has been able, at all times, to gain a little more than sufficient to support him and his family, and reserve his surplus to form a little hoard.

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51. Circulating Wealth Is An Indispensible Requisite For All Lucrative Works.

It is even necessary, that in every trade the workmen, or those who employ them, possess a certain quantity of circulating wealth, collected before-hand. We here again are obliged to go back to a retrospect of many things which have been as yet only hinted at, after we have spoken of the division of different professions, and of the different methods by which the proprietors of capitals may render them of value; because, otherwise, we should not be able to explain them properly, without interrupting the connection of our ideas.

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52. Necessity Of Advances For Cultivation.

Every species of labour, of cultivation, of industry, or of commerce, require advances. When people cultivate the ground, it is necessary to sow before they can reap; they must also support themselves until after the harvest. The more cultivation is brought to perfection and enlivened, the more considerable these advances are. Cattle, utensils for farming, buildings to hold the cattle, to store the productions, a number of persons, in proportion to the extent of the undertaking, must be paid and subsisted until the harvest. It is only by means of considerable advances, that we obtain rich harvests, and that lands produce a large revenue. In whatever business they engage, the workman must be provided with tools, must have a sufficient quantity of such materials as the object of his labour requires: and he must subsist until the sale of his goods.

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53. First Advance Furnished By The Land Although Uncultivated.

The earth was ever the first and the only source of all riches: it is that which by cultivation produces all revenue; it is that which has afforded the first fund for advances, anterior to all cultivation. The first cultivator has taken the grain he has sown from such productions as the land had spontaneously produced; while waiting for the harvest, he has supported himself by hunting, by fishing, or upon wild fruits. His tools have been the branches of trees, procured in the forests, and cut with stones sharpened upon other stones; the animals wandering in the woods he has taken in the chase, caught them in his traps, or has subdued them unawares. At first he has made use of them for food, afterwards to help him in his labours. These first funds or capital have increased by degrees. Cattle were in early times the most sought after of all circulating property; and were also the easiest to accumulate; they perish, but they also breed, and this sort of riches is in some respects unperishable. This capital augments by generation alone, and affords an annual produce, either in milk, wool, leather, and other materials, which, with wood taken in the forest, have effected the first foundations for works of industry.

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54. Cattle A Circulating Wealth, Even Before The Cultivation Of The Earth.

In times when there was yet a large quantity of uncultivated land, and which did not belong to any individual, cattle might be maintained without having a property in land. It is even probable, that mankind have almost every where began to collect flocks and herds, and to live on what they produced, before they employed themselves in the more laborious occupation of cultivating the ground. It seems that those nations who first cultivated the earth, are those who found in their country such sorts of animals as were the most susceptible of being tamed, and that they have by this been drawn from the wandering and restless life of hunters and fishers, to the more tranquil enjoyment of pastoral pursuits. Pastoral life requires a longer residence in the same place, affords more leisure, more opportunities to study the difference of lands, to observe the ways of nature in the productions of such plants as serve for the support of cattle. Perhaps it is for this reason, that the Asiatic nations have first cultivated the earth, and that the inhabitants of America have remained so long in a savage state.

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55. Another Species Of Circulating Wealth, And Advances Necessary For Cultivation, Slaves.

The slaves were another kind of personal property, which at first were procured by violence, and afterwards by way of commerce and exchange. Those that had many, employed them not only in the culture of land, but in various other channels of labour. The facility of accumulating, almost without measure, those two sources of riches, and of making use of them abstractedly from the land, caused the land itself to be estimated, and the value compared to moveable riches.

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56. Personal Property Has An Exchangeable Value, Even For Land Itself.

A man that would have been possessed of a quantity of lands without cattle or slaves, would undoubtedly have made an advantageous bargain, in yielding a part of his land, to a person that would have offered him in exchange, cattle and slaves to cultivate the rest. It is chiefly by this principle that property in land entered likewise into commerce, and had a comparative value with that of all the other goods. If four bushels of corn, the net produce of an acre of land, was worth six sheep, the acre itself that feeds them could have been given for a certain value, greater indeed, but always easy to settle by the same way, as the price of other wares. Namely, at first by debates among the two contractors, next, by the current price established by the agreement of those who exchange land for cattle, or the contrary. It is by the scale of this current specie that lands are appraised, when a debtor is prosecuted by his creditor, and is constrained to yield up his property.

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57. Valuations Of Lands By The Proportion Of Their Revenue, With The Sum Of Personal Property, Or The Value For Which They Are Exchanged: This Proportion Is Called The Price Of Lands.

It is evident, that if land, which produces a revenue equivalent to six sheep, can be sold for a certain value, which may always be expressed by a number of sheep equivalent to that value; this number will bear a fixed proportion with that of six, and will contain it a certain number of times. Thus the price of an estate is nothing else but its revenue multiplied a certain number of times; twenty times if the price is a hundred and twenty sheep; thirty times if one hundred and eighty sheep. And so the current price of land is reckoned by the proportion of the value of the revenue; and the number of times, that the price of the sale contains that of the revenue, is called so many years purchase of the land. They are sold at the price of twenty, thirty, or forty years purchase, when on purchasing them we pay twenty, thirty, or forty times. their revenue. It is also not less evident, that this price must vary according to the number of purchasers, or sellers of land, in the same manner as other goods vary in a ratio to the different proportion between the offer and the demand.

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58. All Capital In Money, And All Amounts Of Value, Are Equivalent To Land Producing A Revenue Equal To Some Portion Of That Capital Or Value. First Employment Of Capitals. Purchase Of Lands.

Let us now go back to the time after the introduction of money. The facility of accumulating it has soon rendered it the most desirable part of personal property, and has afforded the means of augmenting, by economy, the quantity of it without limits. Whoever, either by the revenue of his land. or by the salary of his labour or industry, receives every year a higher income than he needs to spend, may lay up the residue and accumulate it: these accumulated values are what we name a capital. The pusillanimous miser, that keeps his money with the mere view of soothing his imagination against apprehension of distress in the uncertainty of futurity, keeps his money in a hoard. If the dangers he had foreseen should eventually take place, and he in his poverty be reduced to live every year upon the treasure, or a prodigal successor lavish it by degrees, this treasure would soon be exhausted, and the capital totally lost to the possessor. The latter can draw a far greater advantage from it; for an estate in land of a certain revenue, being but an equivalent of a sum of value equal to the revenue, taken a certain number of times, it follows, that any sum whatsoever of value is equivalent to an estate in land, producing a revenue equal to a fixed proportion of that sum. It is perfectly the same whether the amount of this capital consists in a mass of metal, or any other matter, since money represents all kinds of value. as well as all kinds of value represent money. By these means the possessor of a capital may at first employ it in the purchase of lands; but he is not without other resources.

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59. Another Employment For Money In Advances For Enterprises Of Manufacture Or Industry.

I have already observed, that all kinds of labour, either of cultivation or industry, required advances. And I have shewn how the earth, by the fruits and herbage it spontaneously produces for the nourishment of men and animals, and by the trees, of which man has first formed his utensils, had furnished the first advances for cultivation; and even of the first manual works a man can perform for his own service. For instance, it is the earth that provides the stone, clay, and wood, of which the first houses were built; and, before the division of professions, when the same man that cultivated the earth provided also for his other wants by his own labour, there was no need of other advances. But when a great part of society began to have no resource but in their hands, it was necessary that those who lived thus upon salaries, should have somewhat before hand, that they might either procure themselves the materials on which they laboured, or subsist during the time they were waiting for their salary.

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60. Explanation Of The Use Of The Advances Of Capitals In Enterprises Of Industry; On Their Returns And The Profits They Ought To Produce.

In early times, he that employed labouring people under him, furnished the materials himself, and paid from day to day the salaries of the workmen. It was the cultivator or the owner himself that gave to the spinner the hemp he had gathered, and he maintained her during the time of her working. Thence he passed the yarn to a weaver, to whom he gave every day the salary agreed upon. But those slight daily advances can only take place in the coarsest works. A vast number of arts, and even of those arts indispensable for the use of the most indigent members of society, require that the same materials should pass through many different hands, and undergo, during a considerable space of time, difficult and various operations. I have already mentioned the preparation of leather, of which shoes are made. Whoever has seen the workhouse of a tanner, cannot help feeling the absolute impossibility of one, or even several indigent persons providing themselves with leather, lime, tan, utensils, &c. and causing the requisite buildings to be erected to put the tan house to work, and of their living during a certain space of time, till their leather can be sold. In this art, and many others, must not those that work on it have learned the craft before they presume to touch the materials, lest they should waste them in their first trials? Here then is another absolute necessity of advances. Who shall now collect the materials for the manufactory, the ingredients, the requisite utensils for their preparation? Who is to construct canals, markets, and buildings of every denomination? How shall that multitude of workmen subsist till the time of their leather being sold, and of whom none individually would be able to prepare a single skin; and where the emolument of the sale of a single skin could not afford subsistence to any one of them? Who shall defray the expences for the instruction of the pupils and apprentices? Who shall maintain them until they are sufficiently instructed, guiding them gradually from an easy labour proportionate to their age, to works that demand more vigour and ability? It must then be one of those proprietors of capitals, or moveable accumulated property that must employ them, supplying them with advances in part for the construction and purchase of materials, and partly for the daily salaries of the workmen that are preparing them. It is he that must expect the sale of the leather, which is to return him not only his advances, but also an emolument sufficient to indemnify him for what his money would have procured him, had he turned it to the acquisition of lands, and moreover of the salary due to his troubles and care, to his risque, and even to his skill; for surely, upon equal profits, he would have preferred living without solicitude, on the revenue of land, which he could have purchased with the same capital. In proportion as this capital returns to him by the sale of his works, he employs it in new purchases for supporting his family and maintaining his manufactory; by this continual circulation, he lives on his profits, and lays by in store what he can spare to increase his stock, and to advance his enterprize by augmenting the mass of his capital, in order proportionably to augment his profits.

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61. Subdivisions Of The Industrious Stipendiary Class, In Undertaking Capitalists And Simple Workmen.

Thus the whole class-employed in supplying the different wants of society, with an immense variety of works of industry, is, if I may speak thus, subdivided into two classes. The one, of the undertakers, manufacturers and masters, all proprietors of large capitals, which they avail themselves of, by furnishing work to the other class, composed of artificers, destitute of any property but their hands, who advance only their daily labour, and receive no profits but their salaries.

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62. Another Employment Of Capitals, In Advances Towards Undertakings Of Agriculture. Observations On The Use, And Indispensable Profits Of Capitals In Undertakings Of Agriculture.

In speaking first of the placing of capitals in manufacturing enterprizes, I had in view to adduce a more striking example, of the necessity and effect of large advances, and of the course of their circulation. But I have reversed the natural order, which seemed to require that I should rather begin to speak of enterprizes of agriculture, which also can neither be performed, nor extended, nor afford any profit, but by means of considerable advances. It is the proprietors of great capitals, who, in order to make them productive in undertakings of agriculture, take leases of lands, and pay to the owners large rents, taking on themselves the whole burthen of advances. Their case must necessarily be the same as that of the undertakers of manufactures. Like them, they are obliged to make the first advances towards the undertaking, to provide themselves with cattle, horses, utensils of husbandry, to purchase the first seeds; like them they must maintain and nourish their carters, reapers, threshers, servants, and labourers, of every denomination, who subsist only by their hands, who advance only their labour, and reap only their salaries. Like them, they ought to have not only their capital, I mean, all their prior and annual advances returned, but, 1st, a profit equal to the revenue they could have acquired with their capital, exclusive of any fatigue; 2ndly. The salary, and the price of their own trouble, of their risk, and their industry; 3rdly. An emolument to enable them to replace the effects employed in their enterprise, and the loss by waste, cattle dying, and utensils wearing out, &c., all which ought to be first charged on the products of the earth. The over-plus will serve the cultivator to pay to the proprietor, for the permission he has given him to make use of his field in the accomplishing of his enterprize; that is, the price of the leasehold, the rent of the proprietor and the clear product: for all that the land produces, until reimbursement of the advances, and profits of every kind to him that has made these advances, cannot be looked upon as a revenue, but only as a reimbursement of the expences of the cultivation, since if the cultivator could not obtain them, he would be loath to risk his wealth and trouble in cultivating the field of another.

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63. The Competition Between The Capitalists, Undertakers Of Cultivation, Fixes The Current Price Of Leases Of Lands.

The competition between rich undertakers of cultivation fixes the current price of leases, in proportion to the fertility of the soil, and of the rate at which its productions are sold, always according to the calculation which farmers make both of their expenditures, and of the profits they ought to draw from their advances. They cannot give to the owners more than the overplus. But when the competition among them happens to be more animated, they sometimes render him the whole overplus, the proprietor leasing his land to him that offers the greatest rent.

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64. The Default Of Capitalists, Undertakers, Limits The Cultivation Of Lands To A Small Extent.

When, on the contrary, there are no rich men that possess capitals large enough to embark in enterprizes of agriculture; when, through the low rate of the productions of the earth, or any other cause, the crops are not sufficient to ensure to the undertakers, besides the reimbursement of their capital, emoluments adequate at least to those they would derive from their money, by employing it in some other channel; there are no farmers that offer to lease lands, the proprietors are constrained to hire mercenaries or metayers, which are equally unable to make any advances, or duly to cultivate it. The proprietor himself makes moderate advances, which only produce him an indifferent revenue: If the land happens to belong to an owner, poor, negligent, and in debt, to a widow, or a minor, it remains unmanured; such is the principle of the difference I have observed between provinces, where the lands are cultivated by opulent farmers, as in Normandy and the Isle de France, and those where they are cultivated only by indigent mercenaries, as in Limousin, Angoumois, Bourbonnois, and several others.

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65. Subdivisions Of The Class Of Cultivators Into Undertakers, Or Farmers, And Hired Persons, Servants, And Day-labourers.

Hence it follows, that the class of cultivators may be divided, like that of manufacturers, into two branches, the one of undertakers or capitalists, who make the advances, the other of simple stipendiary workmen. It results also, that capitals alone can form and support great enterprizes of agriculture, that give to the lands an unvariable value, if I may use the expression, and that secure to the proprietors a revenue always equal, and the largest possible.

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66. Fourth Employment Of Capitals, In Advances For Enterprises Of Commerce. Necessity Of The Interposition Of Merchants, Properly So Called, Between The Producers Of The Commodities And The Consumers.

The undertakers either in cultivation or manufacture, draw their advances and profits only from the sale of the fruits of the earth, or the commodities fabricated. It is always the wants and the ability of the consumer that sets the price on the sale; but the consumer does not want the produce prepared or fitted up at the moment of the crop, or the perfection of the work. However, the undertakers want their stocks immediately and regularly reimbursed, to embark in fresh enterprises: the manuring and the seed ought to succeed the crops without interruption. The workmen of a manufacture are unceasingly to be employed in beginning other works, in proportion as the first are distributed, and to replace the materials in proportion as they are consumed. It would not be advisable to stop short in an enterprize once put in execution, nor is it to be presumed that it can be begun again at any time. It is then the strictest interest of the undertaker, to have his capital quickly reimbursed by the sale of his crop or commodities. On the other hand, it is the consumers interest to find, when and where he wishes it, the things he stands in need of it would be extremely inconvenient for him to be necessitated to make, at the time of the crop, his provision for the whole course of a year. Among the objects of usual consumption, there are many that require long and expensive labours, labours that cannot be undertaken with profit, except on a large quantity of materials, and on such as the consumption of a small number of inhabitants of a limited district, may not be sufficient for even the sale of the work of a single manufactory. Undertakings of this kind must then necessarily be in a reduced number, at a considerable distance from each other, and consequently very distant from the habitations of the greater number of consumers. There is no man, not oppressed under the extremest misery, that is not in a situation to consume several things, which are neither gathered nor fabricated, except in places considerably distant from him, and not less distant from each other. A person that could not procure himself the objects of his consumption but in buying it directly from the hand of him that gathers or works it, would be either unprovided with many commodities, or pass his life in wandering after them.

This double interest which the person producing and the consumer have, the former to find a purchaser, the other to find where to purchase, and yet not to waste useful time in expecting a purchaser, or in finding a seller, has given the idea to a third person to stand between the one and the other. And it is the object of the mercantile profession, who purchase goods from the hands of the person who produces them, to store them in warehouses, whither the consumer comes to make his purchase. By these means the undertaker, assured of the sale and the re-acquisition of his funds, looks undisturbed and indefatigably out for new productions, and the consumer finds within his reach and at once, the objects of which he is in want.

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67. Different Orders Of Merchants. They All Have This In Common, That They Purchase To Sell Again; And That Their Traffic Is Supported By Advances Which Are To Revert With A Profit, To Be Engaged In New Enterprizes.

From the green-woman who exposes her ware in a market, to the merchants of Nantz or Cadiz, who traffic even to India and America, the profession of a trader, or what is properly called commerce, divides into an infinity of branches, and it may be said of degrees. One trader confines himself to provide one or several species of commodities which he sells in his shop to those who chuse; another goes with certain commodities to a place where they are in demand, to bring from thence in exchange, such things as are produced there, and are wanted in the place from whence he departed: one makes his exchanges in his own neighbourhood, and by himself, another by means of correspondents, and by the interposition of carriers, whom he pays, employs, and sends from one province to another, from one kingdom to another, from Europe to Asia, and from Asia back to Europe. One sells his merchandize by retail to those who use them, another only sells in large parcels at a time, to other traders who retail them out to the consumers: but all have this in common that they buy to sell again, and that their first purchases are advances which are returned to them only in course of time. They ought to be returned to them, like those of the cultivators and manufacturers, not only within a certain time, to be employed again in new purchases, but also, 1. with an equal revenue to what they could acquire with their capital without any labour; 2. with the value of their labour, of their risk, and of their industry. Without being assured of this return, and of these indispensable profits, no trader would enter into business, nor could any one possibly continue therein: tis in this view he governs himself in his purchases, on a calculation he makes of the quantity and the price of the things, which he can hope to dispose of in a certain time: the retailer learns from experience, by the success of limited trials made with precaution, what is nearly the wants of those consumers who deal with him. The merchant learns from his correspondents, of the plenty or scarcity, and of the price of merchandize in those different countries to which his commerce extends; he directs his speculations accordingly, he sends his goods from the country where they bear a low price to those where they are sold dearer, including the expence of transportation in the calculation of the advances he ought to be reimbursed. Since trade is necessary, and it is impossible to undertake any commerce without advances proportionable to its extent; we here see another method of employing personal property, a new use that the possessor of a parcel of commodities reserved and accumulated, of a sum of money, in a word, of a capital, may make of it to procure himself subsistence, and to augment, his riches.

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68. The True Idea Of The Circulation Of Money.

We see by what has been just now said, how the cultivation of lands, manufactures of all kinds, and all the branches of trade, depend on a mass of capital, or the accumulation of personal property, which, having been at first advanced by the undertakers, in each of these different branches, ought to return to them again every year with a regular profit; that is, the capital to be again invested, and advanced in the continuation of the same enterprizes, and the profits employed for the greater or less subsistence of the undertakers. It is this continued advance and return which constitutes what ought to be called the circulation of money: this useful and fruitful circulation, which animates all the labour of society, which supports all the motion, and is the life of the body politic, and which is with great reason compared to the circulation of the blood in the human body. For, if by any disorder in the course of the expenses of the different orders of society, the undertakers cease to draw back their advances with such profit as they have a right to expect; it is evident they will be obliged to reduce their undertakings; that the total of the labour, of the consumption of the fruits of the earth, of the productions and of the revenue would be equally diminished; that poverty will succeed to riches, and that the common workman, ceasing to find employ, will fall into the deepest misery.

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69. All Extensive Undertakings, Particularly Those Of Manufactures And Of Commerce, Must Indispensibly Have Been Very Confined, Before The Introduction Of Gold And Silver In Trade.

It is almost unnecessary to remark, that undertakings of all kinds, but especially those of manufactures, and above all those of commerce, must, unavoidably be very confined, before the introduction of gold and silver in trade; since it was almost impossible to accumulate considerable capitals, and yet more difficult, to multiply and divide payments so much as is necessary, to facilitate and increase the exchanges to that extent, which a spirited commerce and circulation require. The cultivation of the land only may support itself to a certain degree, because the cattle are the principal cause of the advances required therein, and it is very probable, there is then no other adventurer in cultivation but the proprietor. As to arts of all kinds, they must necessarily have been in the greatest languor before the introduction of money; they were confined to the coarsest works, for which the proprietors supported the advances, by nourishing the workmen, and furnishing them with materials, or they caused them to be made in their own houses by their servants.

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70. Capitals Being As Necessary To All Undertakings As Labour And Industry, The Industrious Man Shares Voluntarily The Profit Of His Enterprize With The Owner Of The Capital Who Furnishes Him The Funds He Is In Need Of.

Since capitals are the indispensable foundation of all lucrative enterprizes; since with money we can furnish means for culture, establish manufactures, and raise a commerce, the profits of which being accumulated and frugally laid up, will become a new capital: since, in a word, money is the principal means to beget money; those who with industry and the love of labour are destitute of capital, and have not sufficient for the undertaking they wish to embark in, have no difficulty in resolving to give up to the proprietors of such capital or money, who are willing to trust them, a portion of the profits which they are in expectation of gaining, over and above their advances.

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71. Fifth Employment Of Capitals, Lending On Interest; Nature Of A Loan.

The possessors of money balance the risk their capital may run, if the enterprise does not succeed, with the advantage of enjoying a constant profit without toil; and regulate themselves thereby, to require more or less profit or interest for their money, or to consent to lend it for such an interest as the borrower offers. Here another opportunity opens to the possessor of money, viz, lending on interest, or the commerce of money. Let no one mistake me here, lending on interest is only a trade, in which the lender is a man who sells the use of his money, and the borrower one who buys; precisely the same as the proprietor of an estate, or the person who farms it, buys and sells respectively the use of the hired land. The Latin term for a loan of money or interest, expresses it exactly, *usura pecuniae*, a word which adopted into the French language is become odious, by a consequence of false ideas being adopted on the interest of money.

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72. False Ideas On Lending Upon Interest.

The rate of interest is by no means founded, as may be imagined, on the profit the borrower hopes to make, with the capital of which he purchases the use. This rate like the price of all other merchandize, is fixed by the circumstances of buyer and seller; by the proportion of the sum offered with the demand. People borrow with every kind of view, and with every sort of motive. One borrows to undertake an enterprize that is to make his fortune, another to buy an estate, another to pay his losses at play, another to supply the loss of his revenue, of which some accident has deprived him, another to exist on, in expectation of what he is able to gain by his labour. but all these motives which determine the borrower, are very indifferent to the lender. He attends to two things only, the interest he is to receive, and the safety of his capital. He never attends to the use the borrower puts it to, as a merchant does not care to what use the buyer applies the commodities he sells him.

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73. Errors Of The Schoolmen Refuted.

It is for want of having examined the lending of money on interest in its true point of view that moralists, more rigid than enlightened, would endeavour to make us look on it as a crime. Scholastic theologians have concluded, that as money itself was not prolific, it was unjust to require a premium for the loan of it. Full of these prejudices they have fancied their doctrine was sanctioned by this passage in the Gospel, *mutuum date nihil inde sperantes*: Those theologians who have adopted more reasonable principles on the subject of interest of money, have been branded with the harshest reproaches from those who adopt the other side of the question.

Nevertheless, there are but few reflections necessary to expose the trifling reasons that are adduced to condemn the taking of interest. A loan of money is a reciprocal contract, free between both parties, and entered into only by reason of its being mutually advantageous. It is evident, if the lender finds an advantage in receiving an interest for his money, the borrower is not less interested in finding that money he stands in need of, since otherwise he would not borrow and submit himself to the payment of interest. Now on this principle, can any one look on such an advantageous contract as a crime, in which both parties are content, and which certainly does no injury to any other person? Let them say the lender takes advantage of the wants of the borrower, to force the payment of interest, this is talking as absurd as if we were to say, that a baker who demands money for the bread he sells, takes advantage of his customer's wants. If in this latter case, the money is an equivalent for the bread the buyer receives, the money which the borrower receives to day, is equally an equivalent for the capital and interest he agrees to pay at the expiration of a certain time; for in fact, it is an advantage to the borrower, to have, during that interval, the use of the money he stands in need of, and it is a disadvantage to the lender to be deprived of it. This disadvantage may be estimated, and it is estimated, the interest is the rate. This rate ought to be larger, if the lender runs a risk of losing his capital by the borrower becoming insolvent. The bargain therefore is perfectly equal on both sides and consequently, fair and honest. Money considered as a physical substance, as a mass of metal, does not produce any thing; but money made use of in advances in cultivation, in manufacture, in commerce, produces a certain profit; with money we can acquire land, and thereby procure a revenue: the person therefore who lends his money, does not only give up the unfruitful possession of such money, but deprives himself of the profit which it was in his power to procure by it, and the interest which indemnifies him from this loss cannot be looked upon as unjust. The schoolmen, compelled to acknowledge the justice of these considerations, have allowed that interest for money may be taken, provided the capital is alienated, that is, provided the lender gave up his right to be reimbursed his money in a certain time, and permitted the borrower to retain it as long as he was inclined to pay the interest thereof only. The reason of this toleration was, that then it is no longer a loan of money for which an interest is paid, but a purchase, which is bought with a sum of money, as we purchase lands. This was a mode to which they had recourse, to comply with the absolute necessity which exists of borrowing money, in the course of the transactions of society, without fairly avowing the fallacy of those principles, upon which they had

condemned the practice: but this clause for the alienation of the capital, is not an advantage to the borrower, who remains equally indebted to the lender, until he shall have repaid the capital, and whose property always remains as a security for the safety of such capital;—it is even a disadvantage, as he finds it more difficult to borrow money when he is in want of it; for persons who would willingly consent to lend for a year or two, a sum of money which they had destined for the purchase of an estate, would not lend it for an uncertain time. Besides, if they are permitted to sell their money for a perpetual rent, why may they not lend it for a certain number of years, for a rent which is only to continue for that term? If an interest of 1000 livres per annum is equivalent to the sum of 20000 livres from him to keep such a sum in perpetuity, 1000 livres will be an equivalent for the possession of that sum for one year.

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74. True Foundation Of Interest Of Money.

A man then may lend his money as lawfully as he may sell it; and the possessor of money may either do one or the other, not only because money is equivalent to a revenue, and a means to procure a revenue: not only because the lender loses, during the continuance of the loan, the revenue he might have procured by it; not only because he risks his capital; not only because the borrower can employ it in advantageous acquisitions, or in undertakings from whence he will draw a large profit; the proprietor of money may lawfully receive the interest of it, by a more general and decisive principle. Even if none of these circumstances should take place, he will not have the less right to require an interest for his loan, for this reason only, that his money is his own. Since it is his own, he has a right to keep it, nothing can imply a duty in him to lend it; if then he does lend, he may annex such a condition to the loan as he chuses, in this he does no injury to the borrower, since the latter agrees to the conditions, and has no sort of right over the sum lent. The profit which money can procure the borrower, is doubtless one of the most prevailing motives to determine him to borrow on interest; it is one of the means which facilitates his payment of the interest, but this is by no means that which gives a right to the lender to require it; it is sufficient for him that his money is his own, and this is a right inseparable from property. He who buys bread, does it for his support, but the right the baker has to exact a price is totally independent of the use of bread; the same right he would possess in the sale of a parcel of stones, a right founded on this principle only, that the bread is his own, and no one has any right to oblige him to give it up for nothing.

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75. Answer To An Objection.

This reflection brings us to the consideration of the application made by an author, of the text, *mutuum date nihil inde sperantes*, and shews how false that application is, and how distant from the meaning of the Gospel. The passage is clear, as interpreted by modern and reasonable divines as a precept of charity. All mankind are bound to assist each other; a rich man who should see, his fellow creature in distress, and who, instead of gratuitously assisting, should sell him what he needed, would be equally deficient in the duties of christianity and of humanity. In such circumstances, charity does not only require us to lend without interest, she orders us to lend, and even to give if necessary. To convert the precept of charity into a precept of strict justice, is equally repugnant to reason, and the sense of the text. Those whom I here attack do not pretend that it is a duty of justice to lend their money; they must be obliged then to confess, that the first words of the passage, *mutuum date*, contain only a precept of charity. Now I demand why they extend the latter part of this passage to a principle of justice. What, is the duty of lending not a strict precept, and shall its accessory only, the condition of the loan, be made one; it would have been said to man, "It is free for you to lend or not to lend, but if you do lend, take care you do not require any interest for your money, and even when a merchant shall require a loan of you for an undertaking, in which he hopes to make a large profit, it will be a crime in you to accept the interest he offers you; you must absolutely either lend to him gratuitously, or not lend to him at all? You have indeed one method to make the receipt of interest lawful, it is to lend your capital for an indefinite term, and to give up all right to be repaid it, which is to be optional to your debtor, when he pleases, or when he can. If you find any inconvenience on the score of security, or if you foresee you shall want your money in a certain number of years, you have no other course to take but not to lend: It is better for you to deprive this merchant of this most fortunate opportunity, than to commit a sin by assisting him." This is what they must have seen in these five words, *mutuum date nihil inde sperantes*, when they have read them under these false prejudices.

Every man who shall read this text unprejudiced, will soon find its real meaning; that is, "as men, as Christians, you are all brothers, all friends; act towards each other as brethren and friends; help each other in your necessities; let your purses be reciprocally open to each other, and do not sell that assistance which you are mutually indebted to each other, in requiring an interest for a loan which charity requires of you as a duty." This is the true sense of the passage in question. The obligation to lend without interest, and to lend, have evident relation to each other; they are of the same order, and both inculcate a duty of charity, and not a precept of rigorous justice, applicable to all cases of lending.

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76. The Rate Of Interest Ought To Be Fixed, As The Price Of Every Other Merchandize, By The Course Of Trade Alone.

I have already said, that the price of money borrowed, is regulated like the price of all other merchandize, by the proportion of the money at market with the demand for it: thus, when there are many borrowers who are in want of money, the interest of money rises; when there are many possessors who are ready to lend, it falls. It is therefore an error to believe that the interest of money in trade ought to be fixed by the laws of princes. It has a current price fixed like that of all other merchandize. This price varies a little, according to the greater or less security which the lender has; but on equal security, he ought to raise and fall his price in proportion to the abundance of the demand, and the law no more ought to fix the interest of money than it ought to regulate the price of any other merchandizes which have a currency in trade.

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77. Money Has In Commerce Two Different Valuations. One Expresses The Quantity Of Money Or Silver We Give To Procure Different Sorts Of Commodities; The Other Expresses The Relation A Sum Of Money Has, In The Interest It Will Procure In The Course Of Trade.

It seems by this explanation of the manner in which money is either sold or lent for an annual interest, that there are two ways of valuing money in commerce. In buying and selling a certain weight of silver represents a certain quantity of labour, or of merchandize of every species; for example, one ounce of silver is equal to a certain quantity of corn, or to the labour of a man for a certain number of days. In lending, and in the commerce of money, a capital is the equivalent of an equal rent, to a determinate portion of that capital; and reciprocally an annual rent represents a capital equal to the amount of that rent repeated a certain number of times, according as interest is at a higher or lower rate.

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78. These Two Valuations Are Independent Of Each Other, And Are Governed By Quite Different Principles.

These two different methods of fixing a value, have much less connection, and depend much less on each other than we should be tempted to believe at first sight. Money may be very common in ordinary commerce, may hold a very low value, answer to a very small quantity of commodities, and the interest of money may at the same time be very high.

I will suppose there are one million ounces of silver in actual circulation in commerce, and that an ounce of silver is given in the market for a bushel of corn. I will suppose that there is brought into the country in some manner or other, another million of ounces of silver, and this augmentation is distributed to every one in the same proportion as the first million, so that he who had before two ounces, has now four. The silver considered as a quantity of metal, will certainly diminish in price, or which is the same thing, commodities will be purchased dearer, and it becomes necessary, in order to procure the same measure of corn which he had before with one ounce of silver, to give more silver, perhaps two ounces instead of one. But it does not by any means follow from thence, that the interest of money falls, if all this money is carried to market, and employed in the current expences of those who possess it, as it is supposed the first million of ounces of silver was; for the interest of money falls only when there is a greater quantity of money to be lent, in proportion to the wants of the borrowers, than there was before. Now the silver which is carried to market is not to be lent; it is money which is hoarded up, which forms the accumulated capital for lending; and the augmentation of the money in the market, or the diminution of its price in comparison with commodities in the ordinary course of trade, are very far from causing infallibly, or by a necessary consequence, a decrease of the interest of money; on the contrary, it may happen that the cause which augments the quantity of money in the market, and which consequently increases the price of other commodities by lowering the value of silver, is precisely the same cause which augments the hire of money, or the rate of interest.

In effect, I will suppose for a moment, that all the rich people in a country, instead of saving from their revenue, or from their annual profits, shall expend the whole; that, not satisfied with expending their whole revenue, they dissipate a part of their capital; that a man who has 100,000 livres in money, instead of employing them in a profitable manner, or lending them, consumes them by degrees in foolish expences; it is apparent that on one side there will be more silver employed in common circulation, to satisfy the wants and humours of each individual, and that consequently its value will be lowered; on the other hand there will certainly be less money to be lent; and as many people will in this situation of things ruin themselves, there will clearly be more borrowers. The interest of money will consequently augment, while the money itself will become more plenty in circulation, and the value of it will fall, precisely by the same cause.

We shall no longer be surprised at this apparent inconsistency, if we consider that the money brought into the market for the purchase of corn, is that which is daily circulated to procure the necessaries of life; but that which is offered to be lent on interest, is what is actually drawn out of that circulation to be laid by and accumulated into a capital.

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79. In Comparing The Value Of Money With That Of Commodities, We Consider Silver As A Metal, Which Is An Object Of Commerce. In Estimating The Interest Of Money We Attend To The Use Of It During A Determinate Time.

In the market a measure of corn is purchased with a certain weight of silver, or a quantity of silver is bought with a certain commodity, it is this quantity which is valued and compared with the value of other commodities. In a loan upon interest, the object of the valuation is the use of a certain quantity of property during a certain time. It is in this case no longer a mass of silver, compared with a quantity of corn, but it is a portion of effects compared with a certain portion of the same, which is become the customary price of that mass for a certain time. Let twenty thousand ounces of silver be an equivalent in the market for twenty thousand measures of corn, or only for ten thousand, the use of those twenty thousand ounces of silver for a year is not worth less on a loan than the twentieth part of the principal sum, or one thousand ounces of silver, if interest is at five per cent.

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80. The Price Of Interest Depends Immediately On The Proportion Of The Demand Of The Borrowers, With The Offer Of The Lenders, And This Proportion Depends Principally On The Quantity Of Personal Property, Accumulated By An Excess Of Revenue And Of The Annual Produce To Form Capitals, Whether These Capitals Exist In Money Or In Any Other Kind Of Effects Having A Value In Commerce.

The price of silver in circulation has no influence but with respect to the quantity of this metal employed in common circulation; hut the rate of interest is governed by the quantity of property accumulated and laid by to form a capital. It is indifferent whether this property is in metal or other effects, provided these effects, are easily convertible into money. It is far from being the case, that the mass of metal existing in a state, is as large as the amount of the property lent on interest in the course of a year; but all the capitals in furniture, merchandize, tools, and cattle, supply the place of silver and represent it. A paper signed by a man, who is known to be worth 100,000 livres, and who promises to pay 100 marks in a certain time is worth that sum; the whole property of the man who has signed this note is answerable for the payment of it, in whatever the nature of these effects consists, provided they are in value 100,000 livres. It is not therefore the quantity of silver existing as merchandize which causes the rate of interest to rise or fall, or which brings more money in the market to be lent; it is only the capitals existing in commerce, that is to say, the actual value of personal property of every kind accumulated, successively saved out of the revenues and profits to be employed by the possessors to procure them new revenues and new profits. It is these accumulated savings which are offered to the borrowers, and the more there are of them, the lower the interest of money will be, at least if the number of borrowers is not augmented in proportion.

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81. The Spirit Of Oeconomy Continually Augments The Amount Of Capitals, Luxury Continually Tends To Destroy Them.

The spirit of oeconomy in any nation tends incessantly to augment the amount of the capitals, to increase the number of lenders, and to diminish that of the borrowers. The habit of luxury has precisely a contrary effect, and by what has been already remarked on the use of capitals in all undertakings, whether of cultivation, manufacture, or commerce, we may judge if luxury enriches a nation, or impoverishes it.

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82. The Lowering Of Interest Proves, That In Europe Oeconomy Has In General Prevailed Over Luxury.

Since the interest of money has been constantly diminishing in Europe for several centuries, we must conclude, that the spirit of oeconomy has been more general than the spirit of luxury. It is only people of fortune who run into luxury, and among the rich, the sensible part of them confine their expences within their incomes, and pay great attention not to touch their capital. Those who wish to become rich are far more numerous in a nation than those which are already so. Now, in the present state of things, as all the land is occupied, there is but one way to become rich it is either to possess, or to procure in some way or other, a revenue or an annual profit above what is absolutely necessary for subsistence, and to lay up every year in reserve to form a capital, by means of which they may obtain an increase of revenue or annual profit, which will again produce another saving, and become capital. There are consequently a great number of men interested and employed in amusing capitals.

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83. Recapitulation Of The Five Different Methods Of Employing Capitals.

I have reckoned five different methods of employing capitals, or of placing them so as to procure a profit.

- 1st. To buy an estate, which brings in a certain revenue.
- 2d. To employ money in undertakings of cultivation; in leasing lands whose produce should render back, besides the expences of farming, the interest on the advances, and a recompense for the labour of him who employs his property and attention in the cultivation.
- 3d. To place a capital in some undertaking of industry or manufactures. 4th. To employ it in commerce.
- 5th. To lend it to those who want it, for an annual interest.

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84. The Influence Which The Different Methods Of Employing Money Have On Each Other.

It is evident that the annual returns, which capitals, placed in different employs, will produce, are proportionate to each other, and all have relation to the actual rate of the interest of money.

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85. Money Invested In Land, Necessarily Produces The Least.

The person who invests his money in land let to a solvent tenant, procures himself a revenue which gives him very little trouble in receiving, and which he may dispose of in the most agreeable manner, by indulging all his inclinations. There is a greater advantage in the purchase of this species of property, than of any other, since the possession of it is more guarded against accidents. We must therefore purchase a revenue in land at a higher price, and must content ourselves with a less revenue for an equal capital.

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86. Money On Interest Ought To Bring A Little More Income, Than Land Purchased With An Equal Capital.

He who lends his money on interest, enjoys it still more peaceably and freely than the possessor of land, but the insolvency of his debtor may endanger the loss of his capital. He will not therefore content himself with an interest equal to the revenue of the land which he could buy with an equal capital. The interest of money lent, must consequently be larger than the revenue of an estate purchased with the same capital; for if the proprietor could find an estate to purchase of an equal income, he would prefer that.

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87. Money Employed In Cultivation, Manufactures, Or Commerce, Ought To Produce More Than The Interest Of Money On Loan.

By a like reason, money employed in agriculture, in manufactures, or in commerce, ought to produce a more considerable profit than the revenue of the same capital employed in the purchase of lands, or the interest of money on loan: for these undertakings, besides the capital advanced, requiring much care and labour, and if they were not more lucrative, it would be much better to secure an equal revenue, which might be enjoyed without labour. It is necessary then, that, besides the interest of the capital, the undertaker should draw every year a profit to recompence him for his care, his labour, his talents, the risque he runs, and to replace the wear and tear of that portion of his capital which he is obliged to invest in effects capable of receiving injury, and exposed to all kinds of accidents.

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88. Meantime The Freedom Of These Various Employments Are Limited By Each Other, And Maintain, Notwithstanding Their Inequality, A Species Of Equilibrium.

The different uses of the capitals produce very unequal profits; but this inequality does not prevent them from having a reciprocal influence on each other, nor from establishing a species of equilibrium among themselves, like that between two liquors of unequal gravity, and which communicate with each other by means of a reversed syphon, the two branches of which they fill; there can be no height to which the one can rise or fall, but the liquor in the other branch will be affected in the same manner.

I will suppose, that on a sudden, a great number of proprietors of lands are desirous of setting them. It is evident that the price of lands will fall, and that with a less sum we may acquire a larger revenue; this cannot come to pass without the interest of money rising, for the possessors of money would chuse rather to buy lands, than to lend at a lower interest than the revenue of the lands they could purchase. If, then, the borrowers want to have money, they will be constrained to pay a greater rate. If the interest of the money increases, they will prefer lending it, to setting out in a hazardous manner on enterprizes of agriculture, industry, and commerce: and they will be aware of any enterprizes but those that produce, besides the retribution for their trouble, an emolument by far greater than the rate of the lender's produce. In a word, if the profits, springing from an use of money, augment or diminish, the capitals are converted by withdrawing them from other employings, or are withdrawn by converting them to other ends, which necessarily alters, in each of those employments, the proportion of profits on the capital to the annual product. Generally, money converted into property in land, does not bring in so much as money on interest; and money on interest brings less than money used in laborious enterprises: but the produce of money laid out in any way whatever, cannot augment or decree without implying a proportionate augmentation, or decrease in other employments of money.

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89. The Current Interest Of Money Is The Standard By Which The Abundance Or Scarcity Of Capitals May Be Judged; It Is The Scale On Which The Extent Of A Nation's Capacity For Enterprizes In Agriculture, Manufactures, And Commerce, May Be Reckoned.

Thus the current interest of money may be considered as a standard of the abundance or scarcity of capitals in a nation, and of the extent of enterprises of every denomination, in which she may embark: it is manifest, that the lower the interest of money is, the more valuable is the land. A man that has an income of fifty thousand livres, if the land is sold but at the rate of twenty years purchase is an owner of only one million; he has two millions, if the land is sold at the rate of forty. If the interest is at five per cent. any land to be brought into cultivation would continue fallow, if, besides the recovery of the advances, and the retribution due to the care of the cultivator, its produce would not afford five per cent. No manufactory, no commerce can exist, that does not bring in five per cent. exclusively of the salary and equivalents for the risque and trouble of the undertaker. If there is a neighbouring nation in which the interest stands only at two per cent. not only it will engross all the branches of commerce, from which the nation where an interest at five per cent. is established, is excluded, but its manufacturers and merchants, enabled to satisfy themselves with a lower interest, will also sell their goods at a more moderate price, and will attract the almost exclusive commerce of all articles, which they are not prevented to sell by particular circumstances of excessive dearth, and expences of carriages, from the nation in which the interest bears five per cent.

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90. Influence Of The Rate Of Interest Of Money On All Lucrative Enterprizes.

The price of the interest may be looked upon as a kind of level, under which all labour, culture, industry, or commerce, acts. It is like a sea expanded over a vast country, the tops of the mountains rise above the surface of the water, and form fertile and cultivated islands. If this sea happens to give way, in proportion as it descends, sloping ground, then plains and vallies appear, which cover themselves with productions of every kind. It wants no more than a foot elevation, or falling, to inundate or to restore culture to unmeasurable tracts of land. It is the abundance of capitals that animates enterprize; and a low interest of money is at the same time the effect and a proof of the abundance of capitals.

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91. The Total Riches Of A Nation Consists, 1. In The Clear Revenue Of All The Real Estates, Multiplied By The Rate Of The Price Of Land. 2. In The Sum Of All The Moveable Riches Existing In A Nation.

Real estates are equivalent to any capital equal to their annual revenue, multiplied by the current rate at which lands are sold. Thus if we add the revenue of all lands, viz. the clear revenue they render to the proprietor, and to all those that share in the property, as the lord that levies a rent, the curate that levies the tythe, the sovereign that levies the tax; if say I, we should add all these sums, and multiply them by the rate at which lands are sold, we would have the sum of all the wealth of a nation in real estates. To have the whole of a nation's wealth, the moveable riches ought to be joined, which consist in the sum of capitals converted into enterprises of culture, industry, and commerce, which is never lost; as all advances, in any kind of undertaking, must unceasingly return to the undertaker, to be unceasingly converted into enterprises, which without that could not be continued. It would be a gross mistake to confound the immense mass of moveable riches with the mass of money that exists in a state; the latter is a small object in comparison with the other. To convince one's self of this, we need only remember the immense quantity of beasts, utensils, and seed, which constitute the advances of agriculture; the materials, tools, moveables, and merchandises of every kind, that fill up the work-houses, shops, and warehouses of all manufacturers, of all merchants, and of all traders, and it will be plain, that in the totality of riches either real or moveable of a nation, the specie makes but an inconsiderable part: but all riches and money being continually exchangeable, they all represent money, and money represents them all.

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92. The Sum Of Lent Capitals Cannot Be Understood Without A Two-fold Reckoning.

We must not include in the calculation of the riches of a nation the sum of lent capitals; for the capitals could only be lent either to proprietors of lands, or to undertakers to enhance their value in their enterprizes, since there are but these two kinds of people that can answer for a capital, and discharge the interest: a sum of money lent to people that have neither estate nor industry, would be a dead capital, and not an active one. If the owner of land of 400,000 livres borrows 100,000, his land is charged with a rent that diminishes his revenue by that sum. If he should sell it; out of the 400,000 livres he would receive, 100,000 are the property of the creditor. By these means the capital of the lender would always form, in the calculation of existing riches, a double estimate. The land is always worth 400,000 l. when the proprietor borrows 100,000 l. that does not make 500,000 l. it only follows, that in the 400,000 l. one hundred thousand belongs to the lender, and that there remains no more than 300,000 l. to the borrower.

The same double estimate would have place in the calculation, if we should comprehend in the total calculation of capitals, the money lent to an undertaker to be employed in advance for his undertaking; it only results, that that sum, and the part of the profits which represents the interest, belongs to the lender. Let a merchant employ 10,000 livres of his property in his trade, and engross the whole profit, or let him have those 10,000 livres borrowed of another, to whom he pays the interest, and is satisfied with the overplus of profit, and the salary of his industry, it still makes only 10,000 livres.

But if we cannot include, without making a double estimate in the calculation of national riches, the capital of the money lent on interest, we ought to call in the other kinds of moveables, which though originally forming an object of expence, and not carrying any profit, become, however, by their durability, a true capital, that constantly increases; and which, as it may occasionally be exchanged for money, is as if it was a stock in store, which may enter into commerce and make good, when necessary, the loss of other capitals. Such are the moveables of every kind; jewels, plates, paintings, statues, ready money shut up in chests by misers: all those matters have a value, and the sum of all those values may make a considerable object among wealthy nations. Yet be it considerable or not, it must always be added to the price of real estates, and to that of circulating advances in enterprises of every denomination, in order to form the total sum of the riches of a nation. As for the rest, it is superfluous to say, though it is easy to be defined, as we have just done, in what consists the totality of the riches of a nation; it is probably impossible to discover to how much they amount, unless some rule be found out to fix the proportion of the total commerce of a nation, with the revenue of its land: a feasible thing, but which has not been executed as yet in such a manner as to dispel all doubts.

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93. In Which Of The Three Classes Of Society The Lenders Of Money Are To Be Ranked.

Let us see now, how what we have just discussed about the different ways of employing capitals, agrees with what we have before established about the division of all the members of society into three classes, the one the productive class of husbandmen, the industrious or trading class, and the disposing class, or the class of proprietors.

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94. The Lender Of Money Belongs, As To His Persons, To The Disposing Class.

We have seen that every rich man is necessarily possessor either of a capital in moveable riches, or funds equivalent to a capital. Any estate in land is of equal value with a capital; consequently every proprietor is a capitalist, but not every capitalist a proprietor of a real estate; and the possessor of a moveable capital may chuse to confer it on acquiring funds, or to improve it in enterprizes of the cultivating class, or of the industrious class. The capitalist, turned an undertaker in culture or industry, is no more of the disposing class, than the simple workmen in those two lines; they are both taken up in the continuation of their enterprises. The capitalist who keeps to the lending money, lends it either to a proprietor or to an undertaker. If he lends it to a proprietor, he seems to belong to the class of proprietors, and he becomes co-partitioner in the property; the income of the land is destined to the payment of the interest of his trust; the value of the funds is equal to the security of his capital.

If the money-lender has lent to an undertaker, it is certain that his person belongs to the disposing class; but his capital continues destined to the advances of the enterpriser, and cannot be withdrawn without hurting the enterprise, or without being replaced by a capital of equal value.

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95. The Use Which The Money-lender Makes Of His Interest.

Indeed, the interest he draws from that capital seems to make him of the disposing class, since the undertaker and the enterprise may shift without it. It seems also we may form an inference, that in the profits of the two laborious classes, either in the culture of the earth or industry, there is a disposable portion, namely, that which answers to the interest of the advances, calculated on the current rate of interest of money lent; it appears also that this conclusion seems to agree with what we have said, that the mere class of proprietors had a revenue properly so called, a disposing revenue, and that all the members of the other classes had only salaries or profits. This merits some future inquiry. If we consider the thousand crowns that a man receives annually, who has lent 60,000 livres, to a merchant, in respect to the use he may make of it, there is no doubt of this being perfectly disposable, since the enterprize may subsist without it.

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96. The Interest Of The Money Is Not Disposable In One Sense, Viz. So As The State May Be Authorized To Appropriate, Without Any Inconvenience, A Part To Supply Its Wants.

But it does not ensue that they are of the disposing class in such a sense, that the state can appropriate to itself with propriety a portion for the public wants. Those 1000 crowns are not a retribution, which culture or commerce bestows gratuitously on him that makes the advance; it is the price and the condition of this advance, independently of which the enterprize could not subsist. If this retribution is diminished, the capitalist will withdraw his money, and the undertaking will cease. This retribution ought then to be inviolable, and enjoy an entire immunity, because it is the price of an advance made for the enterprize, without which the enterprize could not exist. To encroach upon it, would cause an augmentation in the price of advances in all enterprizes, and consequently diminish the enterprizes themselves, that is to say, cultivation, industry, and commerce.

This answer should lead us to infer, that if we have said, that the capitalist who had lent money to a proprietor, seemed to belong to the class of proprietors, this appearance had somewhat equivocal in it which wanted to be elucidated. In fact, it is strictly true, that the interest of his money is not more disposable, that is, it is not more susceptible of retrenchment, than that of money lent to the undertakers in agriculture and commerce. But the interest is equally the price of the free agreement, and they cannot retrench any part of it without altering or changing the price of the loan.

For it imports little to whom the loan has been made: if the price decreases or augments for the proprietor of lands, it will also decrease and augment for the cultivator, the manufacturer, and the merchant. In a word, the proprietor who lends money ought to be considered, as a dealer in a commodity absolutely necessary for the production of riches, and which cannot be at too low a price. It is also as unreasonable to charge this commerce with duties as it would be to lay a duty on a dunghill which serves to manure the land. Let us conclude from hence, that the person who lends money belongs properly to the disposable class as to his person, because he has nothing to do; but not as to the nature of his property, whether the interest of his money is paid by the proprietor of land out of a portion of his income, or whether it is paid by an undertaker, out of a part of his profits designed to pay the interest of his advances.

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97. Objection.

It may doubtless be objected, that the capitalist may indifferently either lend his money, or employ it in the purchase of land; that in either case he only receives an equivalent for his money, and whichever way he has employed it, he ought not the less to contribute to the public charges.

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98. Answer To This Objection.

I answer first, that in fact, when the capitalist has purchased an estate, the revenue will be equal as to him, to what he would have received for his money by lending it; but there is this essential difference with respect to the state, that the price which he gives for his land, does not contribute in any respect to the income it produces. It would not have produced a less income, if he had not purchased it. This income, as we have already explained, consists in what the land produces, beyond the salary of the cultivators, of their profits, and the interest of their advances. It is not the same with the interest of money; it is the express condition of the loan, the price of the advance, without which the revenue or profits, which serve to pay it, could never exist.

I answer in the second place, that if the lands were charged separately with the contribution to the public expences, as soon as that contribution shall be once regulated, the capitalist who shall purchase these lands will not reckon as interest for his money, that part of the revenue which is affected by this contribution. The same as a man who now buys an estate, does not buy the tythe which the curate or clergy receives, but the revenue which remains after that tythe is deducted.

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99. There Exists No Revenue Strictly Disposable In A State, But The Clear Produce Of Lands.

It is manifest by what I have said, that the interest of money lent is taken on the revenue of lands, or on the profits of enterprizes of culture, industry, and commerce. But we have already shewn that these profits themselves were only a part of the production of lands; that the produce of land is divided in two portions; that the one was designed for the salary of the cultivator, for his profits, for the recovery and interest of his advances; and that the other was the part of the proprietor, or the revenue which the proprietor expended at his option, and from whence he contributes to the general expences of the state.

We have demonstrated, that what the other classes of society received, was merely the salaries and profits paid, either by the proprietor upon his revenue, or by the agents of the productive class, on the part destined to their wants, and which they are obliged to purchase of the industrious class. Whether these profits be now distributed in wages to the workmen, in profits to undertakers, or in interests of advances, they do not change the nature, or augment the sum of the revenue produced by the productive class over and above the price of their labour, in which the industrious class does not participate, but as far as the price of their labour extends.

Hence it follows, that there is no revenue but the clear produce of land, and that all other profit is paid, either by that revenue, or makes part of the expenditure that serves to produce the revenue.

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100. The Land Has Also Furnished The Total Of Moveable Riches, Or Existing Capitals, And Which Are Formed Only By A Portion Of Its Production Reserved Every Year.

Not only there does not exist, nor can exist, any other revenue than the clear produce of land, but it is the earth also that has furnished all capitals, that form the mass of all the advances of culture and commerce. It has produced, without culture, the first gross and indispensable advances of the first labourers; all the rest are the accumulated fruits of the oeconomy of successive ages, since they have begun to cultivate the earth. This oeconomy has effect not only on the revenues of proprietors, but also on the profits of all the members of laborious classes. It is even generally true, that, though the proprietors have more overplus, they spare less; for, having more treasure, they have more desires, and more passions; they think themselves better ensured of their fortune; and are more desirous of enjoying it contentedly, than to augment it; luxury is their pursuit. The stipendiary class, and he chiefly the undertakers of the other classes, receiving profits proportionate to their advances, talents, and activity, have, though they are not possessed of a revenue properly so called, a superfluity beyond their subsistence; but, absorbed as they generally are, only in their enterprizes, and anxious to increase their fortune; restrained by their labour from amusements and expensive passions; they save their whole superfluity, to re-convert it in other enterprizes, and augment it. The greater part of the undertakers in agriculture borrow but little, and they almost all rest on the capital of their own funds. The undertakers of other businesses, who wish to render their fortune stable, strive likewise to attain to the same state. Those that make their enterprizes on borrowed funds, are greatly in danger of failing. However, although capitals are formed in part by the saving of profits in the laborious classes, yet, as those profits spring always from the earth, they are almost all repaid, either by the revenue, or in the expences that serve to produce the revenue; it is evident, that the capitals are derived from the earth as well as the revenue, or rather that they are but an accumulation of a part of the riches produced by the earth, which the proprietors of the revenue, or those that share it, are able to lay by every year in store, without consuming it on their wants.

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101. Although Money Is The Direct Object In Saving, And It Is, If We May Call It So, The First Foundation Of Capitals, Yet Money And Specie Form But An Insensible Part Is The Total Sum Of Capitals.

We have seen what an inconsiderable part money forms in the total sum of existing capitals, but it makes a very large one in the formation of them. In fact, almost all savings are only in money; it is in money that the revenue is paid to the proprietors, that the advances and profits are received by the undertakers of every kind; it is their money which they save, and the annual increase of capitals happens in money; but all the undertakers make no other use of it, than immediately to convert it into the different kinds of effects on which their enterprizes turn; thus, money returns into circulation, and the greater part of capitals exist only, as we have already explained it, in effects of different natures.