

Chapter VI.

Of An Interference Of Government Grounded On Erroneous Theories.

§ 1. The doctrine of Protection to Native Industry.

We proceed to the functions of government which belong to what I have termed, for want of a better designation, the optional class; those which are sometimes assumed by governments and sometimes not, and which it is not unanimously admitted that they ought to exercise. We will begin by passing in review false theories which have from time to time formed the ground of acts of government more or less economically injurious.

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

It was shown, however, in our analysis of the effects of international trade, as it had been often shown by former writers, that the importation of foreign commodities, in the common course of traffic, never takes place except when it is, economically speaking, a national good, by causing the same amount of commodities to be obtained at a smaller cost of labor and capital to the country. To prohibit, therefore, this importation, or impose duties which prevent it, is to render the labor and capital of the country less efficient in production than they would otherwise be, and compel a waste of the difference between the labor and capital necessary for the home production of the commodity and that which is required for producing the things with which it can be purchased from abroad. The amount of national loss thus occasioned is measured by the excess of the price at which the commodity is produced over that at which it could be imported. In the case of manufactured goods the whole difference between the two prices is absorbed in indemnifying the producers for waste of labor, or of the capital which supports that labor. Those who are supposed to be benefited, namely, the makers of the protected articles (unless they form an exclusive company, and have a monopoly against their own countrymen as well as against foreigners), do not obtain higher profits than other people. All is sheer loss to the country as well as to the consumer.

Of the industries in a country some are said to "need protection" and others not--that is, those industries which are carried on at a relative disadvantage are the only ones which need protection in order that they may continue in operation. By relative disadvantage is meant a greater relative cost, or sacrifice, to the same amount of labor and capital. Those industries which can not yield so great a value for the labor and capital engaged in them as other more profitable industries are those which are said to "need protection." Wherever protective duties exist it is implied by those who lay them on that their production is carried on under more onerous conditions than in other competing places or occupations. After duties are thus supposed to have protected the less advantageously situated occupations, it may be said that all industries will then have an equal chance. "No doubt," as Mr. Cairnes says, "they would be equalized just as by compelling every one to move about with a weight attached to his leg. The weight would, indeed, be an impediment to locomotion, but, provided it were in each case exactly proportioned to the strength of the limb which drew it, no one ... would have any reason to complain. No one would walk as fast as if his limbs were free, but then his neighbor would be equally fettered, and, if it took him twice as long to reach his destination as before, he would at least have company on his journey."(357)

§ 2. --had its origin in the Mercantile System.

The restrictive and prohibitory policy was originally grounded on what is called the Mercantile System, which, representing the advantage of foreign trade to consist solely in bringing money into the country, gave artificial encouragement to exportation of goods, and discountenanced their importation. The only exceptions to the system were those required by the system itself. The materials and instruments of production were the subject of a contrary policy, directed, however, to the same end; they were freely imported, and not permitted to be exported, in order that manufacturers, being more cheaply supplied with the requisites of manufacture, might be able to sell cheaper, and therefore to export more largely. For a similar reason importation was allowed and even favored, when confined to the productions of countries which were supposed to take from the country still more than it took from them, thus enriching it by a favorable balance of trade. As part of the same system colonies were founded, for the supposed advantage of compelling them to buy our commodities, or at all events not to buy those of any other country: in return for which restriction we were generally willing to come under an equivalent obligation with respect to the staple productions of the colonists. The consequences of the theory were pushed so far that it was not unusual even to give bounties on exportation, and induce foreigners to buy from [England] rather than from other countries by a cheapness which [England] artificially produced, by paying part of the price for them out of [their] own taxes. This is a stretch beyond the point yet reached by any private tradesman in his competition for business. No shopkeeper, I should think, ever made a practice of bribing customers by selling goods to them at a permanent loss, making it up to himself from other funds in his possession.

The principle of the Mercantile Theory is now given up even by writers and governments who still cling to the restrictive system. Whatever hold that system has over men's minds, independently of the private interests exposed to real or apprehended loss by its abandonment, is derived from fallacies other than the old notion of the benefits of heaping up money in the country. The most effective of these is the specious plea of employing our own countrymen and our national industry, instead of feeding and supporting the industry of foreigners. The answer to this, from the principles laid down in former chapters, is evident. Without reverting to the fundamental theorem discussed in an early part of the present treatise,(358) respecting the nature and sources of employment for labor, it is sufficient to say, what has usually been said by the advocates of free trade, that the alternative is not between employing our own people and foreigners, but between employing one class and another of our own people. The imported commodity is always paid for, directly or indirectly, with the produce of our own industry: that industry being, at the same time, rendered more productive, since, with the same labor and outlay, we are enabled to possess ourselves of a greater quantity of the article. Those who have not well considered the subject are apt to suppose that our exporting an equivalent in our own produce, for the foreign articles we consume, depends on contingencies--on the consent of foreign countries to make some corresponding relaxation of their own restrictions, or on the question whether those from whom we buy are induced by that circumstance to buy more from us; and that, if these things, or things equivalent to them, do not happen, the payment must be made in money. Now, in the first place, there is nothing more objectionable in a money payment than in payment by any other medium, if the state of the market makes it the most advantageous remittance; and the money itself was first acquired, and would again be replenished, by the export of an equivalent value of our own products. But, in the next place, a very short interval of paying in money would so lower prices as either to stop a part of the importation, or raise up a foreign demand for our produce, sufficient to pay for the imports. I grant that this disturbance of the equation of international demand would be in some degree to our disadvantage, in the purchase of other imported articles; and that a country which prohibits some foreign commodities, does, *cæteris paribus*, obtain those which it does not prohibit at a less price than it would otherwise have to pay. To express the same thing in other words: a country which destroys or prevents altogether certain branches of foreign trade, thereby annihilating a general gain to the world, which would be shared in some proportion between itself and other countries, does, in some circumstances, draw to itself, at the expense of foreigners, a larger share than would else belong to it of the gain arising from that portion of its foreign trade which it suffers to subsist. But even this it can only be enabled to do, if foreigners do not maintain equivalent prohibitions or restrictions against its commodities. In any case, the justice or expediency of destroying one of two gains, in order to engross a rather larger share of

the other, does not require much discussion; the gain, too, which is destroyed, being, in proportion to the magnitude of the transactions, the larger of the two, since it is the one which capital, left to itself, is supposed to seek by preference.

§ 3. --supported by pleas of national subsistence and national defense.

Defeated as a general theory, the Protectionist doctrine finds support in some particular cases from considerations which, when really in point, involve greater interests than mere saving of labor--the interests of national subsistence and of national defense.(359) The discussions on the Corn Laws have familiarized everybody with the plea that we ought to be independent of foreigners for the food of the people; and the Navigation Laws were grounded, in theory and profession, on the necessity of keeping up a "nursery of seamen" for the navy. On this last subject I at once admit that the object is worth the sacrifice; and that a country exposed to invasion by sea, if it can not otherwise have sufficient ships and sailors of its own to secure the means of manning on an emergency an adequate fleet, is quite right in obtaining those means, even at an economical sacrifice in point of cheapness of transport. When the English navigation laws were enacted, the Dutch, from their maritime skill and their low rate of profit at home, were able to carry for other nations, England included, at cheaper rates than those nations could carry for themselves: which placed all other countries at a great comparative disadvantage in obtaining experienced seamen for their ships of war. The navigation laws, by which this deficiency was remedied, and at the same time a blow struck against the maritime power of a nation with which England was then frequently engaged in hostilities, were probably, though economically disadvantageous, politically expedient. But English ships and sailors can now navigate as cheaply as those of any other country, maintaining at least an equal competition with the other maritime nations even in their own trade. The ends which may once have justified navigation laws require them no longer, and afford no reason for maintaining this invidious exception to the general rule of free trade.

Since the introduction of steamships and the advance of invention in naval contrivances, the plea for navigation laws on the ground that they keep up a "nursery of seamen" for the navy is practically obsolete. The "seaman" employed on the modern naval ships more nearly resembles the artisan in a manufacturing establishment; he need have but comparatively little knowledge of the sea, since the days of sailing-vessels have passed by, so far as naval warfare is concerned. Steam and mechanical appliances now do what was before done by wind and sail.

While Mr. Mill thinks navigation laws were economically--that is, so far as increase of wealth is concerned--disadvantageous, yet he believes that they may have been "politically expedient." It is possible, for example, that retaliation by the United States and other countries against England early in this century brought about the remission of the English restrictions on foreign shipping. But it is quite another thing to say that such laws produced an ability to sail ships more cheaply. That the English navigation acts of 1651 built up English shipping is not supported by many proofs; whereas it is very distinctly shown that English shipping languished and suffered under them.(360) Moreover, under the *régime* of steam and iron (which drew out England's peculiar advantages in iron and coal), in all its history English shipping never prospered more than it has since the abolition in 1849 of the navigation laws--events which have taken place since Mr. Mill wrote.

The United States is still weighed down by navigation laws adapted to mediæval conditions, and the relics of a time when retaliation was the cause of their enactment. So long as wooden vessels did the carrying-trade, the natural advantages of the United States gave us a proud position on the ocean. Now, however, when it is a question of cheaper iron, steel, and coal for vessels of iron and steel, we are at a possible disadvantage, and the bulk of navigation laws proposed in these days are intended to draw capital either by raising prices through duties on ships and materials, or by outright bounties and subsidies from industries in which we have advantages, to building ships. And until of late no distinction has been made between ship-building and ship-owning (or ship-sailing). Within the last year (1884) many burdens on ship-sailing have been removed; but even when we are permitted to sail ships on equal terms with foreigners, we can not yet build them with as

small a cost as England (which is proved by the very demand of the builders of iron vessels for the retention of protective duties), and our laws do not as yet allow us to buy ships abroad and sail them under our own flag.(361)

With regard to subsistence, the plea of the Protectionists has been so often and so triumphantly met, that it requires little notice here. That country is the most steadily as well as the most abundantly supplied with food which draws its supplies from the largest surface. It is ridiculous to found a general system of policy on so improbable a danger as that of being at war with all the nations of the world at once; or to suppose that, even if inferior at sea, a whole country could be blockaded like a town, or that the growers of food in other countries would not be as anxious not to lose an advantageous market as we should be not to be deprived of their corn.

In countries in which the system of Protection is declining, but not yet wholly given up, such as the United States, a doctrine has come into notice which is a sort of compromise between free trade and restriction, namely, that protection for protection's sake is improper, but that there is nothing objectionable in having as much protection as may incidentally result from a tariff framed solely for revenue. Even in England regret is sometimes expressed that a "moderate fixed duty" was not preserved on corn, on account of the revenue it would yield. Independently, however, of the general impolicy of taxes on the necessaries of life, this doctrine overlooks the fact that revenue is received only on the quantity imported, but that the tax is paid on the entire quantity consumed. To make the public pay much, that the treasury may receive a little, is no eligible mode of obtaining a revenue. In the case of manufactured articles the doctrine involves a palpable inconsistency. The object of the duty as a means of revenue is inconsistent with its affording, even incidentally, any protection. It can only operate as protection in so far as it prevents importation, and to whatever degree it prevents importation it affords no revenue.

§ 4. --on the ground of encouraging young industries; colonial policy.

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

The great difficulty with this proposal is that it introduces (what is inconsistent with Mr. Mill's general system) the Socialistic basis of state-help, instead of self-help. If industries will never support themselves, then, of course, it is a misappropriation of the property of its citizens whenever a government takes a slice by taxation from productive industries and gives it to a less productive one to make up its deficiencies. The only possible theory of protection to young industries is that, if protected for a season, the industries may soon grow strong and stand alone. Mr. Mill never contemplated anything else. But the difficulty is constantly met with, in putting this theory into practice, that the industry, once that it has learned to depend on the help of the state, never reaches a stage when it is willing to give up the assistance of the duties. Dependence on

legislation begets a want of self-reliance, and destroys the stimulus to progress and good management. It is said: "There has never been an instance in the history of the country where the representatives of such industries, who have enjoyed protection for a long series of years, have been willing to submit to a reduction of the tariff, or have proposed it. But, on the contrary, their demands for still higher and higher duties are insatiable, and never intermitted."(362) The question of fact, as to whether or not the United States is indebted for its present manufacturing position to protection when our industries were young, seems to be capable of answer, and an answer which shows that protection was imposed generally after the industries got a foothold, and that very little assistance was derived from the duties on imports.(363)

The following explanation by Mr. Mill(364) of the meaning put upon his argument of protection to young industries by those who have applied it to the United States will be of no slight interest:

"The passage has been made use of to show the inapplicability of free trade to the United States, and for similar purpose in the Australian colonies, erroneously in my opinion, but certainly with more plausibility than can be the case in the United States, for Australia really is a new country whose capabilities for carrying on manufactures can not yet be said to have been tested; but the manufacturing parts of the United States--New England and Pennsylvania--are no longer new countries; they have carried on manufactures on a large scale, and with the benefit of high protecting duties, for at least two generations; their operatives have had full time to acquire the manufacturing skill in which those of England had preceded them; there has been ample experience to prove that the alleged inability of their manufactures to compete in the American market with those of Great Britain does not arise merely from the more recent date of their establishment, but from the fact that American labor and capital can, in the present circumstances of America, be employed with greater return, and greater advantage to the national wealth, in the production of other articles. I have never for a moment recommended or countenanced any protecting industry except for the purpose of enabling the protected branch of industry, in a very moderate time, to become independent of protection. That moderate time in the United States has been exceeded, and if the cotton and iron of America still need protection against those of the other hemisphere, it is in my eyes a complete proof that they ought not to have it, and that the longer it is continued the greater the injustice and the waste of national resources will be."

There is only one part of the protectionist scheme which requires any further notice: its policy toward colonies and foreign dependencies; that of compelling them to trade exclusively with the dominant country. A country which thus secures to itself an extra foreign demand for its commodities, undoubtedly gives itself some advantage in the distribution of the general gains of the commercial world. Since, however, it causes the industry and capital of the colony to be diverted from channels which are proved to be the most productive, inasmuch as they are those into which industry and capital spontaneously tend to flow, there is a loss, on the whole, to the productive powers of the world, and the mother-country does not gain so much as she makes the colony lose. If, therefore, the mother-country refuses to acknowledge any reciprocity of obligations, she imposes a tribute on the colony in an indirect mode, greatly more oppressive and injurious than the direct.

§ 5. --on the ground of high wages.

The discussion by Mr. Cairnes on the question of wages as affected by the tariff is such that I have quoted it as fully as possible: "The position taken in the United States is that protection is only needed and only asked for where American industry is placed under a disadvantage, as compared with the industry of foreign countries.... The rates of wages measured in money are higher in the United States than in Europe, and, therefore, it is argued, the cost of producing commodities is higher.... The high rates of wages in the United States are not peculiar to any branch of industry, but are universal throughout its whole range. If, therefore, a high rate of wages proves a high cost of production, and a high cost of production proves a need of protection, it follows that the farmers of Illinois and the cotton-planters of the Southern States stand in as much need of fostering legislation as the cotton-spinners of New England or the iron-masters of Pennsylvania! A criterion which leads to such results must, I think, be regarded as sufficiently condemned. The fallacy is, in truth, ... that all industries are not in each country equally favored or disfavored by nature, and have not, therefore,

equal need of this protecting care. If American protectionists are not prepared to demand protective duties in favor of the Illinois farmer against the competition of his English rival, they are bound to admit either that a high cost of production is not incompatible with effective competition, or else that a high rate of wages does not prove a high cost of production; and if this is not so in Illinois, then I wish to know why the case should be different in Pennsylvania or in New England. If a high rate of wages in the first of these States be consistent with a low cost of production, why may not a high rate of wages in Pennsylvania be consistent with a low cost of producing coal and iron?

"The rate of wages, whether measured in money or in the real remuneration of the laborer, affords an approximate criterion of the cost of production,(365) either of money, or of the commodities that enter into the laborer's real remuneration, *but in a sense the inverse of that in which it is understood in the argument under consideration*: in other words, a high rate of wages indicates not a high but a low cost of production.(366) ... Thus in the United States the rate of wages is high, whether measured in gold or in the most important articles of the laborer's consumption--a fact which proves that the cost of producing gold, as well as that of producing those other commodities, is low in the United States.... I would ask [objectors] to consider what are the true causes of the high remuneration of American industry. It will surely be admitted that, in the last resort, these resolve themselves into the one great fact of its high productive power.... I must, therefore, contend that the high scale of industrial remuneration in America, instead of being evidence of a high cost of production in that country, is distinctly evidence of a low cost of production--of a low cost of production, that is to say, in the first place, of gold, and, in the next, of the commodities which mainly constitute the real wages of labor--a description which embraces at once the most important raw materials of industry and the most important articles of general consumption. As regards commodities not included in this description, the criterion of wages stands in no constant relation of any kind to their cost, and is, therefore, simply irrelevant to the point at issue. And now we may see what this claim for protection to American industry, *founded on the high scale of American remuneration*, really comes to: it is a demand for special legislative aid in consideration of the possession of special industrial facilities--a complaint, in short, against the exceptional bounty of nature.

"Perhaps I shall here be asked, How, if the case be so--if the high rate of industrial remuneration in America be only evidence of a low cost of production--the fact is to be explained, since fact it undoubtedly is, that the people of the United States are unable to compete in neutral markets, in the sale of certain important wares, with England and other European countries?(367) No one will say that the people of New England, New York, and Pennsylvania, are deficient in any industrial qualities possessed by the workmen of any country in the world. How happens it, then, that, enjoying industrial advantages superior to other countries, they are yet unable to hold their own against them in the general markets of commerce? I shall endeavor to meet this objection fairly, and, in the first place, let me state what my contention is with regard to the cost of production in America. I do not contend that it is low in the case of all commodities capable of being produced in the country, but only in that of a large, very important, but still limited group. With regard to commodities lying outside this group, I hold that the rate of wages is simply no evidence as to the cost of their production, one way or the other. But, secondly, I beg the reader to consider what is meant by the alleged 'inability' of New England and Pennsylvania to compete, let us say, with Manchester and Sheffield, in the manufacture of calico and cutlery. What it means, and what it only can mean, is that they are unable to do so *consistently with obtaining that rate of remuneration on their industry which is current in the United States*. If only American laborers and capitalists would be content with the wages and profits current in Great Britain, there is nothing that I know of to prevent them from holding their own in any markets to which Manchester and Sheffield can send their wares. And this brings us to the heart of the question. Over a large portion of the great field of industry the people of the United States enjoy, as compared with those of Europe, (1) advantages of a very exceptional kind; over the rest (2) the advantage is less decided, or (3) they stand on a par with Europeans, or (4) possibly they are, in some instances, at a disadvantage. Engaging in the branches of industry in which their advantage over Europe is great, they reap industrial returns proportionally great; and, so long as they confine themselves to these occupations, they can compete in neutral markets against all the world, and still secure the high rewards accruing from their exceptionally rich resources. But the people of the Union decline to confine

themselves within these liberal bounds. They would cover the whole domain of industrial activity, and think it hard that they should not reap the same rich harvests from every part of the field. They must descend into the arena with Sheffield and Manchester, and yet secure the rewards of Chicago and St. Louis. They must employ European conditions of production, and obtain American results. What is this but to quarrel with the laws of nature? These laws have assigned to an extensive range of industries carried on in the United States a high scale of return, far in excess of what Europe can command, to a few others a return on a scale not exceeding the European proportion. American enterprise would engage in all departments alike, and obtain upon all the high rewards which nature has assigned only to some. Here we find the real meaning of the 'inability' of Americans to compete with the 'pauper labor' of Europe. They can not do so, and at the same time secure the American rate of return on their work. The inability no doubt exists, but it is one created, not by the drawbacks, but by the exceptional advantages of their position. It is as if a skilled artisan should complain that he could not compete with the hedger and ditcher. Let him only be content with the hedger and ditcher's rate of pay, and there will be nothing to prevent him from entering the lists even against this rival."(368)

It is often said that wages are kept at a high rate in the United States by the existence of protected industries. On the other hand, the truth is that the protected industries must pay the current high rate of wages fixed by the general productiveness of all industries in the country. When the facts are investigated, it is surprising how small a portion of the laborers of the United States are employed in occupations which owe their existence to the tariff. A general view of the relative numbers engaged in different occupations may be seen by reference to Chart No. XXIV, based on the returns for the census of 1880. The data are well worth examination:(369)

(1.) Agriculture 7,670,493 (2.) Manufacturing, 3,837,112 mechanical, and mining (3.) Trade and transportation 1,810,256 (4.) Professional and personal 4,074,238 services All occupations 17,392,099

[Illustration: Chart XXIV.]

Chart XXIV. *Chart showing for the United States, in 1880, the ratio between the total population over ten years of age and the number of persons reported as engaged in each principal class of gainful occupations. Compiled from the returns of the Tenth Census, by the Editor.* NOTE.--The interior square represents the proportion of the population which is accounted for as engaged in gainful occupations. The unshaded space between the inner and outer squares represents the proportion of the population not so accounted for.

Of the second class, less than 450,000 work-people are engaged in the chief protected industries--cotton, woolen, and iron and steel, combined. This class, it is to be noted, in the census returns, includes bakers, blacksmiths, brick-makers, builders, butchers, cabinet-makers, carpenters, carriage-makers, and so on through the whole list of similar occupations practically unaffected by the tariff (so far as protection to them is concerned). So that, at the most, there are less than a million laborers engaged in industries directly dependent on the tariff, and the number is undoubtedly very much less than a million. When some writers assert, therefore, that the existence of customs-duties allows industries (even including all those employed in producing cotton, wool, iron, and steel) to employ less than a million laborers in such a way that the remuneration is fixed for the remaining 16,000,000 laborers in the United States, keeping wages high for 16,000,000 by paying current wages for less than a million, the extravagance and ignorance of the statement are at once apparent; while, on the other hand, it is distinctly seen that the causes fixing the generally high rates of wages for the 16,000,000 are those governing the majority of occupations, and that the less than one million must be paid the wages which can be obtained elsewhere in the more productive industries. The facts thus strikingly bear out the principles as stated above.

Confirmation--if confirmation now seems necessary--may be found in a study(370) by our ablest statistician, Francis A. Walker, upon the causes which have operated on the growth of American manufactures. This growth has not been commensurate, he finds, with the remarkable inventive and industrial capacity of our people, and with the richness of our national resources: "I answer that the cause of that comparative failure is found, primarily and principally, in the extraordinary success of our agriculture, as already intimated in what

has been said of the investment of capital. The enormous profits of cultivating a virgin soil without the need of artificial fertilization; the advantages which a sparse population derives from the privilege of selecting for tillage only the choicest spots,(371) those most accessible, most fertile, most easily brought under the plow; and the consequent abundance of food and other necessaries enjoyed by the agricultural class, have tended continually to disparage mechanical industries, in the eyes alike of the capitalist, looking to the most remunerative investment of his savings, and of the laborer, seeking that avocation which should promise the most liberal and constant support.

"It has been the competition of the farm with the shop which, throughout the entire century of our national independence, has most effectually hindered the growth of manufactures. A people who are privileged to cultivate a reasonably fertile soil, under the conditions indicated above, can secure for themselves subsistence up to the highest limit of physical well-being. If that people possess the added advantage of great skill in the use of tools, and great adroitness in meeting the large and the little exigencies of the occupation and cultivation of the soil, the fruits of their labor will include not only everything which is essential to health and comfort, but much that is of the nature of luxury."

It remains to be said in this connection that workmen are already discerning the practical and real causes at work affecting their wages--affecting them more directly than any tariff system possibly could--by showing no small alarm at the immigration of foreigners, such as the Hungarian miners and Italian laborers, who willingly underbid them. In other words, they are beginning to realize, in a practical way, the truth that increasing numbers are far more potent than anything else in reducing wages. So long as immigration is free to any race or nationality, there is no such thing as "protection to home laborers"; the only protection to them--not that I am urging the desirability of such measures--can come solely from forces which limit the number of workmen who enter into competition with them. Any other protection to laboring-men than the prohibition of immigration--which no one thinks of (except for the Chinese)--is an economic delusion. Instead of "protecting" them to the extent of affording higher wages, the tariff increases the cost of woollen clothing and other articles of their consumption, in addition to forcing capital into employments which yield a less return, and so insure lower wages.

§ 6. --on the ground of creating a diversity of industries.

It must be kept in mind that Political Economy deals only with the phenomena of material wealth; it does not supply ethical or political grounds of action. It is quite conceivable that a legislator, in coming to a decision, may have to balance economic gains against moral or political losses, and may choose to give up the former to prevent the latter. But the economic truth remains unchanged. Political economy, for instance, to the question, Is there any gain in international trade? answers, unequivocally, yes. Would it be a loss of wealth to the community to have the goods formerly bought abroad now produced at home? The answer is, certainly it would. But here it has been ably urged by intelligent writers that a state has other ends to gain than the accumulation of mere riches; that it must aim to secure the greatest moral, social, and elevating influences possible for the working-classes; and that while free exchange of goods may add to wealth, it may injure the social and political well-being of a nation. So far as these are social and political questions they do not belong to Political Economy. But the commonest form of argument is that, under free exchange, the United States would become purely an "agricultural" country, its social horizon would become narrowed, and a lower standard of industrial activity would then ensue; instead of which, it is said, we should, by protection, keep in existence diversified industries by which the national mind may be better stimulated, and greater enterprise may be encouraged in all branches of industry. This argument for "diversity of industries," however, is not merely a sociological question; it can only be fully discussed from an economic stand-point, and deserves even more than the brief attention we can give it here.

In the first place, as soon as any purely agricultural country gains even a slight density of population--a density only such as to warrant the introduction of the principle of division of labor--there comes an inevitable differentiation of pursuits, wholly outside of legislation, and through the operation of natural causes. Not all of

any population is required in agriculture to provide the whole with food. By a division of labor, one man in agriculture can produce the sustenance of himself and many others. "The United States have at the present time but five persons engaged in agriculture for each square mile of settled area." By the side of the farm must early spring up a wide circle of industries--the shoemaker, the carpenter, the blacksmith, the wagon-maker, the painter, the builder, the mason, and all the ordinary employments which arise in any small community from the earliest division of labor. Moreover, "agriculture" is often used in a too limited sense as confined to producing food alone (although even in that limited sense employing nearly one half of the total number of our laborers). In a new country the natural field of employment is found in the "extractive industries," which include the preparation for the market not only of food, but also of all ores, coal, minerals, oils, hides, leather, wool, lumber, and the industries intimately connected with them; all the employments which transport these from one part of the country to another (employing at present over one ninth of all our laborers); and professional and personal services of an extended variety. Even, therefore, if we were obliged to forego manufactures entirely, the "extractive industries" would necessarily involve a very extensive diversity of employments.

The real question, however, for most persons, centers in the next stage of the industrial evolution--that of the manufactures of these above-mentioned products of the "extractive industries." It will be remembered, here, that a country does not possess an equal ability in producing each of these or any commodities: the timber formerly near great rivers may vanish into the interior; the oil-sources may be more or less fertile; or the ore-deposits may be more or less rich, more or less accessible, than those of other countries. This being understood, then, as soon as the demand in the country calls for an increased quantity of a particular article, the cost may increase under the law of diminishing returns until a foreign country--having inferior agents of production as compared with our best--may be able to send supplies into our markets. It all depends on whether the United States wants more articles than can be produced on grades of natural agents superior to those possessed by foreigners, taking cost of carriage to this country into consideration. Even though foreign competition appears when we reach poorer grades of natural agents, it does not follow that some of the particular articles will not be produced. What ought to be clear is, that untrammelled exchange between countries will not prevent the existence of various industries, but only limit production to those grades of agents which are its best. This may be better seen by a simple diagram:

Iron and Coal: England 7 6 5 4 3 2 1 Iron and Coal: United States 4 3 2 1 Wheat: England 4 3 2 1 Wheat: United States 7 6 5 4 3 2 1

England may have seven different grades of productiveness in her iron and coal supplies, of which her grades 1, 2, and 3 are superior to the best grade of the United States, while grades 1, 2, 3, and 4 in the United States may compare only with grades 4, 5, 6, 7 of England. So long as England can supply herself and the United States also with coal and iron from the three superior grades, the United States can not work grade 1 at home. But if the supply for England and the world requires grade 5 to be worked, then the United States can begin the industry on her best grade, although that is far inferior to the best grade in England. Likewise, if the United States has three grades of wheat-land superior to England's best grade, the ability of England to grow wheat depends on whether the United States can, or can not, supply both herself and England from grades 1, 2, and 3. If we must resort to grade 4, then England can begin to grow wheat as well as we. In short, under a system of free exchange, as great a diversity as under protection is probably possible, but only in such a way that the best possible advantages in each particular industry are employed. Smaller amounts in some branches, and greater amounts in others, may be produced under a free than under a restrictive system, but with all the greater gain which arises from a proper and healthy adjustment of trade. The most poorly endowed enterprises in each occupation would be given up, but not the whole industry itself. No class of persons feel the competition of rivals more than English farmers since American wheat has come into English markets, and yet it does not follow that England can not grow a bushel of wheat. The fact is, merely, that some kinds of lands were thrown out of cultivation, and a readjustment made, to the benefit of those wanting cheaper food. So with us: we should not, by the free exchange, be forced to give up the iron and coal industries entirely; for the best mines would still keep that occupation in existence to "diversify" the others.

So far the explanation covers the "extractive industries" only, or those industries affected by the law of diminishing returns when a larger quantity is demanded. The real question arises as to the manufactures of these materials. But we count upon larger industrial rewards, in the form of wages, and profits, here than in England; we must get more from an industry than England in order to satisfy us. Our grades of occupations, therefore, must be more productive to a certain extent, grade for grade, than English grades, in order to allow of their remaining free from competition. But we have this superiority, as regards our home market, owing to natural causes: (1) cheap raw materials (if we except wool and other commodities whose price is raised by the tariff); (2) advantage over England in cost of transportation of raw products; and (3) in the cost of transportation, again, of the finished goods in reaching our markets. Now, the processes of manufacture which do not put much labor upon the materials, especially where the articles are bulky, are conducted in this country without fear of foreign competition. And the range of this class of manufactures is surprisingly large. It includes the manufactures of iron, such as stoves, and the common utensils of every-day life; of hides, such as leather, harnesses, etc.; and of wood, such as all the furniture of common use. The list is too long to be fully stated here. These industries are not kept in existence by the tariff; and a diversity as wide as this would arise under a system of free exchange, as well as of restriction. Indeed, if duties were removed from so-called "raw materials," it is altogether probable that a wider diversity would exist than ever before.

And yet, it will be said, there are some things we can not produce in free competition with England. Of course there are; and it is to be hoped it will long continue so. If there are not some kinds of commodities which foreigners can produce to better advantage than we, then there will be no possibility of any foreign trade whatever; since, if they can send us nothing, they can take nothing from us. To deny this position, is to say that the export and import trade of the United States (amounting in 1883 to more than \$1,500,000,000) is of no profit, and had best be entirely destroyed, in order that a few industries in which we have no natural advantages (and which employ less than one seventeenth of the laborers in the United States) should be continued at a loss to the general productiveness of our labor and capital, and so to a general diminution of wages and profits.

§ 7. --on the ground that it lowers prices.

The argument--heard less frequently now than formerly--has been advanced, drawn inductively from statistics, that protection does not raise prices; because, after duties are put on, a larger quantity is produced, the advantages of large production are reaped, and then the price of the manufactured commodity falls lower here than it was before the duty was imposed. The position is then held that protection does not raise prices. It is, of course, understood to mean the prices of protected commodities--a necessary precaution, because we find our own agricultural (unprotected) commodities cited to show that prices are lower here than in England.

No one, however, will deny that there has been a fall in the prices of textile fabrics and manufactured goods. That is the result of a general law of value, and of the tendencies of a progressive state of industry.(372) The causes of this acknowledged fall would be at work, no matter whether tariffs existed or not. It is the result of the general forward march of improvements, as evidenced in the application of new inventions and the display of skill and ingenuity in new processes. To say that it comes because of a tariff, is a complete *non sequitur*. How true this is may be seen by observing that a country like England, without tariffs, shares in the general fall of prices of manufactured goods equally with the country which has heavy customs-duties. The causes must be wider than tariffs, if they are seen working alike in tariff and non-tariff countries.

But the fact itself can not be gainsaid that protection does raise the prices of the protected goods in the home market. The comparison is not to be made between prices as they now are in this country and as they were twenty or forty years ago also in this country, for this would show only the general march of improvements in this country; but a comparison is to be made between prices in this country to-day and present prices in foreign countries. Does, for instance, the tariff increase the price of woolen goods and clothing to every consumer far beyond what the price would be if the duty on imported woolens were removed? The very existence of a protecting duty is the answer to this. If the duty does not raise the price, then why does the

woolen industry wish a continuance of the duties? If goods can be sold as cheaply here as the foreign goods, why do protectionists want any duties? The duties are intended to keep foreign goods out of our markets; and they would be unnecessary if our goods could be sold as cheaply as the foreign wares.

The facts, however, are at hand to show that the statement of principle as made above is corroborated by the statistics. In 1883, although average weekly wages in Massachusetts were over 77 per cent higher than in England, the American laborer had to pay more for the articles entering into his real wages; and to that extent lost the advantage of his higher reward in this country. This is to be seen in the following figures,(373) which show, in percentages, whether prices are higher or lower here than in England:

Classes of Articles. Higher Percent. Lower Percent. Groceries 16 Provisions, including meat, 23 eggs, butter, and potatoes Dry goods (all grades) 13 Boots, shoes, and slippers 62 Clothing 45

And yet, in spite of the high prices, 31 per cent of the Massachusetts workman's expenditure represents more comfort and better home surroundings than is enjoyed by the English workman. If the American could purchase at English prices, he would have no less than 37 per cent of a surplus for additional enjoyments (after making due allowance for the higher rents paid here than in England). In other words, higher prices cut off the American laborer from reaping all the superiority in comfort which might be expected from knowing that he had an advantage over the English laborer of 77 per cent in the money wages received.

In order that the reader may easily find the arguments of the protectionists, he is referred to the following books:

Carey's "Principles of Social Science" (3 vols.). The form of argument is, briefly, that all industries should be kept going within the bounds of a country so as to avoid foreign trade. The change of form into the finished commodity should, he holds, take place near the spot where the raw materials are produced, so that not so great a share should go to the mere middle-men, or transporters.

Bowen's "Political Economy," Chap. XX, advocates protection on the ground that it is needed to secure diversity of industries, and that it lowers the prices of imported goods.

Sir J. B. Byles's "Sophisms of Free Trade" is an answer to Bastiat's "Sophisms of Protection," the latter having been translated into English by Horace White.

Erastus B. Bigelow's "The Tariff Question." This is one of the ablest discussions, from the protectionist point of view, based on statistical tables and comparisons of the policy of England and the United States.

Stebbins's "Protectionists' Manual" is a brief and handy statement.

Ellis H. Roberts's "Government Revenue" is the form into which he has thrown his lectures at Cornell University (1884) on protection, and is the latest statement emanating from that side of the discussion. He goes at length into the history of taxes in various countries; holds that wages are higher here than in England because of protection; that our manufactures are more flourishing than our agriculture, etc.

Frederick List's "National Economy" is the German statement of protection, much on Carey's own grounds.

"The Congressional Globe" contains numerous speeches of members of Congress on the tariff; and the Iron and Steel Association of Philadelphia send out pamphlets explaining the protectionist position.

The free-trade arguments may be found also in W. M. Grosvenor's "Does Protection Protect?" He studies the results of the various tariffs of the United States, and gives many very valuable tables and collections of statistics bearing upon this question.

W. G. Sumner's "History of Protection in the United States" is a very vigorous account of the evils of the various tariffs and the protective system.

D. A. Wells's "Reports" as Special Commissioner of the Revenue, and his numerous pamphlets (see Putnam's publisher's catalogue), are full of facts, and give the results of special study of the subject as affecting the United States.

A. L. Perry's "Political Economy" gives a radical free-trade view.

Henry Fawcett's "Free Trade and Protection" explains the causes which have retarded the more general adoption of free trade.

J. E. Cairnes's "Leading Principles of Political Economy" gives the ablest discussion of the economic principles involved in the question which has yet been offered to the reader. Moreover, almost all our systematic writers on political economy (excepting, perhaps, Bowen and R. E. Thompson) give the system of free exchange their support on economic grounds.

APPENDIX I. BIBLIOGRAPHIES.

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II. *Earlier Periods.*--H. C. Adams's "Taxation in the United States, 1789-1816"; F. W. Taussig's "Protection to Young Industries"; the works of Hamilton, Madison, Jefferson, Webster, and Clay; "The Statesman's Manual"; and of course the Debates in Congress, etc. See, also, Bristed's "Resources of the United States"; Pitkin's "Statistical View of the Commerce of the United States"; Seybert's "Statistical Annals" (1818); and the "American Almanac."

III. *Noteworthy Documents.*--Hamilton's Reports: "Report on Manufactures," Works, ii, pp. 192-284, or American State Papers, Finance, i, 123-144. Dallas, Treasury Report of 1816, American State Papers, Finance, iii, 87-91.

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VI. *Burdens on Ship-Owners*.--Tonnage duties, Wells, p. 179; sailors' wages, Revised Statutes, sections 4,561, 4,578, 4,580-4,584, 4,600; consular fees, Dingley's Report, p. 9; pilotage, taxation, Wells, p. 172, *et seq.*; see also Act of 1884, abolishing many of these burdens.

APPENDIX II. EXAMINATION QUESTIONS.

The following problems and questions have been arranged to indicate to the reader the character of examinations set by English(374) and American universities. They have been taken in each case from papers actually given. It is hardly necessary to state, perhaps, that these questions do not exhaust the subject, and are only some of a kind of which many more might be added:

DEFINITIONS.

1. Define briefly, Fixed Capital; Unproductive Consumption; Law of Diminishing Returns; Effective Desire of Accumulation; Law of Increase of Labor; Communism; Wages Fund; Wages of Superintendence; Real Wages; Value; Price; Demand; Medium of Exchange; Gresham's Law.
2. Explain carefully the following terms: Productive Consumption, Effectual Demand, Margin of Cultivation, Cost of Production, Value of Money, Cost of Labor, Wealth, and Abstinence.
3. Explain the following terms: Real Wages, Fixed Capital, Allowance System, Margin of Cultivation, Price, Demand, Medium of Exchange, Seignorage, Value of Money, and Bill of Exchange.
4. Define Supply, Value of Money, Productive Consumption, Cost of Production, Cost of Labor, Exchange Value, Law of Production from Land, Rate of Profit, Capital, and Gresham's Law.
5. Define Political Economy: State the parts into which it may be divided, and show how they are mutually related.

LABOR.

6. Distinguish between direct and indirect labor, and give an illustration of the distinction.
7. Apply the distinction between productive and unproductive labor, and productive and unproductive consumption, respectively, to each of the following persons: a tailor, an architect, an annuitant, a sailor, and a brick-layer.
8. Is an actor to be classed as a productive laborer? The inventor of a machine? A confectioner?
9. In which of the two classes of laborers, productive and unproductive, would you place the following?
(1.) The officers of our Government. (2.) The maker of an organ. (3.) An organist. (4.) A schoolmaster. (5.) An artist. (6.) He who makes an article for which there is no use.
10. Classify as productive or unproductive the following laborers: a clergyman, musical-instrument maker, actor, soldier, and lace-maker.

CAPITAL.

11. Explain fully what you understand by capital, and what function it discharges in production. Consider whether or not the following ought to be included in capital: (1) the original and acquired powers of the laborer, (2) the original properties of the soil, (3) improvements on land, (4) credit, (5) unsold stock in the hands of a merchant, (6) articles purchased but still in the consumer's hands.
12. Does a national loan add to the capital of a country?
13. Inquire how far, or in what cases, or in what sense, it may be said that a common dwelling-house, an hotel, a school-house, a police-station, a theatre, and a fortification, constitute part of the capital of the country.
14. Discuss carefully the question whether money lying in a bank (or corn lying in a granary) is always capital, or whether its economic nature depends upon the intentions of the owner.
15. Are railway-shares, stocks of wine, wheat, munitions of war, and land, to be considered capital, or not?
16. Explain fully whether you consider that United States bonds are capital or not.
17. Is an investment in government funds capital, or not? Give your reasons.
18. In what manner does a large expenditure for military purposes affect the operations of capital and labor?
19. Distinguish between wealth and capital. Show that there is no assignable limit to the employment of capital in bettering the condition of the members of a community.
20. "If there are human beings capable of work, and food to feed them, they may always be employed in producing something." Explain the meaning of this fully.
21. What is meant by saying wealth can only perform the functions of capital by being wholly or partially consumed?
22. Explain and illustrate the statement that demand for commodities is not demand for labor.

23. Show that expenditure of money does not necessarily increase the demand for labor.
24. In what way would a general demand for luxuries affect productive laborers and the wealth of the community?
25. In a community where capital is all employed, what would be the effect if one employer gradually withdrew some of his capital, and spent this for personal luxuries?
26. It is contended that "the demand for commodities, which can only be got by labor, is as much a demand for labor as a demand for beef is a demand for bullocks." Criticise this position.
27. "It is often said that, though employment is withdrawn from labor in one department, an exactly equivalent employment is opened for it in others, because what the consumers save in the increased cheapness of one particular article enables them to augment their consumption of others, thereby increasing the demand for other kinds of labor." Point out the fallacy.
28. A college undergraduate, with the applause of shopkeepers, bought twenty waistcoats, under the plea that he was doing good to trade. Examine the economical soundness of his act.
29. A man invested a portion of his capital in a loan to a state which subsequently repudiated its debts. The man thereupon gave up his carriage, discharged superfluous gardeners, and reduced the number of his domestic servants. Examine the effect of these changes on the employment of labor in the district where he resides.
30. In the sixteenth century a great change in the mode of expenditure took place. Retainers were dismissed, households were reduced and a demand for commodities was substituted for a demand for labor. How would this change affect wages, and why?
31. It is supposed by some persons that expenditure by the rich in costly entertainments is good for trade. What is your opinion on the subject?
32. A is an absentee who spends his income abroad. B spends his income chiefly on American pictures and other works of art. C spends most of his income on American servants. D saves and buys United States bonds. E employs most of his income in the production of manufactures. Explain the various effects of these different modes of expenditure on the amount of wealth in the United States, and on the working-classes of the country.
33. Compare the economic effects of defraying war expenditure (1) by loans, (2) by increased taxation.
34. Define the term capital, and distinguish between fixed and circulating capital, giving instances of each.
35. Distinguish between fixed and circulating capital, and point out how far, or in what manner, each of the following articles belongs to one kind or the other: a dwelling-house, a crop of corn, a wagon, a load of coal, an ingot of gold, a railway-engine, a bale of cotton goods.
36. Of the following, which would you class under fixed and which under circulating capital: cash in the hands of a merchant, a cotton-mill, a plow, diamonds in a jeweler's shop, a locomotive, a nursery-gardener's seeds, greenhouses, manures; a carpenter's tools, woods, nails?
37. If in a country like this a large amount of capital becomes fixed in the building of railroads, what effect will this change taken by itself have upon the laboring-class, supposing the capital to be (1) domestic, or (2) borrowed wholly or in part from abroad?

38. What conclusion is reached by Mr. Mill respecting the objections to the use of labor-saving machinery?
39. Is the extension of machinery beneficial to laborers?
40. What is "the conclusive answer to the objections against machinery"?

EFFICIENCY OF PRODUCTION.

41. Explain briefly the chief causes on which the productiveness of labor depends.
42. What are the principal ways in which advantage arises from the division of labor?
43. What are the principal advantages of division of labor? In what cases and why is it better to carry on a productive enterprise on a large scale?
44. Under what circumstances, and in what callings, can the division of employment be carried out to the fullest extent?
45. Show how the amount of available capital and the extent of the market for products limit division of labor.

POPULATION.

46. Give a brief statement of Malthus's theory of population, explaining the different checks on population in different stages of civilization.
47. Enunciate Malthus's law of population, and give an outline of the reasoning by which he established it. Give an account of any objections that have been brought against Malthus's position, and criticise those objections.
48. When the growth of population outstrips the progress of improvements, what are the means of relief for the laborer?
49. Does the increased facility of emigration nullify the Malthusian law of population in your opinion or not, and why?
50. Explain the law of diminishing return and the Malthusian doctrine of population; and trace the connection between them.

INCREASE OF PRODUCTION.

51. Compare the motives to saving in the case of savages, and of a country like the United States. State the causes of diversity in the strength of the effective desire of accumulation.
52. Capital is said to be accumulated by saving; what is saving? Is hoarded money a saving while hoarded?
53. How far does the increasing productiveness of manufacturing industry tend to neutralize the effect on profits of the diminishing productiveness of agricultural industry?
54. What conclusion as to the limit to the increase of production does Mr. Mill deduce from his investigation of the laws of the various requisites of production?

PROPERTY.

55. What are the essential elements of property? Are the grounds of property in land the same as those of property in movables?

56. Give what you conceive to be the chief arguments in favor of the institution of private property, as opposed to common ownership.

57. What arguments does Mr. Mill suggest in favor of some redistribution of landed property?

58. What are the economic arguments for and against Communism?

59. In what way, and by what means, do Socialists want to alter the present distribution of wealth?

60. Sketch the principal forms of Communistic and Non-communistic Socialism.

61. Should the power of bequest be limited?

WAGES.

62. On what, according to Mill, does the rate of wages depend? Hence, show the fallacy of the popularly proposed remedies for low wages.

63. State and examine the principal theories which have been put forward as to the circumstances which regulate the general rate of wages, saying which you deem to be correct, and why so.

64. Mr. Thornton argues that the wages-fund is neither "determined" nor "limited": not "determined," because there is no "law" to compel capitalists to devote any portion of their wealth to the payment of labor, nor are they morally "bound" to do so; and not "limited," because there is nothing to prevent them from adding to the portion of their wealth so applied. Criticise this argument, and, if you dissent from Mr. Thornton's view, state the causes which "determine" and "limit" the fund in question.

65. State precisely what you mean by the "wages-fund," and explain the conditions on which its growth depends.

66. Explain generally the circumstances which determine the rate of wages. Mention some of the reasons why wages should be higher in one occupation than in another.

67. In what way does dearness or cheapness of food affect money wages?

68. What determines--

(1.) The general rate of wages in a country? (2.) The relative rates of wages in different employments?

69. What causes different rates of wages in different employments, and by what methods might wages be raised?

70. How do you explain the fact that some of the most disagreeable kinds of labor are the most badly paid?

71. What, according to Mr. Mill, are the most promising means for the improvement of the laboring-classes?

72. In the Island of Laputa a law was passed compelling each workman to work with his left hand tied behind his back, and the law was justified on the ground that the demand for labor was more than doubled by it. Examine this argument.

73. Some coal-workers are calling for a diminution of the output of coal, so as to keep up their wages. Examine how far, if at all, this result would follow from their proposed action.

74. Discuss any remedies for low wages that have been or might be suggested.

75. Why are the wages of women habitually lower than those of men?

PROFITS.

76. What is the cause of the existence of profits? And what, according to Mr. Mill, are the circumstances which determine the respective shares of the laborer and the capitalist?

77. (1.) What is the lowest rate of profit which can permanently exist? (2.) Why is this minimum variable?

78. Analyze the remuneration received by any of the following: (1) the proprietor of a cotton-mill managing his own mill; (2) a merchant conducting his own business; (3) a railway shareholder; (4) a holder of government funds.

79. Into what portions may we divide the return which is usually called profit? Which of these portions would be received by a merchant carrying on business with borrowed capital?

80. Analyze the payment called profits into its various elements. Point out in what respects the earnings of the employer differ from or resemble the wages paid to other classes of laborers.

81. It is asserted that "profits tend to an equality." What conditions must be satisfied before this position can be maintained?

82. How is the alleged tendency of profits to equivalence in different employments to be reconciled with the notorious difference in the profit of different individuals?

83. Which one of the elements in profit has the greatest effect on its amount? Explain by comparing the causes which regulate each element.

84. How does Mill reconcile the high wages in America with Ricardo's law of profits?

85. Explain the proposition that the rate of profits depends on the cost of labor, stating carefully what elements are included in cost of labor.

86. Explain what connection there may be between an increase of population and any of the elements entering into cost of labor.

87. What effect would an increase or diminution of population have upon cost of labor?

88. Explain Mill's view as to the cost of labor being a function of three variables, considering the passages in which he says, 1. "If without labor becoming less efficient its remuneration fell, *no increase taking place in the cost of the articles composing that remuneration*;" 2. "If the laborer obtained a higher remuneration, *without any increased cheapness in the things composing it*; or if, without his obtaining more, *that which he did obtain would become more costly*": profits in the last two cases would suffer a diminution; and discussing--Firstly, if the remuneration of labor falls, what can the cost of the articles composing that remuneration signify to the capitalist? Secondly, if the laborer gets a higher remuneration, what can the increased cheapness of the things composing it signify to the capitalist?

89. Is the contest between capital and labor permanent and fundamental? If not, give your reasons for your answer.

90. What is the effect on wages and profits of the introduction of machinery?

RENT.

91. What connection exists between the law of Malthus and Ricardo's doctrine of rent?

92. What is the reason why land-owners can demand rent?

93. Explain and illustrate the distinction between rent and profits. In what cases are they nearly indistinguishable?

94. It has often been observed that in America land is much less highly cultivated than in England. Explain the economic reasons for this.

95. How does the theory of rent apply in a country like the United States, where the farmer owns his land instead of hiring it?

96. How is it that some agricultural capital pays rent, even if resort is not had to different grades of land?

97. Give a brief description of the theory of rent, and point out to what payments not usually called rent the theory may be applied.

98. State briefly Ricardo's theory of rent, and show that, if it be true, the following statements of Adam Smith must be false:

"The most fertile coal-mine regulates the price of coals at all the other mines in the neighborhood."

"In the price of corn one part pays the rent of the landlord, another pays the wages, and another the profit of the farmer."

99. Why does the farming business pay rent, and the cotton business (ground-rent excluded) pay none? Define rent.

100. "As population increases, rents estimated in corn increase, and the price of corn rises; rents, therefore, doubly tend to increase." Prove this.

101. Professor Rogers adduces, in refutation of the common theory of rent, the fact that land near New York pays a high rent, while land of the same natural fertility in the Western States pays no rent. How far do you admit the force of this objection?

102. Examine the following doctrine:

"If invention and improvement still go on, the efficiency of labor will be further increased, and the amount of labor and capital necessary to produce a given result further diminished. The same causes will lead to the utilization of this new gain in productive power for the production of more wealth; the margin of cultivation will be again extended, and rent will increase, both in proportion and amount, without any increase in wages and interest. And so, ... will ... rent constantly increase, though population should remain stationary."--Henry George, "Progress and Poverty" (p. 226).

103. What answer is made to Mr. Carey's objection to Ricardo's theory of rent, that in point of fact the poorer, not the richer, lands are first brought under cultivation?

104. Explain how land, "even apart from differences of situation,... would all of it, on a certain supposition, pay rent."

105. Explain clearly how it is possible for the land of a country which is all of uniform fertility to pay rent.

106. "If the earth had a perfectly smooth surface the same everywhere, and if it were all tilled and cultivated in exactly the same way, there would be no such thing as rent." Examine this proposition.

107. Show that rent does not increase the price of bread.

108. How is it shown that "rent does not really form any part of the expenses of production or of the advances of the capitalist?"

109. (1.) What connection exists between the price of agricultural products and the amount of rent paid? (2.) Can rent affect the price?

110. "Rent is the effect and not the cause of price." Prove this.

111. Does rent enter into the cost of production of the following commodities or not, and why: Corn, cloth, the wine of the best vineyards?

112. "Rent arises from the difference between the least fertile and the most fertile soils, and from the fact that the former have been taken into cultivation.... Rent is the difference between the market price of produce and the cost of production." Harmonize these statements.

113. In order that the actual payments made by farmers to landlords should generally correspond with "economic rent," what conditions must be observed?

114. What is assumed, as to competition, in all Mr. Mill's reasoning on wages, profits, and rent? Explain its action in each case.

VALUE.

115. Enumerate, compare, and criticise any opinions known to you which have been held concerning the nature, origin, or measure of value in exchange.

116. Define precisely what it is which gives value to objects, and point out the causes which vary the value of the same object under differing circumstances.

117. Do men dive to the bottom of the sea to get pearls because they are valuable; or are pearls valuable because men must dive to the bottom of the sea to get them?

118. There are three forms of difficulty of attainment. State the law of value applicable to each.

119. Explain the exact economic meaning of the words supply and demand.

120. When it is said that the value of certain commodities depends upon supply and demand, what is meant by demand?

121. If the supply of all commodities were suddenly doubled, would any changes in their relative values ensue or not, and why?

122. State the laws which regulate the permanent and temporary values of agricultural products.

123. How far does the value of commodities depend on the quantity of labor required for their production?

124. Has the term exchange value any precise meaning when we are comparing times or places very remote from one another?

125. What is meant by the natural (or normal) price and the market price of commodities? To what extent can they differ?

126. Does a general rise of wages raise the prices of commodities in general or not, and why? Does it tend to cause any change in the relative prices of commodities or not, and why?

127. Suppose that wages were double, would the values of commodities be affected? What would be the effect on prices and profits of such an increase of wages?

128. Are wages and profits influenced by prices?

129. Can employers recoup themselves by a rise of prices for a rise of--

(a.) Wages in particular employments? (b.) General wages?

How does this question bear on the efficacy of trades-unionism?

130. Do values depend on wages?

131. Explain the following statement: "It is true the absolute wages paid have no effect upon values; but neither has the absolute quantity of labor."

132. Explain the statement that "high general profits can not, any more than high general wages, be a cause of high values.... In so far as profits enter into the cost of production of all things, they can not affect the value of any."

133. Explain fully why it is that capitalists can not compensate themselves for a general high cost of labor through any action on values and prices.

134. "The value of a commodity depends on its cost of production." Under what conditions is this true, and what causes interfere with it?

135. Describe the hindrances which impede the free movement of capital to those fields which apparently offer the highest return for its employment.

136. Give J. S. Mill's analysis of the "cost of production," and also Professor Cairnes's, with the arguments for and against each.

137. Analyze cost of production. What is its connection with cost of labor?

138. Give an analysis of cost of production of any commodity.

139. Show carefully the distinction between wages, cost of labor, and cost of production.

140. Define clearly value, price, real wages, and cost of production.

141. Define real wages, money wages, cost of labor.

MONEY.

142. Point out the difference between the scientific and popular conceptions implied in the terms wealth and money.

143. Show the fallacy of confounding capital with money. Can there be a glut of capital?

144. What is money? To what sort of necessity does it owe its existence? What articles have been used for money? Enumerate the qualities which render a commodity fit to serve as money.

145. What are the qualities requisite in any commodity in order that it may serve as money?

146. Distinguish accurately between the functions of money.

147. How far is a fixed standard of value possible?

148. What effect does the great durability of gold and silver have upon the value of money?

149. How far does the law of demand and supply govern the value of money?

150. Explain fully how it is that the value of the precious metals is affected by "questions of quantity only, with little reference to cost of production."

151. What is to be said to the following: "Some political economists have objected altogether to the statement that the value of money depends on its quantity combined with the rapidity of circulation; which, they think, is assuming a law for money that does not exist for any other commodity"?

152. Under what conditions is it true that the "value of money is inversely as its quantity"?

153. Explain carefully the following: "The average value of gold is made to conform to its natural value in the same manner as the values of other things are made to conform to their natural value."

154. In what various meanings is the phrase "the value of money" used? How far does the value of money in each of these meanings depend on (1) the cost of production, (2) supply and demand?

155. Are the values of gold and silver subject to exactly the same natural laws as other commodities?

156. Give the explanations and qualifications required to render the following proposition true: "The quantity of coin in every country is regulated by the value of the commodities which are to be circulated by it."

157. Would the world be richer if every individual in it suddenly found the quantity of money in his possession doubled?

158. How far, or in what way, do you consider it correct to say that the general level of prices in a country depends upon the quantity of gold coin existing in that country?

159. A single good harvest causes a considerable fall in the value of *wheat*; but a great addition to the year's supply of *gold* from the mines produces little effect on its general value. How do you account for the difference?

160. Show the effect of establishing a double standard.

161. Show how Gresham's law is illustrated by the history of the currency in the United States between 1834 and 1873.

162. What effect had the discovery of gold in this century upon the coinage of the United States?

163. What is the system upon which the small silver currency of the United States is coined and issued?

164. State briefly the aim of the United States coinage act of 1853.

CREDIT

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165. How do you define credit? Form a classification of credit documents.

166. It has been said that "credit is capital." Is this so or not?

167. Define capital, and examine the meaning of the term in the following statements:

(a.) Demand for commodities can not create capital.

(b.) Credit is not a creation, but a transfer of capital.

(c.) Wages depend upon the proportion between population and capital.

168. State the law of the value of money which governs general prices. What change is to be made in the statement, if credit is to be taken into consideration?

169. What is the part which instruments of credit, other than bank-notes, play in the exchange of commodities?

170. Mention some of the principal features of a credit crisis.

171. What are inconvertible notes? What objections are there to currency of this description?

172. Can an inconvertible currency be made to maintain the same value as a convertible currency, and, if so, how? Supposing that it can, what objections are there, nevertheless, to it?

173. "Nothing is subject to more variation than paper money, even when it is limited, and has no guarantees; for this simple reason, that, having no value of its own, it depends on the idea that each person forms of those guarantees." Comment on this passage.

174. How is it that a bad dollar does the work of buying as well as a good one until it is found out? Is it that it makes no difference whether it is made of gold or not?

175. To what extent is a government capable of giving fictitious value to a paper or a metallic currency?

176. In a country with an inconvertible paper currency, how can it be determined whether the issues are excessive or not, and why?
177. What will be the effect if the circulating medium of a country is increased beyond its natural amount--
(1) when the medium is coin? (2) when it is coin and convertible paper? (3) when it is inconvertible paper?
178. What is the error involved in the assumption, frequently made by writers and public speakers, that the currency of a country ought to increase in like ratio with its wealth and population?
179. On what does the desire to use credit depend? What connection exists between the amount of notes and coin in circulation and the use of credit?
180. Compare the advantages and disadvantages of a metallic and paper currency.
181. A member of Congress advocated expansion of the paper currency by the following argument: "Our currency, as well as everything else, must keep pace with our growth as a nation.... France has a circulation *per capita* of thirty dollars; England, of twenty-five; and we, with our extent of territory and improvements, certainly require more than either." State your opinion of this argument.
182. Trace the effects, immediate and ultimate, on general prices of (a) an extended system of credit, (b) an enlarged issue of paper money, and (c) an addition to the stock of precious metals, respectively.
183. What is the error in the common notion that "a paper currency can not be issued in excess so long as every note *represents* property, or has a *foundation* of actual property to rest on"?
184. Explain the action of the check and clearing-house system, and state what is meant by the restoration of barter.

OVER-PRODUCTION.

185. State the relation between supply and demand as aggregates, e.g., between the aggregate supply of commodities in a given community and the aggregate demand for them, and show the bearing of the principle involved on the doctrine of "general over-production."
186. Prove that the increase of capital and the extension of industry can not lead to a general over-production of commodities.
187. What is the error of those who believe in the danger of over-production?
188. Distinguish "excess of supply" from a "commercial crisis."
189. Give the substance of Mill's examination of the theories of excess of supply.
190. "When production is fully equal to consumption, every discovery in the arts, or in mechanics, is a calamity, because it only adds to the enjoyment of consumers the opportunity of obtaining commodities at a cheaper rate, while it deprives the producers of even life itself." Discuss this opinion of Sismondi.
191. Explain the difference in the theories of Dr. Chalmers and Mr. Mill on over-production, and the excess of supply.

PECULIAR CASES OF VALUE.

192. It costs as much to produce straw as to produce grain; how, then, do you explain the comparatively low value of straw?

193. Suppose a considerable rise in the price of wool to be foreseen, how should farmers expect the prices of mutton to be affected, and why?

194. Explain the operation of the laws of value by which the relative prices of wool and mutton are regulated.

INTERNATIONAL TRADE AND VALUES.

195. What is the meaning of the statement that "it is not a difference in the *absolute* cost of production which determines the interchange [of commodities between countries], but a difference in the *comparative* cost"?

196. What are the advantages which a country derives from foreign trade?

197. Explain clearly the following passage: "We may often, by trading with foreigners, obtain their commodities at a smaller expense of labor and capital than they cost to the foreigners themselves."

198. Is there any essential difference between trade between country and country, and trade between country and country, or even between man and man? What is the real nature of trade in all cases?

199. Why is it necessary to make any different statement of the laws of value for foreign than for domestic products? What is the cause for the existence of any international trade?

200. How would a serious decline in the efficiency of England, as compared with other countries, in the production of manufactures affect the scale of money incomes and prices in England, and why?

201. Mr. Mill refers the value of home products to the "cost of production"; of foreign products to the "cost of acquisition." Examine the truth of this distinction.

202. It is said that in the home market the value of commodities depends on the cost of production, in the foreign market on the cost of acquisition. Comment on this distinction.

203. Is the cost of production the regulator of international values?

204. Discuss the following statement: "International value is regulated just as inter-provincial or inter-parishional value is. Coals and hops are exchanged between Northumberland and Kent on absolutely the same principles as iron and wine between Lancashire and Spain."--Ruskin, "Munera Pulveris," p. 84.

205. What determines the value of imported commodities?

206. Why does cost of production fail to determine the value of commodities brought from a foreign country? Does it also fail in the case of commodities brought from distant parts of the same country?

207. It is on the matter of fact that there is not much migration of capital and labor from country to country that Mr. Mill has based his whole doctrine of "international trade and international values." Explain and comment on the above statement.

208. What are the causes which determine for a nation the cost of its imports?

209. It follows from the theory of international values, as laid down by Mill, that the permanent residence of Americans in Europe may enhance the cost of foreign imports to Americans residing at home. Explain in what

way.

210. Suppose two countries, A and B, isolated from the rest of the world, and a trade established between them. In consequence of the labor of A becoming less effective, the cost of production of every article which can be produced in that country is greatly increased, but so that the relation between the costs of any two articles remains the same. What, if any, will be the effect of the change on the trade between A and B? Does your answer depend upon your using the phrase "cost of production" in a sense different from that given to it by some economists?

211. Show that every country gets its imports at less cost in proportion to the efficiency of its labor.

FOREIGN EXCHANGES.

212. What is the ordinary limit to the premium on foreign bills of exchange, and why?

213. What are the chief effects on the foreign exchanges which are produced by the breaking out of a war? Account for the fact that in 1861 the exchanges on England in America fell considerably below specie point.

214. Suppose that the next harvest in England should be very defective, and extraordinary supplies of American grain needed. How would this probably affect the price of bills of exchange between England and America, and the profit on the exportation of English manufactures to the latter, and why?

215. Trace the process by which the precious metals spread from the mines over the world.

216. Suppose the exchange between England and the United States to be heavily against England, how will this fact affect the export and import trade between the two countries, and why?

217. What is meant by exchanges being against a country?

218. Enumerate the principal circumstances which affect the rate of exchange between two countries. How is the *par* of exchange ascertained?

219. In what way are gold and silver distributed among the different trading countries? Between different parts of the same country?

220. Trace the effects of large and continuous issues of inconvertible paper currency on the prices of commodities, on importation and exportation, and on the foreign exchanges.

221. State the conditions under which international trade can permanently exist. What will be the ultimate effect of a large movement of foreign gold upon prices, imports, and exports in the receiving country?

222. State the theory of the value of money (i.e., "metallic money"), and clear up any apparent inconsistencies between the following statements: (1.) The value of money depends on the cost of production at the worst mines; (2.) The value of money varies inversely as its quantity multiplied by its rapidity of circulation; (3.) The countries whose products are most in demand abroad and contain the greatest value in the smallest bulk, which are nearest the mines and have the least demand for foreign productions, are those in which money will be of lowest value.

228. The effects of the depreciation of the paper currency in the United States are thus described by Mr. Wells: "It renders it impossible to sell abroad the products which have cost too much at home, and invites from other countries the products of a cheaper labor paid for in a sounder currency. It exaggerates imports, while destroying our ability to pay in kind." State how far you agree with the deductions here drawn,

assigning your reasons where you differ.

224. When the foreign exchanges are manifestly against a country, and a balance of indebtedness is the cause, the equilibrium can be restored in two ways. State and explain the operation of each.

225. What are the conditions which determine for a country a high range of general prices? How far is this advantageous?

226. What is the effect of the imposition of a tribute by one country on another upon the course of trade between them, and the terms on which they exchange commodities; and why?

227. For what reasons may a nation's exports habitually exceed or fall short of its imports?

228. Explain the real and nominal exchange.

229. Expound Mr. Mill's theory of the influence which a convertible currency exercises on foreign trade.

230. What is the effect of a depreciated currency on (1) foreign trade, and (2) the exchanges?

INTEREST.

231. How does the general rate of interest determine the selling price of stocks and land?

232. Is there any relation between the rate of interest and the value of money?

233. What are the relations of interest and profit? On what causes does the rate of interest depend?

234. "High interest means bad security." Comment on this saying.

235. Is the rate of interest affected by the supply of the precious metals?

236. What determines the rate of interest on the loanable funds? Is the "current [or ordinary] rate of interest the measure of the relative abundance or scarcity of capital"?

237. What are the chief causes that determine the rate of interest?

238. If it be true that in America every man, however rich, is engaged in some business, but that in England many rich men have no trade or profession, how is the rate of interest in each country affected in consequence, and why?

239. How does a fall in the purchasing power of money tend to affect, if at all, and why, (1) the rate of interest, (2) the price of land, (3) the price of government bonds, (4) the price of gold and silver ornaments and plate?

FOREIGN COMPETITION.

240. Explain the grounds of Mr. Mill's proposition that general low wages never caused any country to undersell its rivals, nor did general high wages ever hinder it from doing so. If you think the proposition needs qualification, give your reason.

241. (1.) What is the true theory of one country underselling another in a foreign market? (2.) What weight should be attributed to the fact of generally higher or lower wages in one of the competing countries?

242. Discuss the question whether a high rate of wages necessarily lays the commerce of a country under a disadvantage with reference to a country where the rate of wages is lower.
243. What are the conditions under which one country can permanently undersell another in a foreign market?
244. Point out distinctly the connection between the money wages of laborers in the United States and the productiveness of the soil.
245. In the Eastern States iron-molders earn from fourteen to seventeen dollars a week; in California their wages run from twenty-one to twenty-seven dollars. Account for this variation.

PROGRESS OF SOCIETY.

246. What are the reasons for the change in the normal values of manufactured and of agricultural commodities, respectively, during the progress of society?
247. Wages and profits in different employments and neighborhoods are not uniformly proportional to the efforts of labor and abstinence of which they are the respective rewards. Classify the circumstances which prevent this correspondence, and show how far their effect is likely to be reduced (*a*) by general economical progress, and (*b*) by the extension of the division of labor.
248. What is the law of diminishing returns? Can you point out any connection between this law and the following phenomena?--
- (*a.*) Density of population. (*b.*) Rate of wages. (*c.*) Rate of profits in different countries.
249. Sketch the influence on rents and profits of an increase of population and capital concurrently with a stationary state of the arts of production.
250. Is there reason to believe that Mr. Mill has underrated the powers possessed by man of extending the area of production and facilitating the market of food? If such a statement has been made, to what extent is his theory of population modified, and the risks he had indicated rendered distant?
251. Compare the effects on rent, profits, and wages, of a sudden improvement in the production (*a*) of food, (*b*) of some manufactured articles largely consumed by the working-classes.
252. Trace the connection between Ricardo's theory of rent and the decline in the general rate of profits as a country increases in population. Explain clearly the connection which exists between wages and profits.
253. What effect is produced upon rents, profits, and wages, respectively, in a country like France, where population is stationary and capital advancing?
254. If capital continued to increase and population did not, explain the proposition that "the whole savings of each year would be exactly so much subtracted from the profits of the next and of every following year," if improvements were stationary.
255. How does social and industrial progress tend to affect the prices of land, raw produce, and manufactures, respectively, and why?
256. The capitalized value of land rises, in the progress of society, from two causes--from one which affects land in common with all investments; from another which is peculiar to land.

257. "The tendency of improved communications is to lower existing rents." How far is this true, and in what directions is it true?
258. What would be the effect on profits, wages, and rents of an improvement in a manufactured article consumed by the laboring-class?
259. Explain the doctrine of the tendency of profits to a minimum, the cause of that tendency, and the circumstances which counteract it.
260. What was Adam Smith's doctrine as to the decline of profit in progressive communities? Criticise his argument.
261. Mention some of the principal causes which, in the ordinary progress of society, respectively tend to increase or to reduce the current rate of profits.
262. Why do profits tend to fall as population increases, and how may this result be retarded or prevented?
263. What is the effect of a general rise of money wages, apart from the consideration of a greater efficiency of labor, in prices, profits, and rent? Give reasons for your answer.
264. How does the general progress of society in wealth and industrial efficiency tend to affect the rate of wages, the rate of profit, and the rate of rent, respectively?
265. What is the general effect of the progress of society on the land-owner, the capitalist, and the laborer?

FUTURE OF LABORING-CLASSES.

266. Examine the influences of machinery on the economic condition of the working-classes.
267. Mention and discuss some of the popular remedies for low wages, and especially the effect of the subdivision of landed property among peasant proprietors.
268. Explain briefly what is meant by co-operation, and indicate the more prominent forms assumed by the co-operative movement.
269. What is meant by the co-operative system of industry? Show ways in which this system may affect, for good or for evil, the productiveness of labor; and mention any moral benefits, or the opposite, in which it may be expected to issue.
270. What are the difficulties in the way of co-operation for the production of salable objects?
271. Explain the advantages of industrial partnership, in which the employés share, in proportion to the wages received, half the profits of the business beyond a certain fixed minimum which is assigned to the employers.

TAXATION.

272. How is the state justified in undertaking any manufacture or service which might be performed by private enterprise?
273. Enumerate Adam Smith's canons of taxation.
274. Examine the argument in favor of the resumption by the state of what is called the unearned increment in

the value of land arising from the development of society.

275. A picture by Gainsborough and a house in Broadway are sold in the same year at the same price; at the end of fifty years each sells for five times its first cost. Is there any, and, if so, what, reason why the increase should be sequestrated for the public benefit in the one case and not in the other?

276. Explain the incidence of taxes laid on wages.

277. Why should a tax on profits, if no improvements follow, fall on the laborer and capitalist?

278. Explain what effect, if any, will be produced on the price of corn by--

(1) a tax upon rent; (2) a tithe; (3) a tax of so much per acre, irrespective of value; (4) a tax of so much per bushel.

279. On whom does a tax of a fixed proportion of agricultural produce fall?

280. Discuss the question whether the income-tax ought to be a tax upon income and property, or upon expenditure.

281. Discuss the expediency of a graduated income-tax.

282. State the arguments which you think strongest both for and against exempting savings from the income-tax.

283. Explain the conditions which should be observed in imposing taxes on commodities.

284. What taxes does a tradesman get back in the price of the articles he sells, and what does he not?

285. Test by Adam Smith's four maxims of taxation the policy of indirect taxes on the necessaries of life.

286. All indirect taxation violates Adam Smith's fourth canon.

287. Discuss the following:

"A man with \$100,000 in United States bonds comes to Boston, hires a house...; thus he lives in luxury.... I am in favor of taxing idle investments such as this, and allowing manufacturing investments to go untaxed."

288. Compare the advantages and disadvantages of direct and indirect taxation.

289. On what principles is this country now taxed?

290. Explain the arguments for and against the policy of maintaining a surplus for the purpose of redeeming a national debt.

291. In estimating the ability of the United States to pay its public debts, it is usual to include among the data of the question the increased productiveness of industry in that country. How far is this a pertinent consideration?

PROTECTION.

292. Mention some of the principal arguments brought forward in favor of protective tariffs.

293. Connect the principle of the division of employments (or labor) with the policy of free trade and the functions of government.

294. Sketch the effects of discriminating duties, including the operation of the corn laws.

295. Examine the following argument, emending, if you think it necessary, the free-trader's doctrine on the point raised: The free-trader's belief is that a customs duty is added to the price of the article upon which it is imposed. If the article is imported, according to his theory, the increase of the price goes into the public treasury; if the article is made in the country, the increase of the price goes into the pocket of the producer. But in the former case there is no protection; and competition will prevent the latter. Therefore protection does not increase the price of the protected article. If a customs duty is imposed upon a commodity, and its price is not raised in consequence, what inference can you draw?

296. Under what circumstances did Mr. Mill think nascent states might be justified in adopting a policy of protection? Criticise his opinion, and, if you agree with it, give some examples of its application.

297. American protectionists allege that the high rate of wages prevailing in the United States disables them from competing with "the pauper labor" of Europe. Examine the grounds of this statement, and consider how far it forms a justification for protection to American industry.

298. A high rate of wages indicates, not a high, but a low cost of production for all commodities measured in which the rate of wages is high.

Explain and prove this proposition, and illustrate it from the circumstances of the United States.

299. State under what limitations the proposition is correct, that profits vary inversely with wages. Explain the circumstances which cause both a higher rate of wages and profits to prevail in a young country, such as the United States, than in England.

300. In America wages are much higher than in England, yet the general rate of profits is higher also, according to Mr. Mill. How do you reconcile the two facts?

301. Examine the following:

"It seems to me that protection is absolutely essential to the encouragement of capital, and equally necessary for the protection of the American laborer.... He must have good food, enough of it, good clothing, school-houses for his children, comforts for his home, and a fair chance to improve his condition. To this end I would protect him against competition with the half-paid laborers of European countries."--*Congressional Globe*.

302. An American newspaper has said of the burning of Chicago: "The money to replace what has been burned will not be sent abroad to enrich foreign manufacturers; but, thanks to the wise policy of protection which has built up American industries, it will stimulate our own manufactures, set our mills running faster, and give employment to thousands of idle working-men." Comment on this passage.

303. On whom does a tax on imports, if not prohibitory, fall?

304. In what cases would duties on imported commodities fall on the producers?

305. Are taxes on imports in any way paid by foreigners?

306. Discuss the effects of duties on exports.

307. Trace the effects of duties on the importation of raw materials, and distinguish, with examples, between duties that violate and duties which do not violate the principle of free trade.

308. Is it possible for any country by legislative enactments to engross a larger share of the advantages of foreign trade than it would naturally have? Discuss the question fully.

309. "Those are, therefore, in the right who maintain that taxes on imports are partly paid by foreigners; but they are mistaken when they say it is by the foreign producer. It is not on the person from whom we buy, but on all those who buy from us, that a portion of our customs duties spontaneously falls." Explain and examine the reasons for this conclusion.

310. State the principle which determines the relation between the amount of a country's imports and that of its exports, and show how this relation is affected by a system of protective duties.

THE END.

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CHARTS.

[Illustration: Chart XII.]

Chart XII. Fluctuations in the Price of Gold, from January 1st 1862, to December, 1865.

[Illustration: Chart XVIII.]

Chart XVIII. Graphical Presentation of the Comparative Areas of the States and Territories of the United States and the Countries of Europe, omitting Russia and Alaska.

[Illustration: Chart XIX.]

Chart XIX. Giving the actual figures, compiled from the accounts of two Cotton-Mills in New England by Edward Atkinson, of Wages, Cost of Labor, etc., from 1830 to 1884, working on Standard Sheetings, No. 14

yarn.

[Illustration: Chart XX.]

Chart XX. Comparison of 1840 with 1883-1884, of the Relations of Labor and Capital in the same Mills.

[Illustration: Chart XXI Part 1.]

Chart XXI Part 1.

[Illustration: Chart XXI Part 2.]

Chart XXI Part 2.

[Illustration: Chart XXII.]

Chart XXII. Outstanding Principal Of The Public Debt From 1791 To 1881.

FOOTNOTES

1 Yet Blanqui diffusively gives nearly one half of his "History of Political Economy" to the period before the sixteenth century, when politico-economic laws had not yet been recognized. A. L. Perry, "Political Economy" (eighteenth edition, 1883), also devotes thirty-five out of eighty-seven pages to the period in which there was no systematic study of political economy.

2 Xenophon, "Means of increasing the Revenues of Attika," ch. ix; also see his "Economics;" and Aristotle, "Politics," b. i, ch. vi, b. iii, ch. i.

3 "Republic," b. ii.

4 Roscher exhumed this book, entitled "De Origine, Natura, Jure et Mutationibus Monetarum," and it was reprinted in 1864 by Wolowski at Paris, together with the treatise of Copernicus, "De Monetae Cudendae Ratione."

5 Sermon at St. Paul's Cross, 1549 (also see Jacob, "On the Precious Metals," pp. 244, 245).

6 1530-1596. See II. Baudrillart's "J. Bodin et son temps" (Paris, 1853). Bodin wrote "Réponse aux paradoxes de M. de Malestroit touchant l'encherissement de toutes les choses et des monnaies" (1568), and "Discours sur le rehaussement et la diminution des monnaies" (1578).

7 "A Briefe Concepte of English Policy" (1581). The book was published under the initials "W. S.," and was long regarded as the production of Shakespere.

8 For information on this as well as a later period, consult Jacob "On the Precious Metals" (1832), a history of the production and influences of gold and silver from the earliest times. He is considered a very high authority. Humboldt's "Essay on New Spain" gives estimates and facts on the production of the precious metals in America. A very excellent study has been made by Levasseur in his "Histoire des classes ouvrières en France jusqu'à la Révolution." For pauperism and its history, Nicholl's "History of the Poor Laws" is, of course, to be consulted.

9 See Cossa, "Guide," p. 119.

10 See Antonio Serra, "Breve Trattato delle Cause che possono fare abbondare li Regni d' Oro e d' Argento," Naples, 1613.

11 Thomas Mun, "England's Treasure by Foreign Trade" (published in 1640 and 1664); "Advice of the Council of Trade" (1660), in Lord Overstone's "Select Tracts on Money"; Sir William Petty, "Political Arithmetic," etc. (about 1680); Sir Josiah Child, "New Discourse of Trade" (1690); Sir Dudley North, "Discourse on Trade" (1691); Davenant's Works (1690-1711); Joshua Gee, "Trade and Navigation of Great Britain" (1730); Sir Matthew Decker (according to McCulloch, William Richardson), "Essay on the Causes of the Decline of Foreign Trade" (1744); Sir James Steuart, "An Inquiry into the Principles of Political Economy" (1767). For this period also consult Anderson's "History of Commerce" (1764), Macpherson's "Annals of Commerce" (1803), and Lord Sheffield's "Observations on the Commerce of the American States" (1783).

12 The English Navigation Act of 1651 is usually described as the cause of the decline of Dutch shipping. The taxation necessitated by her wars is rather the cause, as history shows it to us. Sir Josiah Child (1668 and 1690) speaks of a serious depression in English commerce, and says the low rate of interest among the Dutch hurts the English trade. This does not show that the acts greatly aided English shipping. Moreover, Gee, a determined partisan of the mercantile theory, says, in 1730, that the ship-trade was languishing. Sir Matthew Decker (1744) confirms Gee's impressions. It looks very much as if the commercial supremacy of England was acquired by internal causes, and in spite of her navigation acts. The anonymous author of "Britannia Languens" confirms this view.

13 This was, in substance, the whole teaching of one of the leading and most intelligent writers, Sir James Steuart (1767), "Principles of Political Economy." See also Held's "Carey's Socialwissenschaft und das Merkantilssystem" (1866), which places Carey among the mercantilists.

14 Forbonnais, "Récherches sur les finances de la France" (1595-1721); Pierre Clément, "Histoire de Colbert et de son administration" (1874); "Lettres, instructions et mémoires de Colbert" (1861-1870); "Histoire du système protecteur en France" (1854); Martin, "Histoire de France," tome xiii.

15 "Dîme royale" (1707).

16 "Factum de la France" (1707).

17 When Quesnay was sixty-one years old he wrote the article, "Fermiers," in the "Encyclopædia" (of Diderot and D'Alembert) in 1756; article "Grains," in the same, 1757; "Tableau économique," 1758; "Maximes générales du gouvernement économique d'un royaume"; "Problème économique"; "Dialogues sur le commerce et sur les travaux des artisans"; "Droit naturel" (1768). "Collection des principaux économistes," edited by E. Daire (1846), is a collection containing the works of Quesnay, Turgot, and Dupont de Nemours. See also Lavergne, "Les économistes françaises du 18e siècle" (1870); and H. Martin, "Histoire de France." Quesnay's "Tableau économique" was the Koran of the school.

18 From {~GREEK SMALL LETTER CHI~}{~GREEK SMALL LETTER RHO~}{~GREEK SMALL LETTER ALPHA WITH OXIA~}{~GREEK SMALL LETTER TAU~}{~GREEK SMALL LETTER ETA~}{~GREEK SMALL LETTER SIGMA~}{~GREEK SMALL LETTER IOTA~}{~GREEK SMALL LETTER FINAL SIGMA~}{~GREEK SMALL LETTER TAU~}{~GREEK SMALL LETTER ETA WITH PERISPOMENI~}{~GREEK SMALL LETTER FINAL SIGMA~}{~GREEK SMALL LETTER PHI~}{~GREEK SMALL LETTER UPSILON WITH OXIA~}{~GREEK SMALL LETTER SIGMA~}{~GREEK SMALL LETTER EPSILON~}{~GREEK SMALL LETTER OMEGA~}{~GREEK SMALL LETTER FINAL SIGMA~}, as indicating a reverence for natural laws.

19 The words were not invented by Quesnay, but formed the phrase of a merchant, Legendre, in addressing

Colbert; although it was later ascribed, as by Perry, "Political Economy" (p. 46), and Cossa (p. 150), to one of the Economists, Gournay. (See Wolowski, in his Essay prefixed to "Roscher's Political Economy," p. 36, American translation.)

20 The Margrave Karl Friedrich was the author of "Abrégé des principes de l'économie politique" (1775), and applied the physiocratic system of taxation to two of his villages with disastrous results.

21 He published a first work on "Population" (1756); the "Théorie de l'impôt" (1760); and "Philosophie rurale" (1763). In this latter work Mirabeau adopted the "Tableau économique" as the key to the subject, and classed it with the discovery of printing and of money.

22 In 1742 Turgot, when scarcely twenty, appeared as a sound writer on Paper Money in letters to Abbé Cicé. The physiocratic doctrines were presented in a more intelligible form in his greater work, "Réflexions sur la formation et la distribution des richesses" (1766). Three works of Turgot, on mining property, interest of money, and freedom in the corn-trade, bear a high reputation. For works treating of Turgot, see Batbie, "Turgot, philosophe, économiste et administrateur" (1861); Mastier, "Turgot, sa vie et sa doctrine" (1861); Tissot, "Turgot, sa vie, son administration et ses ouvrages" (1862).

23 He was the editor of the works of Quesnay and Turgot, and wrote a "Mémoire de Turgot" (1817). He opposed the issue of assignats during the French Revolution, and, falling into disfavor, he barely escaped the scaffold. Having been a correspondent of Jefferson's, when Napoleon returned from Elba, he came to America, and settled in Delaware, where he died in 1817. The connection between the Economists and the framers of our Constitution is interesting, because it explains some peculiarities introduced into our system of taxation in that document. The only direct taxes recognized by the Supreme Court under our Constitution are the poll and land taxes; and it is in this connection that the constitutionality of the income-tax (a direct tax) is doubted.

24 One of the earliest is that of Roger Coke (1675), in which he argues for free trade, and attacks the navigation acts. Sir Dudley North's "Discourse on Trade" (1691) urges that the whole world, as regards trade, is but one people, and explains that money is only merchandise.

25 Joseph Harris, an official in the London Mint, published a very clear exposition of this subject in his "Essay upon Money and Coins" (1757); but, eighty years before, Rice Vaughan had given a satisfactory statement in his "Treatise of Money."

26 "Contemporary Review," January, 1881, "Richard Cantillon." Adam Smith had quoted Cantillon on his discussion of the wages of labor, b. i, ch. viii, and evidently knew his book.

27 Born in 1723, and died 1790; he was eleven years younger than Hume. A Professor of Logic (1751) and Moral Philosophy (1752) at Glasgow, he published a treatise on ethical philosophy, entitled the "Theory of Moral Sentiments" (1739). Dugald Stewart is the authority as to Smith's life, having received information from a contemporary of Smith's, Professor Miller (see Playfair's edition of Smith's works); for Adam Smith destroyed all his own papers in his last illness. His lectures on political economy at Glasgow outlined the results as they appeared in the "Wealth of Nations"; it was not until 1764 that he resigned his professorship, and spent two years on the Continent (twelve months of this in France). On his return home he immured himself for ten years of quiet study, and published the "Wealth of Nations" in 1776. (See also McCulloch's introduction to his edition of the "Wealth of Nations," and Bagehot's "Economic Studies," iii.)

28 A glance at Sir James Steuart's treatise (1767) with the "Wealth of Nations" shows Adam Smith's great qualities; the former was a series of detached essays, although of wide range, but admittedly without any consistent plan.

29 (a.) He went into a vague discussion upon labor as a measure of value. (b.) A legal rate of interest received his support, and his argument was answered effectually by Bentham ("Defense of Usury"). (c.) While not agreeing with the French school that agriculture is the only industry producing more than it consumes, and so land pays rent, yet he thinks that it produces more in proportion to the labor than other industries; that manufactures came next; and exportation and commerce after them. This error, however, did not modify his more important conclusions. Thorold Rogers and even Chevalier, however, claim that Adam Smith drew his inspiration from the French school. (d.) In the discussion of rent, he failed to follow out his ideas to a legitimate end, and did not get at the true doctrine. While hinting at the right connection between price and rent, he yet believed that rent formed a part of price. Of the fundamental principle in the doctrine of rent, the law of diminishing returns, he had no full knowledge, but came very close to it. He points out that in colonies, when the good soil has all been occupied, profits fall. (e.) In saying that every animal naturally multiplies in proportion to, and is limited by, the means of subsistence, Adam Smith just missed Malthus's law of population. In fact, Cantillon came quite as near it.

Book III in his "Wealth of Nations" is concerned with the policy of Europe in encouraging commerce at the expense of agriculture, and has less interest for us. Book V considers the revenue of the sovereign, and much of it is now obsolete; but his discussion of taxation is still highly important.

30 Among the English Liberals carried away by the French Revolution, and by such theories as those of Condorcet, was William Godwin, the author of "Political Justice" (1793) and the "Inquirer" (1797), who advocated the abolition of government and even marriage, since by the universal practice of the golden rule there would come about a lengthening of life. Malthus tells us that his study was brought forward as an answer to the doctrines of the "Inquirer," and he applied his principles to Condorcet's and Godwin's ideas. It was a period when pauperism demanded attention from all. Malthus favored the repeal of the old poor-laws, as destroying independence of character among the poor.

Malthus also wrote "Principles of Political Economy" (1821) and "Definitions in Political Economy" (1827), but the former did not increase his reputation. He believed in taxing imported corn, and he gave in his adherence to the doctrine of over-production. But, on the other hand, he was one of several writers who, almost at the same time, discovered the true theory of rent. His father was a friend of Godwin, and a correspondent of Rousseau. (See Bagehot, "Economic Studies," p. 135.)

31 See Cairnes, "Logical Method," Lecture VII, for the best modern statement of the question. Also, Roscher, "Principles of Political Economy," b. v, whose extended notes furnish information on facts and as to books. H. Carey, "Social Science" (edition of 1877), iii, pp. 263-312, opposes the doctrine, as also Bowen, "American Political Economy" (1870), ch. viii, and Henry George, "Progress and Poverty" (1880), pp. 81-134.

32 J. Anderson, "An Inquiry into the Nature of the Corn Laws" (1777), "Agricultural Recreations," vol. v, p. 401 (1801); Sir Edward West, "Essay on the Application of Capital to Land" (1815); Rev. T. R. Malthus, "An Inquiry into the Nature and Progress of Rent" (1815). The last two appeared after Anderson's discoveries had been forgotten, but he has the honor of first discovery.

33 Born in 1772 of Jewish parentage, Ricardo died in 1824. A rich banker, who made a fortune on the Stock Exchange, he early in life retired from business. The discussions on the Restriction Act and the corn laws led him to investigate the laws governing the subjects of money and rent. He gained notice first by his "Letters on the High Price of Bullion" (1810). The "Reply to Mr. Bosanquet" (1811), and "Inquiry into Rent" (1815), were followed by his greater work, "Principles of Political Economy and Taxation" (1817). He entered the House of Commons from Portarlington, a pocket borough in Ireland, and was influential in the discussions on resumption. Although he was not on the committee, his views on depreciated paper are practically embodied in the famous "Bullion Report" (1810). Tooke, "History of Prices," says the results of the restriction were not known until the time of Ricardo's contributions. Neither Mill nor Say has had so great an influence as Ricardo has gained, through the pages of his "Political Economy."

34 Johann Heinrich von Thünen, a rich land-owner of Mecklenburg, in his "Der isolirte Staat in Beziehung auf Landwirthschaft und National-Oekonomie" (1826), worked entirely by himself, but reached practically the same law of rent as Ricardo's. In spreading the doctrines of Adam Smith he has influenced later German writers.

35 The first distinct recognition of this important physical law, according to McCulloch (Introduction to "Wealth of Nations," iv), was in a fanciful work of two volumes, entitled "Principes de tout gouvernement," published in 1766: "Quand les cultivateurs, devenus nombreux, auront défriché toutes les bonnes terres; par leur augmentation successive, et par la continuité du défrichement, il se trouvera un point ou il sera plus avantageux à un nouveau colon de prendre à ferme des terres fécondes, que d'en défricher de nouvelles beaucoup moins bonnes" (I, p. 126). The author was, however, unaware of the importance of his discovery.

36 Carey, "Social Science" (I, ch. iv, v), and Bowen, "American Political Economy" (ch. ix), have denied Ricardo's doctrine of rent. The supposed connection between free trade and Ricardo's teachings on rent has prejudiced protectionists against him. Free trade follows from the theory of international trade, and has nothing to do with Ricardo's main doctrines. It is true, Ricardo was a vigorous free-trader. Of opposing views on rent, Carey's argument is the most important.

37 Say drew considerable attention by his theory of "gluts." He based his idea of value wholly on *utility*, which has lately been taken up again by Professor Jevons. Say was answered on this point by Ricardo in a later edition of his "Political Economy." See Cairnes, "Leading Principles," p. 17. As a free-trader and opponent of governmental interference, he went further than his master, Adam Smith. Napoleon did not like this part of Say's teaching, saying that it would destroy an empire of adamant, and tried to induce him to modify his position, but in vain. The second edition was not allowed to be published until 1815.

38 Educated at Bologna, he went to Geneva in 1816, and was called (1833) by the French Government to succeed Say in the Collège de France. In 1845 he was sent as minister to Rome, led the revolutionary movement there, and was assassinated in 1848. His lectures were taken down in short-hand by one of his disciples, Porée, and later published.

39 Malthus, who held that the unproductive consumption of the rich was desirable for the poor, supported Sismondi. The latter was answered by Say and McCulloch ("Edinburgh Review," March, 1821), to which Sismondi replied in his second edition, in 1827, and then withdrew from economic discussion.

40 A native of Riga, educated in Germany, Storch was charged by the Czar Alexander with the duty of instructing his sons, the Grand Dukes Nicholas and Michael, and his treatise is the collection of his lectures. Knowing little of Malthus or Ricardo, he made a near approach to the doctrine of rent. His unsparing denunciation of Russian administrative corruption caused the Government to forbid the publication of the Russian translation.

41 Cossa, "Guide" (p. 173), points out Sartorius, Lüder, Kraus, and Schlözer as teachers of Adam Smith, in Germany, followed later by G. Hufeland, J. F. E. Lotz, and L. H. von Jakob; Count Hogendorp and Gogel, in Holland; Count Szecheny, in Hungary, and (pp. 211-213) Cagnazzi, Bosellini, Ressi, Sanfilippo, and Scuderi (the last two protectionists), in Italy. Fuoco (1825-1827), in Italy, first saw the value of Ricardo's theory of rent, while Gioja opposed Adam Smith and Say. But K. H. Rau (died 1870), in his "Lehrbuch der politischen Oekonomie" (1826, fifth edition 1864), had the most extensive influence in Germany in expounding Adam Smith's system, with proper improvements. Another important writer of this school was F. B. W. von Hermann, "Staatswirthschaftliche Untersuchungen" (1832).

42 From 1810 to 1840, political economy was a favorite study in England, and many writers deserve mention. There were Huskisson, a great financier; Thomas Tooke (1773-1858), who began his matchless "History of Prices" (1823); Lord Overstone (Samuel Jones Loyd), "Tracts and other Publications on Metallic and Paper

Currency" (1858); Robert Torrens (1784-1864), "Essay on the Production of Wealth" (1821); Archbishop Whately, "Introductory Lectures" (1831), and "Easy Lessons on Money Matters"; Cobden and Sir Robert Peel; N. W. Senior (1790-1864), Professor of Political Economy at Oxford, article on "Political Economy" (1836) in the "Encyclopædia Metropolitana," and "Lectures on the Cost of obtaining Money" (1830). Senior showed great ability in analyzing cost of production, and stands far above McCulloch in real ability. J. R. McCulloch (1789-1864), who preceded Mill, wrote a good but dry textbook, "Principles of Political Economy" (1825), "A Treatise on the Principles, Practice, and History of Commerce" (1833), an excellent "Dictionary of Commerce" (last enlarged edition, 1882), "Literature of Political Economy" (1845). He edited Ricardo's works, with a biography, published a "Select Collection of Scarce and Valuable Tracts on Money" (1856), "A Treatise on the Principles and Practical Influence of Taxation and the Funding System" (1845). He contributed nothing practically new to the study. Miss Harriet Martineau (1802-1876) gave some admirable although somewhat extended stories in illustration of the various principles of political economy, entitled "Illustrations of Political Economy" (1859). This period in England was signalized by the abolition of the Corn Laws (1846), and the Navigation Laws (1849), the passage of the Bank Act (which separated the issue from the banking department, 1844), and the general abandonment of protective duties. Cf. Noble, "Fiscal Legislation, 1842-1865" (1867).

43 Born in 1806, he died in 1873. For his extraordinary education see his "Autobiography." When thirteen years old, he began the study of political economy through lectures from his father while walking; he then (1819) read Ricardo and Adam Smith, and at fourteen he journeyed to France, where he lived for a time with J. B. Say. He entered the East India Office at seventeen, was occupied finally in conducting the correspondence for the directors, where he remained until 1858. When about twenty, Mill met twice a week in Threadneedle Street, from 8.30 to 10 A.M., with a political economy club, composed of Grote, Roebuck, Ellis, Graham, and Prescott, where they discussed James Mill's and Ricardo's books, and also Bailey's "Dissertations on Value." In these discussions, chiefly with Graham, Mill elaborated his theory of international values. In 1865 he entered Parliament for Westminster, and for three years had a singular, characteristic, independent, but unimportant career. His adherence to two radical reforms, woman suffrage and changes in the tenure of land, lost him any considerable influence.

44 He (1773-1836) wrote the "History of India" (1817-1819), and "Elements of Political Economy" (1821). He was intimate with Ricardo, Bentham, Austin, and Zachary Macaulay.

45 In his "infant industries" argument, and his statement on navigation laws (B. v, ch. x, §1), he conceded a great deal of free-trade ground; but in a private letter, 1866 (see New York "Nation," May 29, 1873), he denied that he intended the "infant industries" argument to apply to the United States. He did not consider New England and Pennsylvania any longer as young countries within the limits of his meaning. See also Taussig's "Protection to Young Industries" (1883).

46 W. T. Thornton (1813-1880), in a volume "On Labor: its Wrongful Claims and Rightful Dues" (1869), attacked Mill's position on demand and supply, and on wages, so that Mill in consequence abandoned his doctrine of wages, in the "Fortnightly Review," May 1, 1869. Mr. Cairnes, however, rescued the Wages-Fund theory from Mr. Mill in his "Leading Principles" (1874). Thornton also wrote "Over-Population, and its Remedy" (1846), and an excellent book, "Plea for Peasant Proprietorship" (1848). See also "Nineteenth Century," August, 1879, for an answer by Thornton to Mr. Cairnes on the wages question.

47 James Eliot Cairnes was born at Drogheda, 1824; was educated at Trinity College, Dublin, and made Whately Professor there in 1856. Having been Professor of Political Economy in Queen's College, Galway, he left Ireland in 1866 to accept the chair of Political Economy in University College, London. In that year, through an attack of inflammatory rheumatism, he fell under the power of a painful and growing malady which rendered him physically helpless, and portended certain death in the near future. The three years before his death, while working only in hopeless pain, was the period of his greatest literary activity. He collected his "Essays in Political Economy, Theoretical and Applied" (1873), in which he traced with great ability the

effect of the gold-discoveries; brought out his "Leading Principles" (1874), and an enlarged edition of his "Logical Method" (second edition, 1875). The first edition of this last book was the result of lectures delivered in Dublin about 1858. In his earlier years the interest he felt in the United States led him into a very vigorous and masterly study of "The Slave Power; its Character, Career, and Probable Dangers" (1862); "The Revolution in America" (1862). He then wrote "Colonization and Colonial Government" (1864), and "Negro Suffrage" (1866). He finally succumbed to his fatal disease, and passed away prematurely, July 8, 1875. A short sketch of his personal character was written by Professor Fawcett, in the "Fortnightly Review," August 1, 1875, p. 149.

48 Professor Jevons (1835-1882) was educated at University College, London, and spent the years from 1854 to 1859 in the Australian Royal Mint, where he became interested in the gold question. He wrote a study on "A Serious Fall in the Value of Gold ascertained" (1863), which attracted great attention. A fine metaphysician and mathematician, he did not give his whole time to economic work. In 1866 he became Professor of Logic and Cobden Lecturer on Political Economy in Owens College, Manchester, but later became Professor of Political Economy in University College, London. In 1881 he gave up academic teaching, to devote himself to literature. He investigated the permanence of the English coal-supply in "The Coal Question" (second edition, 1866). "The Theory of Political Economy" (1871) contains his application of the mathematical method, and a bibliography of similar attempts. "The Railways and the State" are to be found in his "Essays and Addresses" (1874). He prepared an elementary book, "Primer of Political Economy" (second edition, 1878). He was a contributor to the journals, and especially to the "London Statistical Journal." His last books were "The State in Relation to Labor" (1882), which deals with the question of state interference; and "Methods of Social Reform" (1883), containing a paper on industrial partnerships. He also advanced the theory that the presence of sun-spots affected agriculture unfavorably, and that, coming somewhat regularly, they produced a constant succession of commercial crises. (See "Nature," xix, 33, 588.) At the early age of forty-seven he was unfortunately drowned while bathing near Bexhill, England (1882).

49 Like Cairnes, Thomas Edward Cliffe Leslie was a native of Ireland, and educated at Trinity College, Dublin. He was called to the bar, but gave up the law when offered the professorship of Political Economy in Queen's College, Belfast. Besides his discussion of land tenures, he published "Political and Moral Philosophy" (1874). He long suffered from bad health, and died January 28, 1882. His volume of "Land Systems" is now (1884) out of print, and scarce. He had also devoted himself to financial reform.

50 See p. 33.

51 Born 1826, died 1877. He was early made familiar with banking in connection with the Stuckey Banking Company, in Somersetshire; was educated at University College, London. In 1858 he married the daughter of James Wilson, the editor of the London "Economist," whom he succeeded. He was a political student of a rare kind, as is shown by his "English Constitution" (second edition, 1872), "Physics and Politics" (1872), "Literary Studies" (second edition, 1879). He also wrote "Depreciation of Silver" (1877).

52 Established in 1848, and unquestionably the most useful economic publication for English questions.

53 Born 1833. His eye-sight was lost by an accidental shot in 1858, but he was chosen Professor of Political Economy at Cambridge in 1863. His "Manual" and the "Economic Position of the British Laborer" (1865) gave him reputation, in 1865 he entered Parliament, and since 1880 he has been Postmaster-General in Mr. Gladstone's administration. He has published "Pauperism, its Causes and Remedies" (1871), "Speeches" (1878), "Free Trade and Protection" (1878). His wife (born 1847), Millicent Garret Fawcett, reduced his "Manual" into "Political Economy for Beginners" (1869), and also wrote "Tales in Political Economy" (1874). Died November 13, 1884.

54 He has also published "Social Economy" (1872); a small "Manual of Political Economy" (third edition, 1878); and a very considerable work, "Six Centuries of Work and Wages: the History of English Labor,"

1250-1883 (1884). He has edited Adam Smith's "Wealth of Nations," and written "Cobden and Modern Political Opinion" (1873), and "The Colonial Question," in the Cobden Club Essays (1872).

55 Of other books, mention should be made of G. J. Goschen's most admirable "Theory of Foreign Exchanges" (eighth edition, 1875); "Reports and Speeches on Local Taxation" (1872); T. Brassey's "Work and Wages" (third edition, 1883); E. Seyd, "Bullion and the Foreign Exchanges" (1868); H. D. McLeod, an eccentric writer, "Dictionary of Political Economy" (only one vol., A-C, 1863, published); and "Theory and Practice of Banking" (second edition, 1875-1876); H. Sidgwick, "Principles of Political Economy" (1883); J. Caird, "Landed Interest" (fourth edition, 1880); L. Levi, "History of British Commerce" (1872).

56 Frédéric Bastiat (1801-1850) began life in a commercial house at Bayonne, but gained notice first by an article, "De l'influence des tarifs français et anglais sur l'avenir des deux peuples," in the "Journal des Économistes" of 1844, and consequently had a very short period of literary activity. The corn-law agitation in England and the revolutionary movement of 1848 led him to write chiefly against protection and socialism. He translated Cobden's speeches, "Cobden et la Ligue" (1845). His arguments against protection, "Sophismes économiques" (1846-1847), have been translated and published in this country; but the more extended exposition of his doctrine of value diminishing with the growth of civilization, and the harmony of all interests is in the "Harmonies économiques" (1850). In this his position is not much different from Carey's. His other books were "Capital et rente" (1849), directed against gratuitous loans; "Protectionisme et communisme" (1849), showing protection to be communism for the rich; "Propriété et loi" (1848), directed against socialism; and "Essais sur l'économie politique" (1853); "Le Libre-échange" (1855). "OEuvres complètes," 7 tom. (1855-1864).

57 Carey, however, claimed, with probable truth, that Bastiat borrowed the idea from him, and Bastiat did not appear well in the controversy. Almost no one has followed the French writer in his theory except Professor A. L. Perry, of Williams College, Massachusetts, who has shaped his general argument according to this view of value. Also see Cairnes, "Essays in Political Economy," p. 312.

58 Chevalier (1806-1879) first drew attention in an experiment of Saint-Simonism in 1830-1833. After traveling in the United States, and writing excellent books on the country and its railways, he became professor in the Collège de France, where his lectures were collected in a "Cours d'économie politique" (1842-1850; second edition, 1855-1866). His third volume, "La Monnaie," is a standard treatise on money, with an extensive bibliography. His treatise "Examen du système commerciale connu sous le nom de système protecteur" (1851) is now somewhat out of date. In his book "De la Baisse, probable de l'or" (1859), translated by Richard Cobden, he held that, unless prevented, gold would drive out the French currency, as against Faucher, who thought the fall temporary, and would progressively diminish. Other books are, "De l'industrie manufacturière en France," and "La liberté du travail" (1848).

59 Émile Levasseur (born 1828) was professor at Alençon, 1852-1854, and elected a member of the Academy of Sciences in 1868. He has published "Récherches historiques sur le système de Law" (1854); "La question de l'or" (1858); "Histoire des classes ouvrières en France depuis la conquête de Jules César jusqu'à la révolution" (1859); the same history continued, "Depuis 1789 jusqu'à nos jours" (1867); "La France industrielle" (1865); "Cours d'économie rurale, la France et ses colonies" (1868); "Précis d'économie politique" (fourth edition, 1883).

60 Born in Berlin in 1816, but since 1821 living in France. He was long connected with the Bureau de Statistique Générale, and the Ministry of Agriculture and Commerce, but in 1861 he left office and gave himself wholly to private work. In this year he received the Montyon prize for statistics, not given since 1857. His chief books are: "Des charges de l'agriculture dans les divers pays de l'Europe" (1850), a work crowned by the Institute; "Statistique de la France, comparée avec les divers états de l'Europe" (1860); "Le dictionnaire de l'administration française" (second edition, 1878); "Les finances de la France depuis 1815" (1863); "Les théoriciens du socialisme en Allemagne" (1872); and in connection with M. Guillaumin, "L'annuaire de

l'économie politique," since 1856.

61 Jérôme-Adolphe Blanqui *ainé* (1798-1854) in 1833 succeeded to the chair of J. B. Say in the Conservatoire des Arts et Métiers, and was one of the founders of the "Journal des économistes." Besides his "Histoire de l'économie politique en l'Europe" (1837-1852), he published a "Résumé de l'histoire du commerce et de l'industrie" (1826); "Précis élémentaire d'économie politique" (1826); "Rapports, histoire de l'exposition des produits de l'industrie française en 1827" (1827); "Cours d'économie politique" (2 vols., 1837-1838), and notices of Huskisson and J. B. Say.

62 Louis Wolowski (1810-1876), of Polish origin, was Chevalier's chief antagonist, and Professor of Legislation at the Conservatoire des Arts et Métiers (1839); founded the first Crédit Foncier of Paris, and was elected to the Institute in the place of Blanqui. In 1875 he was chosen senator. He was a fertile writer: "Mobilisation du Crédit Foncier" (1839); "De l'organisation du travail" (1846); "Études de l'économie politique et de statistique" (1848); "Henri IV, économiste, introduction de l'industrie de la soie en France" (1855); "Introduction de l'économie politique en Italie" (1859); "Les finances de la Russie" (1864); "La question des banques" (1864); his testimony in the "Enquête sur les principes et les faits généraux qui régissent la circulation monétaire et fiduciaire" (1866); "La banque d'Angleterre et les banques d'Écosse" (1867); "La liberté commerciale et les résultats du traité de commerce de 1860" (1868); "L'or et l'argent" (1870); "La change et la circulation"; and a translation of Roscher.

63 Hippolyte-Philibert Passy (1793-1880) was educated for the army, and served at Waterloo. He was more prominent as a statesman than as an economist. In 1838 he entered the Academy in the place of Talleyrand, but politics left him unoccupied, and he wrote "Des systèmes de culture et de leur influence sur l'économie sociale" (1846), and "Des causes de l'inégalité des richesses" (1849).

64 M. Léonce de Lavergne (1809-1880) came from Toulouse to Paris in 1840, elected deputy in 1846, a member of the Institute in 1855, and became professor in the Institut agronomique of Versailles. He was also the author of "L'économie rurale de l'Angleterre, de l'Écosse, et de l'Irlande" (1854), translated into English (1855); "L'agriculture et la population" (1857), a striking confirmation of Malthusianism; "Les économistes françaises du dix-huitième siècle" (1870). He also has contributed largely to the "Revue des Deux Mondes" and the "Journal des Économistes." For a personal sketch by Cliffe Leslie, see "Fortnightly Review," February, 1881.

65 Born at Geneva, 1797, and died at Zurich, 1869. After studying law, he became an advocate, and in 1833 Professor of Law in the place of Rossi. In 1837 he was made Professor of Political Economy and Public Law at Geneva. He was also a member of the Swiss Grand Council. Besides his treatise, he wrote: "Richesse ou pauvreté" (1840); "Le socialisme, c'est la barbarie" (1848); "Études sur les causes de la misère" (1853); and aided in the "Dictionnaire de l'économie politique."

66 J. G. Courcelle-Seneuil (born 1813) left a commercial career to become a writer, first for the journals, and later for the "Dictionnaire politique" (edited by Pagnerre). In 1848 he was connected with the Ministry of Finance, and called to a professorship of Political Economy in Santiago, Chili, 1853-1863. His chief work is a "Traité théorique et pratique d'économie politique" (1858), but he has also published "La crédit de banque" (1840), reforms for the bank of France; "Traité des opérations de banque" (1852; sixth edition, 1876); "Traité des entreprises industrielles, commerciales, et agricoles" (1854); "Études sur la science sociale" (1862); "Leçons élémentaires d'économie politique" (1864); "La banque libre" (1867); "Liberté et socialisme" (1868); and articles in the "Dictionnaire de l'économie politique."

67 Died 1862; author of "De la liberté du travail" (1845).

68 Professor of Political Economy at the Collège de France, author of an extended and able "Traité de la science des finances" (third edition, 1883). He has also published "De l'état moral et intellectuel des

populations ouvrières et de son influence sur le taux des salaires" (1868); "Récherches économiques, historiques, et statistiques sur les guerres contemporaines" (1869); "La question ouvrière au XIX siècle" (second edition, 1882); "L'administration locale en France et en Angleterre" (1872); "Le travail des femmes au XIX siècle" (1873); "Essai sur la répartition des richesses" (1880; second edition, 1883); and "De la colonisation chez les peuples modernes" (1882).

69 He published two volumes on Socialism (see list of books p. 44). In several volumes on the "Régime des manufactures" he described the condition of the silk, woolen, cotton, and iron industries.

70 The most vigorous advocate of monometallism in France. He also wrote well on taxation, "Traité des impôts" (4 vols., 1866-1867).

71 His "Rapport sur l'indemnité du guerre" to the Corps Législatif gives the account of the most marvelous exchange operation of modern times, arising from the payment of the indemnity by France to Germany (1871-1873).

72 An advocate of the mathematical method.

73 Founded in 1863, published at Berlin, and edited by Dr. Eduard Wiss.

74 Long Secretary to the Chamber of Commerce at Hamburg, and now honorary professor at Göttingen.

75 Professor of Political Economy at Zürich in 1866, since 1875 director of statistics at Dresden, and editor of "Der Arbeiterfreund." He made a valuable study of industrial partnerships, "Die Gewinnbeteiligung" (second edition 1878). He also wrote "Freiheit der Arbeit" (1858), and "Beiträge zur geschichte des Zunftwesens" (1861).

76 His most important work is "Das Armenwesen und die Armengesetzgebung in Europäischen Staaten" (1870). Selected essays from this have been translated into English by E. B. Eastwick, "Poor Relief in Different Parts of Europe" (1873).

77 Max Wirth is at Vienna, and has devoted himself to a "Geschichte der Handelskrisen" (1874), including the crisis of 1873. Baron von Hock has written a history of the finances of France, and of the United States--"Die Finanzen und die Finanzgeschichte der vereinigten Staaten von Amerika" (1867).

78 This book has been translated into English by G. A. Matile, with notes by Stephen Colwell (1856).

79 Mohl on administration, and Rau and A. Wagner on finance, also deserve mention. Stein, besides other works, is the author of a handbook, "Die Verwaltungslehre" (1870).

80 "Fortnightly Review" (1876).

81 In Ely's "The Past and Present of Political Economy" (p. 9) it is clear the new school do not differ so much in reality as in seeming from the methods of the English writers, like Cairnes.

82 The first division of Roscher's (born 1817) treatise, also known under the title of "Grundlagen der Nationalökonomie," has been translated here by J. J. Lalor, in two volumes, "Principles of Political Economy" (1878), with an essay by Wolowski on the historical method inserted. In 1840 he was made *Privat-Dozent* at Göttingen, and professor extraordinary in 1843. In 1844 he was called to a chair at Erlangen, but since 1848 he has remained at Leipsic. A list of Roscher's works is as follows:

"Grundriss zu Vorlesungen über die Staatswirthschaft nach geschichtlicher Methode" (1843); "Kornhandel

und Theuerungspolitik" (third edition, 1852); "Untersuchungen über das Colonialwesen"; "Verhältniss der Nationalökonomie zum klassischen Alterthume" (1849); "Geschichte der englischen Volkswirtschaftslehre im 16. und 17. Jahrhunderts"; "Ein nationalökonom. Princep der Forstwirtschaft"; "Ansichten der Volkswirtschaft aus dem geschichtlichen Standpunkte" (second edition, 1861); "Die deutsche Nationalökonomie an der Grenzscheide des 16. und 17. Jahrhunderts" (1862); "Gründungsgeschichte des Zollvereins" (1870); "Betrachtungen über die Währungsfrage der deutschen Münzreform" (1872); "Geschichte der Nationalökonomie in Deutschland" (1874); "Nationalökonomie des Ackerbaues" (eighth edition, 1875). His histories of political economy in England and Germany are particularly valuable (see review by Cliffe Leslie, "Fortnightly Review," July, 1875). But he does not rightly estimate the English writers when he takes McLeod as a type; and Carey is the only American to whom he refers.

83 Professor at Marburg, then at the University of Friedburg, in Breisgau, and now at Heidelberg. He has also studied railways (1853), and telegraphs (1857), and money and credit, "Geld und Credit" (1873-1879).

84 Died 1878. He devoted himself mainly to criticism of other systems, and seems to be the least able of the three.

85 "Catheder-Socialisten," or "Professional Socialists."

86 By far the ablest is Adolph Wagner, of Berlin, editor of Rau's "Lehrbuch der politischen Oekonomie" (1872). He also published "Die russische Papierwährung" (1868); "Staatspapiergeld, Reichs-Kassen Scheine, und Banknoten" (1874); "Unsere Münzreform" (1877); "Finanzwissenschaft" (1877); and "Die Communalsteuerfrage" (1878).

Dr. Eduard Engel was formerly the head of the Prussian Bureau of Statistics. Professor Gustav Schönberg, of Tübingen, with the assistance of twenty-one other economists, produced a large "Handbuch der politischen Oekonomie" (1882). The school have expressed their peculiar doctrines in the "Zeitschrift für die gesammte Staatswissenschaft" (quarterly, founded 1844, Tübingen), and the "Jahrbücher für Nationalökonomie" (established at Jena, 1863). Also, see A. Wagner's "Rede über die sociale Frage" (1872), H. v. Scheel's "Die Theorie der socialen Frage" (1871), and G. Schmoller's "Ueber einige Grundfrage des Rechts und der Volkswirtschaft" (1875). A. E. F. Schäffle, once Minister of Commerce at Vienna, gained considerable reputation by "Das gesellschaftliche System der menschlichen Wirthschaft" (third edition, 1873).

87 Émile de Laveleye (born 1822) studied law at Ghent, but since 1848 has given himself up to political economy and public questions. Through the pages of the "Revue des Deux Mondes" he gained attention in 1863, and the next year was made Professor of Political Economy at the University of Liège. In 1869 he received an election as corresponding member of the Academy of Sciences. While a fertile writer on political subjects, he has produced "La question d'or" (1860); "Essai sur l'économie rurale de la Belgique" (1863); a study on "Suisse," see "Revue des Deux Mondes," April 15, 1863; "Études d'économie rurale, la Neerlande" (1864); "La marché monétaire depuis cinquante ans" (1865); "Land Systems of Belgium and Holland," in the Cobden Club volume on "Land Tenures" (1870); "Bi-metallic Money," translated by G. Walker (1877); "La socialisme contemporaine" (1881); "Éléments d'économie politique" (1882), which satisfies a certain modern demand for "ethical political economy."

88 Leslie found support in a well-known paper read before the Association for the Advancement of Science (see "London Statistical Journal," December, 1878; also see "Penn Monthly," 1879), by J. K. Ingram, who claimed that the old school isolated the study of economic from other social phenomena, and that Ricardo's system was not only too abstract, but that its conclusions were of so absolute a character that they were little adapted for real use. Robert Lowe (Lord Sherbrooke) replied to Leslie and Ingram ("Nineteenth Century," November, 1878). For most of this literature it will be necessary to consult the magazines. Cliffe Leslie, "Fortnightly Review" (November, 1870), placed Adam Smith among the inductive economists; D. Syme attacked the old methods, "Westminster Review," vol. xcvi (1871); Cairnes represented the old school, and

discussed the new theories, "Political Economy and Comte," in the "Fortnightly Review," vol. xiii, p. 579 (1870), "Political Economy and Laissez Faire," vol. xvi, p. 80 (1871), and in 1872; see also his admirable "Logical Method"; F. Harrison discussed the limits of political economy, *ibid.* (1865), and answered Cairnes in an article on "Cairnes on Political Economy and M. Comte," "Fortnightly Review," vol. xiv, p. 39 (1870). W. Newmarch gave attention to Ingram's paper, "Statistical Journal" (1871). Leslie, "Fortnightly Review" (1875), and G. Cohn, *ibid.* (1873), wrote on political economy in Germany. Leslie also contributed an article on "Political Economy and Sociology," "Fortnightly Review," vol. xxxi, p. 25 (1879), and the "Bicentenary of Political Economy," in the "Bankers' Magazine," vol. xxxii, p. 29. Leslie examined the philosophical method, "Penn Monthly" (1877); Jevons saw the only hope for the future in the mathematical method, "Fortnightly Review" (1876); McLeod asks, "What is political economy?" in the "Contemporary Review" (1875); Maurice Block entered the discussion, "Penn Monthly" (1877), and "Bankers' Magazine," March and November, 1878. Henry Sidgwick answers Leslie in a paper on "Economic Method," in the "Fortnightly Review," vol. xxxi (1879), p. 301. See also essay by Wolowski prefixed to Roscher's "Political Economy" (English translation); Roscher's own statement in Chapters II and III of the Introduction to his "Political Economy," and Laveleye's "New Tendencies of Political Economy" (1879). See also "Penn Monthly," vol. vii, p. 190, and "Bankers' Magazine," vol. xxxiii, pp. 601, 698, 761; vol. xxxvi, pp. 349, 422; S. Newcomb for an admirable essay "On the Method and Province of Political Economy," "North American Review" (1875), vol. cxxi, p. 241, in which the "Orthodox" method is strongly supported; and an extreme position in favor of the historical method in a pamphlet, "The Past and Present of Political Economy," by R. T. Ely (1884).

89 Daniel Raymond, "The Elements of Political Economy" (1820). Thomas Cooper, "Lectures on the Elements of Political Economy" (1826); "A Manual of Political Economy" (1834). Willard Phillips, "A Manual of Political Economy" (1828); "Propositions concerning Protection and Free Trade" (1860). President Francis Wayland (1796-1865), "The Elements of Political Economy" (1837). Henry Vethake, "Principles of Political Economy" (1838). From 1840 to the civil war there appeared F. Bowen's "Principles of Political Economy" (1856), since changed to "American Political Economy" (1873), which opposed the Malthusian doctrine and defended protection; John Bascom's "Political Economy" (1859); and Stephen Colwell's "Ways and Means of Payment" (1859). After the war, "Science of Wealth" (1866), by Amasa Walker, a lecturer in Amherst College, and father of F. A. Walker.

90 Prof. C. F. Dunbar, "North American Review," January, 1876, in an admirable review of economic science in America during the last century (1776-1876).

91 See *supra*, p. 16.

92 Carey (1793-1879) was the son of an Irish exile, and began a business career at the age of twelve. At twenty-eight he was the leading partner in the publishing firm of Carey & Lea, Philadelphia, from which he retired in 1835, to devote himself wholly to political economy. His leading works have been translated into French, Italian, Portuguese, German, Swedish, Russian, Magyar, and Japanese. He has written thirteen octavo volumes, three thousand pages in pamphlet form, and twice that amount for the newspaper press. See "Proceedings of the American Academy of Science" (1881-1882, p. 417), and W. Elder's "Memoir of Henry C. Carey" (January 5, 1880). The latter gives a list of his books.

93 Bastiat's "Harmonies économiques" appeared in 1850, and the question of his indebtedness to Carey was discussed, rather unfavorably to Bastiat, in a series of letters in the "Journal des économistes" for 1851.

94 See an able study, by Adolphe Held, "Carey's Socialwissenschaft und das Merkantilssystem" (1866).

95 His system appears also in the books of disciples: E. Peshine Smith, "A Manual of Political Economy" (1853), William Elder's "Questions of the Day" (1871), and of Robert E. Thompson's "Social Science and National Economy" (1875). A condensation of Carey's "Social Science" has been made by Kate McKean, in one volume, octavo.

96 The son of Amasa Walker, and formerly Professor of Political Economy and History in the Sheffield Scientific School of Yale College, he has become well known for his statistical work in connection with the United States census. His "Statistical Atlas of the United States" (1874) is unequalled. He has also published "Money" (1878); "Money, Trade, and Industry" (1879); "Political Economy" (1883); and "Land and Rent" (1884). The last book replies to various attacks on Ricardo's doctrine of rent, and particularly to Henry George's "Progress and Poverty." General Walker in 1883 became President of the Massachusetts Institute of Technology in Boston. He is also well known as an advocate of bimetallism.

97 Professor of Political and Social Science in Yale College, and author of a "History of American Currency" (1874); "Lectures on the History of Protection in the United States" (1877); "What Social Classes owe to Each Other" (1883). He is a monometallist, and has devoted himself vigorously to the advocacy of free trade. His last book is a study in sociology, not in political economy.

98 He has written "Political Economy" (eighteenth edition, 1883), and also "Introduction to Political Economy," an elementary work on the same basis as the former.

99 Henry George was born in Philadelphia, 1839, ran away to sea, and in 1857 entered a printing-office in San Francisco. In 1871 he was one of the founders of the "San Francisco Post," which he gave up in 1875, and received a public office. He first began to agitate his views in a pamphlet entitled "Our Land and Land Policy" (1871), but not until the comparative leisure of his occupation (1875) gave him opportunity did he seriously begin the study which resulted in his "Progress and Poverty." This volume was begun in the summer of 1877, and finished in the spring of 1879. The sale of the book, it is needless to say, has been phenomenal. He has also applied his doctrine of land to Ireland, in a pamphlet entitled "The Irish Land Question" (1882). His last book is a collection of essays entitled "Social Problems" (1884). His home is now in New York.

100 Cf. p. 4, *supra*.

101 Bowen, "American Political Economy," p. 25.

102 This is the beginning of Chapter II in the original treatise.

103 This is his "sacrifice," which corresponds to the exertion of the laborer.

104 See Roscher's note 1, section 42, for various definitions of capital.

105 General Walker ("Political Economy," Part II, Chap. iv) adopts the same position, although seemingly inconsistent with his doctrine on the rate of wages. The "rate of wages" is, however, a different thing from the source of a laborer's subsistence. See Book II,

Chapter II

, § 2.

106 The opinion mentioned above in the text is that of the believers in over-production, of whom the most distinguished are Mr. Malthus, Dr. Chalmers, and Sismondi.

107 Page 371, English translation, N. Y. (1871).

108 Edward Atkinson, "Labor and Capital, Allies not Enemies," p. 60.

109 Cf. Bowen, "American Political Economy," p. 399.

110 The functions of money are discussed later in the volume, and it is not proposed to unfold them here.

111 See, for the argument that machinery necessarily injures labor, "Land and Labor," William Godwin Moody (1883); and for the answer, "North American Review," May, 1884, p. 510.

112 Edward Atkinson, "Labor and Capital, Allies not Enemies," p. 33.

113 See book iv, chap. iv.

114 See Mr. Babbage's "Economy of Machinery and Manufactures."

115 Book i, chap. iv, § 6.

116 Constant use of the same muscles, as by gold-beaters or writers, very often produces paralysis.

117 Hearn's "Plutology," p. 279.

118 Cairnes, "Leading Principles," pp. 299, 300.

119 "American Political Economy," p. 134. See also an article, "Malthusianism, Darwinism, and Pessimism," "North American Review," November, 1879.

120 See Cairnes, "Logical Method," pp. 170-177.

121 See also Walker's "Wages Question," chap. vi, and Roscher, "Political Economy," book v, chaps. i, ii, iii.

122 See Galton's "Hereditary Genius," p. 131-135.

123 See also Edward Jarvis, "Atlantic Monthly," 1872, and F. A. Walker, "Social Science Journal," vol. v, 1873, p. 71. For other literature, see "Sketch of the History of Political Economy," p. 16.

124 This is the "preventive check" of Mr. Malthus, while the limitation through war, starvation, etc., is the "positive check."

125 This is fully confirmed by the inaugural address of Mr. Giffen as President of the London Statistical Society, November 20, 1883, *infra*, book iv, chap. v, § 1. (See the London "Statistical Journal," 1883.)

126 See Lavergne's "Agriculture et Population," pp. 305-316.

127 For tables of relative births and deaths, see "Statesman's Year-Book," p. 253.

128 This and the subsequent quotations are taken by Mr. Mill from Rae's "New Principles of Political Economy."

129 "International Review," article "Colonization," 1881, p. 88. See H. V. Redfield, "Homicide North and South," 1880.

130 "Letters from America," by John Robert Godley, vol. i. p. 42. See also Lyell's "Travels in America," vol. ii, p. 83.--Mill.

131 Cf. "American Agriculture," "Princeton Review," May, 1882, by F. A. Walker.

132 "Social Science," vol. iii, p. 19.

133 "Notes on North America," 1851, vol. ii, pp. 116, 117.

134 See also Cairnes, "Logical Method," p. 35.

135 I am indebted to Mr. Atkinson for advanced proofs of the annexed charts. See his paper in the "Journal of the American Agricultural Association," vol. i, Nos. 3 and 4, p. 154, and a later discussion in the supplement of the Boston "Manufacturers' Gazette," August 9, 1884, entitled "The Railway, the Farmer, and the Public." His figures are drawn mainly from Poor's "Railway Manual."

136 Cf. Book IV, Chap. I.

137 "Economy of Manufactures," pp. 163, 164.

138 Cf. Book IV, Chap. I, § 4.

139 "The Coal Question" (1866).

140 Henry George, as well as the Socialists, thinks poverty arises from the injustice of society, and here takes issue with the present teaching. But the question can be better discussed under Distribution.

141 Henry Gannet, "International Review," 1882, p. 503.

142 Volume on Population, p. 481.

143 Estimated.

144 See article "Colonization," "International Review," 1881, p. 88.

145 See F. A. Walker's "Statistical Atlas."

146 For a further discussion of the difference between the motive powers under private property and under Communism, see Mr. Mill's posthumous "Chapters on Socialism," "Fortnightly Review," 1879 (vol. xxxi).

147 For an exposition of the varying forms of modern state socialism, and that form of it which advocates the nationalization of land (in H. George's "Progress and Poverty," and Alfred Russel Wallace's "Land Nationalization, its Necessity and its Aims") see a chapter in Henry Fawcett's last (sixth) edition of his "Manual" (1884). For a general and valuable treatise on Socialism, but one which does not describe schemes

much later than Owen's, see Louis Reybaud's "Études sur les réformateurs, ou socialistes modernes" (seventh edition, 1864). An excellent bibliography is given, vol. ii, pp. 453-470.

148 Pierre Joseph Proudhon (born 1809) made a well-known attack on private property in his "Qu'est-ce que la Propriété," "What is Property?" (1840). His answer was, "It is robbery." See also Ely, "French and German Socialism" (1883), p. 140.

149 Louis Blanc (born 1813, died 1882). His chief book, the "Organization of Labor," appeared in 1840, in the columns of the "Revue du Progrès."

150 Karl Marx (born 1818, died 1883) published "The Criticism of Political Economy" (1859); and an extension of the same book under the new title of "Capital" (1867), of which only the first volume has appeared, on "The Process of the Production of Capital." This was again enlarged in 1872 to 822 pages. A large part of the work is filled with extracts from parliamentary reports on the condition of English workmen. Before the Revolution of 1848 he edited a communistic journal, and was obliged to leave the country afterward, by which he was led to London. He was an able writer on history and politics. Marx was assisted by Friedrich Engels, who wrote "The Condition of the Working Classes in England" (1845). See Ely, *ibid.*, chap. x.

151 Born 1825, the son of a rich Jewish merchant. In philosophy and jurisprudence he won the praise of Humboldt and Boeckh. But vanity and wild ambition checked the success due to great abilities and energy of character. He was finally shot in a duel in 1864. He appears as the antagonist of Schultze (of Delitzsch), advocating state-help against the self-help of the originator of the People's Banks.

152 For an account of this society see Theodore D. Woolsey's "Communism and Socialism" (1880); "Nineteenth Century," July, 1878; and Ely, *ibid.*, chap. xi.

153 See New York "Nation," Nos. 684, 686.

154 From his posthumous "Chapters on Socialism," "Fortnightly Review," 1879, p. 513 (vol. xxxi), and written in 1869.

155 The Count de Saint-Simon served in our Revolutionary War in the French army, while very young, and ended a life of misfortune and poverty in 1825, a month after the publication of his "Nouveau Christianisme" (Woolsey's "Communism and Socialism," p. 107). For a fuller account, see R. T. Ely's "French and German Socialism," p. 53; A. J. Booth's "Saint-Simon and Saint-Simonism" (London, 1871); and Reybaud, *ibid.*

156 This experiment when put on trial in France first brought up the question of the legal justice of giving an absolute right to inherited property, and numbered among its disciples the economists, Michel Chevalier and Adolphe Blanqui, and the philosopher, Auguste Comte.

157 Fourier was born at Besançon in 1772. He wrote the "Theory of the Four Movements" (1808); "A Treatise on Domestic and Agricultural Association" (1822); "The Theory of Universal Unity" (1841). Died 1837. See Ely, *ibid.*, p. 81; Victor Considérant's "La Destinée Sociale" (fourth edition, 1851); and Reybaud, *ibid.*

158 Robert Owen (father of Robert Dale Owen), born 1771, in 1799 was engaged in the famous New Lanark Mills, of which Jeremy Bentham was one of the partners. In 1825 he purchased Harmony, in Indiana, from Mr. Rapp. He believed in a full community of property; that the Government should employ the surplus of labor for which there was no demand; and that, until the members became fully trained, affairs should be managed by one head (as in Saint-Simonism).

159 For Brook Farm, see Noyes's "History of American Socialism," chapter xi, and the life of "George Ripley," by O. B. Frothingham (1882). In general, also, for American experiments see Charles Nordhoff's "The Communistic Societies of the United States"; W. A. Hinds's "American Communists" (1878); Woolsey's "Communism and Socialism" (1880); and Noyes's "American Socialism" (1870).

160 The extracts in large type in this section are taken from Mr. Mill's "Chapters on Socialism" ("Fortnightly Review," 1879), being only the beginning of a larger work begun in 1869, and given to the public since his death. They are of interest because they give his conclusions twenty years after his "Political Economy" was written.

161 "Logical Method," pp. 34, 36.

162 Cf. Cairnes, "Leading Principles," pp. 180-188.

163 In the "Fortnightly Review," May 1, 1869.

164 "Leading Principles," pp. 149-189.

165 Counting six days to a week and four weeks to a month.

166 "Leading Principles," p. 185.

167 Mr. Thornton replied to Mr. Cairnes ("Nineteenth Century," August, 1879). A succinct statement of the condition of the wages-fund controversy has been made by Henry Sidgwick, "Fortnightly Review," September 1, 1879. See also W. G. Sumner, "Princeton Review," "Wages," November, 1882.

168 He advanced the same view in the "North American Review," vol. cxx, January, 1875. In his "Political Economy" (1883) he advances a more extensive theory of distribution. See "Atlantic Monthly," July, 1883, p. 129.

169 See Cairnes, "Leading Principles," p. 209.

170 This proposition needs to be kept in mind for the future discussion of the cost of production of food and its relation to cost of labor. Book II, Chap. V, § 5.

171 Mr. Carey takes this ground.

172 See the explanation of an economic law, Book II, Chap. II, § 1.

173 "Constitutional History of England," vol. ii, p. 563. See also Nicholls's "History of the Poor Laws," vol. ii, p. 303.

174 For further discussion of the advantages of small holdings, see Book IV, Chap. V, § 2.

175 "Leading Principles," pp. 64-69.

176 See Young, "Labor in Europe."

177 Walter Bagehot, "Lombard Street," p. 13.

178 "Work and Wages."

179 The reader is advised to consider, in connection with this, the former discussion on the relation between wages and the price of food (pp. 185, 186).

180 "Logical Method," p. 206.

181 "American Political Economy," p. 164.

182 Rickards, "Population and Capital," p. 135.

183 Rickards, *ibid.*, p. 75.

184 "Political Economy," p. 288.

185 "Progress and Poverty," pp. 220, 221.

186 "American Political Economy," p. 164.

187 For other writers opposed to the doctrine of Rent as maintained by Ricardo and Mill, see Bonamy Price, "Practical Political Economy," chap. x; McLeod, "Principles of Economic Philosophy," chap. x; and J. E. T. Rogers, "Manual of Political Economy," chap. xii.

188 Cairnes, "Logical Method," p. 199.

189 "Theory and Practice of Banking," vol. i, p. 13. Cf. Cairnes, "Logical Method," p. 106.

190 "Leading Principles," p. 11.

191 "Political Economy," p. 5.

192 "Social Science," vol. i, p. 158.

193 "Harmonies," p. 171.

194 "Political Economy," p. 126.

195 "Political Economy," Introduction, Chap. I, § 5.

196 "Précis d'Économie politique," p. 175.

197 "Précis de la Science économique," vol. i, p. 202.

198 "Political Economy Primer," p. 98.

199 "Leading Principles," p. 15.

200 "Theory of Political Economy," pp. 82-91. See Cairnes, *ibid.*, pp. 17-19.

201 "Political Economy," p. 92.

202 "Social Science," vol. ii, p. 335.

203 "Political Economy," Introduction, Chap. I, § 5.

204 "Précis," p. 206.

205 "Political Economy," p. 165.

206 "Logic of Political Economy."

207 Although here using demand in its proper sense, a little later Mr. Mill defines it as the "quantity demanded." As he again uses it in the proper sense in discussing excess of money (Book III, Chap. V), supply (Book III, Chap. XI), and foreign trade (Book III, Chap. XIV), I have omitted from his present exposition his evidently inconsistent use of the word.

208 "Leading Principles," p. 25.

209 "Leading Principles," p. 108.

210 See his chapter on "Natural and Market Price," book i, chap. vii.

211 "Report of the Director of the Mint," 1883, p. 69.

212 *Supra*, p. 222.

213 "Leading Principles," p. 41.

214 Book I, Chap. I, § 2.

215 See *supra*, p. 210.

216 "Leading Principles," part i, chap. iii, p. 87.

217 "Work and Wages."

218 "Leading Principles," p. 136.

219 F. A. Walker ("Political Economy," pp. 248-259) expands this idea, and makes it the pivotal part of his whole theory of distribution among laborers, capitalists, and landlords.

220 "Money and the Mechanism of Exchange," chap. iii.

221 "Political Economy," p. 127.

222 "Money and the Mechanism of Exchange," p. 1.

223 "Political Economy," p. 144.

224 The substance of Mr. Mill's former chapter, XV (Book III), is here inserted in its direct connection with the functions of money.

225 F. A. Walker, "Political Economy," p. 363. A German, Count Soden (1805), Joseph Lowe (1822), and G. Poulett Scrope (1833), proposed this scheme. See Jevons, "Money and the Mechanism of Exchange," chap. xxv.

226 "Money and the Mechanism of Exchange," p. 31.

227 "A Serious Fall in the Value of Gold" (1863).

228 F. A. Walker defines the demand for money as "the occasion for the use of money in effecting exchanges; in other words, it is the amount of money-work to be done" ("Political Economy," p. 133); and the supply of money as "the money-force available to do the money-work which the demand for money indicates as required to be done, in the given community, at the given time. The supply of money is measured by ... the amount of money and the rapidity of circulation" (*ibid.*, p. 136).

229 Jevons, "Money and the Mechanism of Exchange," pp. 336, 339.

230 "Edelmetall-Production," in Petermann's "Mittheilungen," Ergänzungsheft, No. 57.

231 See Jevons's "A Serious Fall in the Value of Gold."

232 In his book "De la Baisse probable de l'Or" (1859). See also Cairnes's "Essays." For authorities on the new gold, see Robinson's "California" (Larkin's and Mason's Reports, pp. 17, 33); Executive Documents of United States, 1848, I, 1; Westgarth's "Colony of Victoria," pp. 122, 315; Wood, "Sixteen Months in the Gold Diggings," p. 125; Lalor's "Cyclopædia," II, p. 851; Walker, "Money," part i, chaps. vii, viii. For the probable effects, see "North American Review," October, 1852; Tooke's "History of Prices," vi, p. 224; "Statistical Journal," 1878, p. 230; Lefevre, "Question de l'Or." As to how far the value of gold was lowered, Jevons, "Serious Fall," etc.; "Statistical Journal," 1865; *ibid.*, 1869, p. 445; and Giffen's "Essays in Finance," p. 82.

233 "Report of the House of Commons on Depreciation of Silver," 1876, p. v.

234 See Macaulay, "History of England," chap. xxi.

235 "Money and the Mechanism of Exchange," p. 84.

236 Jevons, *ibid.*, p. 138.

237 See S. Dana Horton, "Gold and Silver," 1877, p. 84, *et seq.*

238 See Linderman, "Money and Legal Tender," p. 161.

239 Director of the Mint, Report, 1883, p. 49, and Linderman, *ibid.*, p. 173.

240 See "Atlantic Monthly," "The Silver Danger," May, 1884.

241 See "International Review," September, 1876; and for some further explanation of banks, see "Atlantic Monthly," 1882, pp. 196, 695, 696.

242 "Report of the Comptroller of the Currency," 1883, p. 34.

243 See "Nature," xix, 33, 588.

244 See Walker's "Money," p. 473.

245 Vol. i, p. 302. See Sumner's "History of American Currency" and Walker's "Money" for much valuable material.

246 See Cherbuliez, vol. i, p. 299.

247 "Money and the Mechanism of Exchange," p. 232.

248 For John Law's famous scheme (1718-1720) in France, called the "Mississippi Bubble," the best authority is Levasseur's "Système de Law" (1854). Also consult M. Thiers's "The Mississippi Bubble" (translated by F. F. Fiske, 1859); Steuart's "Political Economy" (1767); and McLeod's "Dictionary of Political Economy," article on "Banking in France."

249 For the best brief account of the issues of assignats, see President A. D. White's "Paper Money Inflation in France." See also F. A. Walker, "Money," pp. 336-347; Bazot's "Assignats"; and Alison's "History of the French Revolution," vol. ii, p. 606.

250 See "Some Account of the Bills of Credit or Paper Money of Rhode Island, 1710-1786," in "Rhode Island Historical Tracts," No. 8 (1880), by E. S. Potter and S. S. Rider.

251 See Felt's "History of Massachusetts Currency." Consult also Minot, Hutchinson, and Gouge. Walker, "Money," and Sumner, "History of American Currency," have given considerable accounts of paper experiments in the United States, and should be well studied.

252 See Walker, "Money," p. 329.

253 See J. J. Knox's "United States Notes" (1884); the Finance Reports during and since the war to 1879; Spaulding's "Financial History of the War" (1869); Bowen's "American Political Economy," chap. xv; "Chapters of Erie," by H. Adams and F. A. Walker; and the voluminous pages of the "Congressional Globe." For the decisions in the legal-tender cases, see "Banker's Magazine," 1869-1870, p. 712, and 1871-1872, pp. 752, 780. A collection of statutes affecting United States finance, especially since 1860, has been made in a small pamphlet, by Professor C. F. Dunbar (published by Sever, Cambridge, Massachusetts).

254 Report of 1861.

255 Mr. Malthus, Dr. Chalmers, M. de Sismondi, and various minor writers. It is especially likely that, in times of commercial depression, the journals of the day will contain arguments to show a general over-production.

256 Book IV, Chap. II.

257 This is practically the argument of a little book, "Excessive Saving a Cause of Commercial Distress" (1884), by Uriel H. Crocker.

258 Book III, Chap. II, § 4.

259 "Leading Principles," pp. 302-307.

260 "Essays on some Unsettled Questions of Political Economy," Essay I.

261 I at one time believed Mr. Ricardo to have been the sole author of the doctrine now universally received by political economists, on the nature and measure of the benefit which a country derives from foreign trade. But Colonel Torrens, by the republication of one of his early writings, "The Economists refuted," has established at least a joint claim with Mr. Ricardo to the origination of the doctrine, and an exclusive one to its earliest publication.--MILL.

262 I have in this illustration retained almost the exact words quoted by Mr. Mill from his father's book, James Mill's "Elements of Political Economy," but altered it by changing the trade from Poland to the United

States, and by speaking of iron instead of cloth.

263 "American Political Economy," p. 481.

264 For a fuller discussion of this question see Cairnes, "Leading Principles," p. 319, ff.

265 "Leading Principles," p. 323.

266 Cairnes, "Leading Principles," p. 301.

267 Book I, chap. VI, § 4.

268 I have changed the illustration from England to the United States in this example.

269 Book III, Chap. II, § 4.

270 Book III, Chap. I, § 3.

271 See "Statistical Abstract," 1883, pp. 32, 33.

272 This substitution has been made for Brazil.

273 See close of last chapter.

274 I have also changed the illustrations in this chapter so as to apply to the United States.

275 The examples in this and the next section have been altered so as to apply to the United States.

276 I have changed the names of the countries in the illustrations contained in this chapter, but have not further altered the language beyond the occasional change of a pronoun.

277 The subjoined extract from the separate essay ["Some Unsettled Questions of Political Economy"] previously referred to will give some assistance in following the course of the phenomena. It is adapted to the imaginary case used for illustration throughout that essay, the case of a trade between England and Germany in cloth and linen.

"We may, at first, make whatever supposition we will with respect to the value of money. Let us suppose, therefore, that, before the opening of the trade, the price of cloth is the same in both countries, namely, six shillings per yard. As ten yards of cloth were supposed to exchange in England for fifteen yards of linen, in Germany for twenty, we must suppose that linen is sold in England at four shillings per yard, in Germany at three. Cost of carriage and importer's profit are left, as before, out of consideration.

"In this state of prices, cloth, it is evident, can not yet be exported from England into Germany; but linen can be imported from Germany into England. It will be so; and, in the first instance, the linen will be paid for in money.

"The efflux of money from England and its influx into Germany will raise money prices in the latter country, and lower them in the former. Linen will rise in Germany above three shillings per yard, and cloth above six shillings. Linen in England, being imported from Germany, will (since cost of carriage is not reckoned) sink to the same price as in that country, while cloth will fall below six shillings. As soon as the price of cloth is lower in England than in Germany, it will begin to be exported, and the price of cloth in Germany will fall to what it is in England. As long as the cloth exported does not suffice to pay for the linen imported, money will

continue to flow from England into Germany, and prices generally will continue to fall in England and rise in Germany.

"By the fall, however, of cloth in England, cloth will fall in Germany also, and the demand for it will increase. By the rise of linen in Germany, linen must rise in England also, and the demand for it will diminish. As cloth fell in price and linen rose, there would be some particular price of both articles at which the cloth exported and the linen imported would exactly pay for each other. At this point prices would remain, because money would then cease to move out of England into Germany. What this point might be would entirely depend upon the circumstances and inclinations of the purchasers on both sides. If the fall of cloth did not much increase the demand for it in Germany, and the rise of linen did not diminish very rapidly the demand for it in England, much money must pass before the equilibrium is restored; cloth would fall very much, and linen would rise, until England, perhaps, had to pay nearly as much for it as when she produced it for herself. But, if, on the contrary, the fall of cloth caused a very rapid increase of the demand for it in Germany, and the rise of linen in Germany reduced very rapidly the demand in England from what it was under the influence of the first cheapness produced by the opening of the trade, the cloth would very soon suffice to pay for the linen, little money would pass between the two countries, and England would derive a large portion of the benefit of the trade. We have thus arrived at precisely the same conclusion, in supposing the employment of money, which we found to hold under the supposition of barter.

"In what shape the benefit accrues to the two nations from the trade is clear enough. Germany, before the commencement of the trade, paid six shillings per yard for broadcloth; she now obtains it at a lower price. This, however, is not the whole of her advantage. As the money-prices of all her other commodities have risen, the money-incomes of all her producers have increased. This is no advantage to them in buying from each other, because the price of what they buy has risen in the same ratio with their means of paying for it: but it is an advantage to them in buying anything which has not risen, and, still more, anything which has fallen. They, therefore, benefit as consumers of cloth, not merely to the extent to which cloth has fallen, but also to the extent to which other prices have risen. Suppose that this is one tenth. The same proportion of their money-incomes as before will suffice to supply their other wants; and the remainder, being increased one tenth in amount, will enable them to purchase one tenth more cloth than before, even though cloth had not fallen: but it has fallen; so that they are doubly gainers. They purchase the same quantity with less money, and have more to expend upon their other wants.

"In England, on the contrary, general money-prices have fallen. Linen, however, has fallen more than the rest, having been lowered in price by importation from a country where it was cheaper; whereas the others have fallen only from the consequent efflux of money. Notwithstanding, therefore, the general fall of money-prices, the English producers will be exactly as they were in all other respects, while they will gain as purchasers of linen.

"The greater the efflux of money required to restore the equilibrium, the greater will be the gain of Germany, both by the fall of cloth and by the rise of her general prices. The less the efflux of money requisite, the greater will be the gain of England; because the price of linen will continue lower, and her general prices will not be reduced so much. It must not, however, be imagined that high money-prices are a good, and low money-prices an evil, in themselves. But, the higher the general money-prices in any country, the greater will be that country's means of purchasing those commodities, which, being imported from abroad, are independent of the causes which keep prices high at home."

"In practice, the cloth and the linen would not, as here supposed, be at the same price in England and in Germany: each would be dearer in money-price in the country which imported than in that which produced it, by the amount of the cost of carriage, together with the ordinary profit on the importer's capital for the average length of time which elapsed before the commodity could be disposed of. But it does not follow that each country pays the cost of carriage of the commodity it imports; for the addition of this item to the price may operate as a greater check to demand on one side than on the other; and the equation of international demand,

and consequent equilibrium of payments, may not be maintained. Money would then flow out of one country into the other, until, in the manner already illustrated, the equilibrium was restored: and, when this was effected, one country would be paying more than its own cost of carriage, and the other less."--MILL.

278 See Book III, Chap. XVIII, § 5, of Mill's original work.

279 "Principles of Political Economy and Taxation," third edition, p. 143.

280 For an exceedingly good study on the conditions of our foreign trade down to 1873, and a prophecy of the panic of 1873, see Cairnes, "Leading Principles," pp. 364-374.

281 "Leading Principles," p. 357.

282 The illustrations in this chapter have also been changed, but only so far as to make them apply to the United States.

283 I am here supposing a state of things in which gold and silver mining are a permanent branch of industry, carried on under known conditions; and not the present state of uncertainty, in which gold-gathering is a game of chance, prosecuted (for the present) in the spirit of an adventure, not in that of a regular industrial pursuit.--MILL. It is, however, worth recalling that gold and silver mining have not been--for large effects on the value of the metals--anything like a permanent branch of industry, but that, in the main, great additions have been obtained suddenly and by chance discoveries.--J. L. L.

284 See Walker, "Money," Chap. XIX.

285 Book II, Chap. V, § 1.

286 I do not include in the general loan fund of the country the capitals, large as they sometimes are, which are habitually employed in speculatively buying and selling the public funds and other securities.--MILL.

287 The rate of interest at such crises in New York has several times risen to 400 or 500 per cent per annum.

288 In this illustration I have retained as nearly as possible the form of that given by Mr. Mill for the trade between England and Germany in cloth and linen.

289 Book II, Chap. V, § 5.

290 Book II, Chap. II, § 3.

291 Cf. Cairnes, "Leading Principles," p. 209.

292 For a brief bibliography on our own Navigation Laws and the Shipping Question, see Appendix I.

293 Book III, Chap. III, § 1.

294 *Supra*, Book III, Chap. II, § 2, and Chap. XX, § 4.

295 Henry George, however, asserts that, "irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent" ("Progress and Poverty," p. 220).

296 "Leading Principles," Part I, chap. v.

297 For the distinction between normal and market values, see *supra*, Book III, Chap. II, § 4, and p. 269.

298 Before beginning this discussion the reader is advised to review the relation of profits to cost of labor, and the dependence of the latter on its three factors, Book II, Chap. V, § 5.

299 Book I, Chap. IX

300 Mr. Mill commended, as the most scientific treatment of the subject with which he had met, an "Essay on the Effects of Machinery," by William Ellis, "Westminster Review," January, 1826.

301 Although their needs now attract more attention through the extension of newspapers and cheap books, the condition of the laboring-class is certainly better than it was fifty years ago. See Mr. Robert Giffen's "Progress of the Working-Classes in the Last Half-Century" (1884), referred to in Book IV, Chap. V, § 1.

302 A comparison of Chart No. XVII with Chart No. VI will furnish some means of learning whether the building of railways has gone on faster than is warranted by the increase of our crops (see *supra*, pp. 138).

303 Book I, Chap. V, § 2.

304 Book II, Chap. I, § 6.

305 "Progress of the Working-Classes in the Last Half-Century" (1884), page 8.

306 "Leading Principles," pp. 278-280.

307 "Progress of the Working-Classes in the Last Half-Century" (1884), being his inaugural address as President of the London Statistical Society, November 20, 1883.

308 1825.

309 1825.

310 Wages per day.

311 Wages per day.

312 Year 1878.

313 These mills have not been able to pay ten per cent regularly, as mentioned in Chart No. XIX, but it has merely been supposed that ten per cent were demanded by capital, in order to show that, for such a dividend, it required a diminishing proportion of the price to meet that estimate.

314 Book II, Chap. V, § 5; see also "North American Review," May, 1884, p. 517.

315 For the influences of small properties in restraining an undue increase of population, see *supra*, p. 119. For a more general account of the benefits arising from such holdings, consult Mill's original work, Book II, Chaps. VI and VII, and T. E. Cliffe Leslie's "Land Systems."

316 Cf. E. L. Godkin, "North American Review," 1868, p. 150.

317 Fawcett, "Manual of Political Economy" (last edition), chapter on Co-operation.

318 Giffen, "Progress of the Working-Classes in the Last Half-Century," p. 19.

319 "History of Co-operation in England" (2 vols., 1879), p. 105.

320 Mr. Holyoake ("History of Co-operation in England," p. 99) quotes as follows from another's experience: "My own pass-book shows that I paid on November 3d, of last year (1860), £1 to become a member of a co-operative store. I have paid nothing since, and I am now credited with £3 16s. 6d., nearly three hundred per cent on my capital in a single year. Of course, that arises from my purchases having been large in proportion to my investment. In a co-operative store you get five per cent upon the money which you invest as a shareholder; and, if the store be well conducted, you will get seven and a half per cent addition."

321 For a full account of the proper steps to be taken in establishing a store, with many practical details, see Charles Barnard's "Co-operation as a Business," p. 119.

322 Cf. Walker, "Wages Question," p. 276.

323 Godkin, "North American Review," 1868.

324 "History of Co-operation," vol. ii, chap. ix.

325 Holyoake, "History of Co-operation," p. 131.

326 Godkin, "North American Review," 1868.

327 Pp. 27, 31, 32.

328 Barnard, "Co-operation as a Business," pp. 150-152.

329 Holyoake, "History of Co-operation," p. 235.

330 See Thornton, "On Labor," p. 370. Also see "Parliamentary Documents," 1868, 1869, xxxi; "Trades-Unions of England," by the Count de Paris; Brassey's "Work and Wages," chap. xiii.

331 See Walker, "Wages Question," p. 283. Also see Mill, Book IV, Chap. VII, § 5, for an account of M. Leclaire's experiments in France with house-painters.

332 See also Von Böhmert, "Gewinnbetheiligung," second edition, 1878, and Jevons's "Methods of Social Reform" (1883). Professor Jevons ("The State in Relation to Labor," pp. 146, 147) has given a brief bibliography, which I reproduce here:

Charles Babbage, "Economy of Manufactures," chap. xxvi; H. C. Briggs, "Social Science Association," 1869; H. C. and A. Briggs, "Evidence before the Trades-Union Commission," March 4, 1868, Questions 12,485 to 12,753 [Parliamentary Documents]; "The Industrial Partnerships Record"; Pare, "Co-operative Agriculture" (Longmans) 1870; Jean Billon, "Participation des Ouvriers aux Bénéfices des Patrons," Genève, 1877; Fougèrouse, "Patrons et Ouvriers de Paris" (Chaix), 1880; Sedley Taylor, "Society of Arts Journal," February 18, 1881, vol. xxix, pp. 260-270; also in "Nineteenth Century," May, 1881, pp. 802-811, "On Profit-Sharing"; J. C. Van Marken, "La Question Ouvrière: Essai de Solution Pratique" (Chaix) 1881.

333 In his last edition of his "Manual," Professor Fawcett thus describes a co-operative experiment in agriculture: "The one that has attracted the most attention was made nearly forty years since by Mr. Gurdon, on his estate at Assington, near Sudbury, in Suffolk. Mr. Gurdon was so much impressed with the miserable condition of the agricultural laborers who were employed on his estate, that he was prompted to do something

on their behalf. When, therefore, one of his farms became vacant, he offered to let it at the ordinary rent, £150 a year, to the laborers who worked upon it. As they, of course, had not sufficient capital to cultivate it, he in the first instance loaned them the requisite stock and implements. The laborers were, in fact, formed into a company in which there were eleven shares, and no laborer was permitted to hold more than one share. The plan was so eminently successful that in a few years sufficient had been saved out of the profits to repay all that had been advanced, and the stock and implements became the property of the laborers. Each share greatly increased in value. Mr. Gurdon was so much encouraged, not only by the pecuniary advantages secured to the laborers, but also by the general improvement effected in their condition, that some years afterward he let another and a larger farm on similar terms. Although no statement of accounts has ever been published, the remarkable pecuniary advantages secured to the laborers is proved by the fact that, after enjoying at least as high wages as were paid in the district, they were able in a few years to become the owners of a valuable property, consisting of the stock and implements on the farms. One of the most significant and hopeful circumstances connected with the experiment is, that it was not carried out by a picked body of men; and if so much could be done by laborers who were probably among the worst educated in the country, it maybe fairly concluded, that when the intelligence of our rural population has been better developed, co-operation may be applied in a more complete form to agriculture, and with even more striking results than were obtained at Assington.... In the description which has been frequently given of the system of peasant proprietorship, it is shown how powerfully the industry of the laborer is stimulated by the feeling of property. When he cultivates his own plot of ground, he exerts himself to the utmost, because he knows that he will enjoy all that is yielded by his labor. Each year, with the extended use of machinery in agriculture, it is becoming more advantageous to carry on farming on a large scale. When, therefore, co-operative agriculture becomes practicable, land may be cultivated by associations of laborers, and thus many of the advantages associated with the system of peasant proprietorship may be secured, while at the same time the disadvantages of small farming may be avoided. The progress toward co-operative agriculture will no doubt be slow and gradual."

334 Godkin, "North American Review," 1868. Also see Hermann Schultze-Delitsch, "Die Entwicklung des Genossenschaftswesens in Deutschland" (1870). This eminent philanthropist died April 29, 1883. For other forms of co-operation, building associations, etc., see Barnard, "Co-operation as a Business"; Pajot, "Du Progrès par les Sociétés de Secours Mutuels" (1878).

335 See "Economics of Industry," by Mr. and Mrs. Marshall, p. 223.

336 "Wealth of Nations," Book V, chap. ii.

337 Book II, Chap. I, § 6.

338 Book III, Chap. XIX, § 5.

339 A higher rate is now imposed on landed than on professional incomes.

340 Cf. Walker, "Land and Rent," page 134.

341 I have changed the sums mentioned in this illustration into our own money.

342 Another common objection is that large and expensive accommodation is often required, not as a residence, but for business. But it is an admitted principle that buildings, or portions of buildings, occupied exclusively for business, such as shops, warehouses, or manufactories, ought to be exempted from house-tax.

It has been also objected that house-rent in the rural districts is much lower than in towns, and lower in some towns and in some rural districts than in others; so that a tax proportioned to it would have a corresponding inequality of pressure. To this, however, it may be answered that, in places where house-rent is low, persons of the same amount of income usually live in larger and better houses, and thus expend in house-rent more

nearly the same proportion of their incomes than might at first sight appear. Or, if not, the probability will be that many of them live in those places precisely because they are too poor to live elsewhere, and have, therefore, the strongest claim to be taxed lightly. In some cases it is precisely because the people are poor that house-rent remains low.--MILL.

343 I have here also changed the amounts into our own money.

344 This illustration has also been changed, but only so far as to fit the trade between England and the United States.

345 Probably the strongest known instance of a large revenue raised from foreigners by a tax on exports is the opium-trade with China. The high price of the article under the Government monopoly (which is equivalent to a high export duty) has so little effect in discouraging its consumption that it is said to have been occasionally sold in China for as much as its weight in silver.--MILL.

346 A land-tax is, to its extent, an evidence that the state claims a certain right in the soil, and that it stands to the contributor, as it were, in the place of a landlord. This tax, however, is generally so small that it does not materially diminish the rent of land. So far as it goes, it is a tax on rent.

347 Some argue that the materials and instruments of all production should be exempt from taxation; but these, when they do not enter into the production of necessaries, seem as proper subjects of taxation as the finished article. It is chiefly with reference to foreign trade that such taxes have been considered injurious. Internationally speaking, they may be looked upon as export duties, and, unless in cases in which an export duty is advisable, they should be accompanied with an equivalent drawback on exportation. But there is no sufficient reason against taxing the materials and instruments used in the production of anything which is itself a fit object of taxation.--MILL.

348 See Lalor's "Cyclopædia," article "Distilled Spirits," by David A. Wells.

349 "United States Statistical Abstract," 1883, pp. 2, 3.

350 The old condition of things was well described by Sydney Smith: "We must pay taxes upon every article which enters into the mouth or covers the back, or is placed under the foot. Taxes upon everything which is pleasant to see, hear, feel, smell, and taste. Taxes upon warmth, light, and locomotion. Taxes upon everything upon earth and the waters under the earth. On everything that comes from abroad or is grown at home. Taxes on raw material. Taxes on every value that is added to it by the industry of man. Taxes on the sauce which pampers man's appetite and the drug which restores him to health. On the ermine which decorates the judge and the rope which hangs the criminal. On the brass nails of the coffin and on the ribbons of the bride. At bed or at board, couchant or levant, we must pay. The beardless youth manages his taxed horse with a taxed bridle on a taxed road, and the dying Englishman, pouring his medicine (which has paid 7 per cent) into a spoon (which has paid 30 per cent), throws himself back upon his chintz bed (which has paid 22 per cent), makes his will, and expires in the arms of the apothecary (who has paid £100 for the privilege of putting him to death). His whole property is then taxed from 2 to 10 per cent; besides the probate, large fees are demanded for burying him in the chancel: his virtues are handed down to posterity on taxed marble, and he is then gathered to his fathers to be taxed no more."

351 "Financial Reform Almanac," 1883, pp. 107-109.

352 "Handbuch der Verfassung und Verwaltung in Preussen und dem Deutschen Reich," by Graf Hue de Grais (second edition, 1882), p. 138.

353 "Le Budget. Revenus et Dépenses de la France," by M. Block (1881), pp. 57, 82.

354 Taken, with modifications, from Milnes's "Problems in Political Economy," p. 377.

355 Book I, Chap. IV, § 5.

356 Although Mr. Mill had reference to the French wars in the beginning of this century, his words apply also to the circumstances of our own late war, 1861-1865.

357 Cairnes, "Leading Principles," pp. 381, 382.

358 Book I, Chap. IV.

359 Mr. Mill here takes up political considerations, which are not properly to be included in a purely economic treatment. (See the beginning of § 6.)

360 See "Sketch of the History of Political Economy," *supra*, p. 6, note 1.

361 For bibliography of the United States shipping question, see Appendix I.

362 D. A. Wells, "Cobden Club Essays," second series, p. 533.

363 See F. W. Taussig's "Protection to Young Industries as applied in the United States" (1883).

364 In a letter written February 26, 1866, to Mr. Horace White, published in the Chicago "Tribune," and reprinted in the New York "Nation," May 29, 1873.

365 Business men constantly use the term "cost of production" when in reality they mean that which to the economist is expressed by "cost of labor." If cost of labor becomes higher, it takes from profits--the place where they feel the difficulties of competition--but they say that the cost of production has risen: the cost, to them, only has risen, that is, the "cost of labor," not "cost of production."

366 Cf. Cairnes, "Leading Principles," pp. 324-341; and *supra*, Book III, Chap. II, § 4.

367 The fact (sufficiently established by Mr. Brassey) is not considered also that England gives higher wages to operatives than the Continent, and yet England is able to undersell France and Germany in neutral markets. It is evident, however, that England can undersell only in occupations in which she has advantages.

368 Cairnes, "Leading Principles," pp. 382-388.

369 "Compendium," 1880, pp. 1343-1377.

370 "Princeton Review," 1883, p. 222.

371 The United States have at the present time but five persons engaged in agriculture for each square mile of settled area.

372 Book IV, Chap. I, § 2.

373 "Fifteenth Annual Report of the Massachusetts Bureau of Statistics, 1884," by Carroll D. Wright.

374 See Milnes's "Problems in Political Economy."

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