

HILLS
VAL
WAY

4
7

ES

PRINCIPLES
OF
POLITICAL
ECONOMY
—
PERRY

HB161
P477

SCRIBNERS



1020046038

PRINCIPLES OF POLITICAL ECONOMY.

BIBLIOTECA
LIC ALBERTO VILLARREAL

PRINCIPLES

OF

POLITICAL ECONOMY

BY

ARTHUR LATHAM PERRY, LL.D.

ORRIN SAGE PROFESSOR OF HISTORY AND POLITICAL ECONOMY IN
WILLIAMS COLLEGE

PROFESSOR PERRY'S WORKS ON
POLITICAL ECONOMY.

-
1. INTRODUCTION TO POLITICAL ECONOMY. Fifth Edition. 12mo. 357 pp. Price, \$1.50.
 2. PRINCIPLES OF POLITICAL ECONOMY. 8vo. 585 pp. Price, \$2.00.
 3. POLITICAL ECONOMY. Twenty-First Edition. Crown 8vo. 600 pp. Price, \$2.50.

*"No task is ill where Hand and Brain
And Skill and Strength have equal gain,
And each shall each in honor hold,
And simple manhood outweigh gold."*

WHITTIER.

NEW YORK

CHARLES SCRIBNER'S SONS

1891

4603

HB161

P477

COPYRIGHT, 1890,
BY ARTHUR LATHAM PERRY.



ACERVO GENERAL

127489

Dedication.

TO MY PERSONAL FRIEND OF LONG STANDING
J. STERLING MORTON
OF NEBRASKA
A FRIEND OF THE PEOPLE ALSO
FOUNDER OF ARBOR DAY

PREFACE.

It is now exactly twenty-five years since was published my first book upon the large topics at present in hand. It was but as a bow drawn at a venture, and was very properly entitled "Elements of Political Economy." At that time I had been teaching for about a dozen years in this Institution the closely cognate subjects of History and Political Economy; cognate indeed, since Hermann Lotze, a distinguished German philosopher of our day, makes prominent among its only *five* most general phases, the "industrial" element in all human history; and since Goldwin Smith, an able English scholar, resolves the elements of human progress, and thus of universal history, into only *three*, namely, "the moral, the intellectual, and the productive."

During these studious and observant years of teaching, I had slowly come to a settled conviction that I could say something of my own and something of consequence about Political Economy, especially at two points; and these two proved in the sequel to be more radical and transforming points than was even thought of at the first. For one thing, I had satisfied myself, that the word "Wealth," as at once a strangely indefinite and grossly misleading term, was worse than useless in the nomenclature of the Science, and would have to be utterly dislodged from it, before a scientific content and defensible form could by any possibility be given to what had long been called in all the modern languages the "Science of Wealth." Accordingly, so far as has appeared in the long interval of time since 1865, these "Elements" were the very first attempt to undertake an orderly construction of Econom-

ies from beginning to end without once using or having occasion to use the obnoxious word. A scientific substitute for it was of course required, which, with the help of Bastiat, himself however still clinging to the technical term "Richesse," was discerned and appropriated in the word "Value"; a good word indeed, that can be simply and perfectly defined in a scientific sense of its own; and, what is more important still, that precisely covers in that sense all the three sorts of things which are ever bought and sold, the three only Valuables in short, namely, material Commodities, personal Services, commercial Credits. It is of course involved in this simple-looking but far-reaching change from "Wealth" to "Value," that Economics become at once and throughout a science of Persons buying and selling, and no longer as before a science of Things howsoever manipulated for and in their market.

For another thing, before beginning to write out the first word of that book, I believed myself to have made sure, by repeated and multiform inductions, of this deepest truth in the whole Science, which was a little after embodied (I hope I may even say *embalmed*) in a phrase taking its proper place in the book itself, — *A market for Products is products in Market*. The fundamental thus tersely expressed may be formulated more at length in this way: One cannot Sell without at the same instant and in the same act Buying, nor Buy anything without simultaneously Selling something else; because in Buying one pays for what he buys, which is Selling, and in Selling one must take pay for what is sold, which is Buying. As these universal actions among men are always voluntary, there must be also an universal motive leading up to them; this motive on the part of both parties to each and every Sale can be no other than the mutual satisfaction derivable to both; the inference, accordingly, is easy and invincible, that governmental restrictions on Sales, or prohibitions of them, must lessen the satisfactions and retard the progress of mankind.

Organizing strictly all the matter of my book along these two lines of Personality and Reciprocity, notwithstanding

much in it that was crude and more that was redundant and something that was ill-reasoned and unsound, the book made on account of this original mode of treatment an immediate impression upon the public, particularly upon teachers and pupils; new streaks of light could not but be cast from these new points of view, upon such topics especially as Land and Money and Foreign Trade; and nothing is likely ever to rob the author of the satisfaction, which he is willing to share with the public, of having contributed something of importance both in substance and in feature to the permanent up-building of that Science, which comes closer, it may be, to the homes and happiness and progress of the People, than any other science. And let it be said in passing, that there is one consideration well-fitted to stimulate and to reward each patient and competent scientific inquirer, no matter what that science may be in which he labors, namely, this: Any just generalization, made and fortified inductively, is put thereby beyond hazard of essential change for all time; for this best of reasons, that God has constructed the World and Men on everlasting lines of Order.

As successive editions of this first book were called for, and as its many defects were brought out into the light through teaching my own classes from it year after year, occasion was taken to revise it and amend it and in large parts to rewrite it again and again; until, in 1883, and for the eighteenth edition, it was recast from bottom up for wholly new plates, and a riper title was ventured upon, — "Political Economy," — instead of the original more tentative "Elements." Since then have been weeded out the slight typographical and other minute errors, and the book stands now in its ultimate shape.

My excellent publishers, who have always been keenly and wisely alive to my interests as an author, suggested several times after the success of the first book was reasonably assured, that a second and smaller one should be written out, with an especial eye to the needs of high schools and academies and colleges for a text-book within moderate limits, yet soundly

based and covering in full outline the whole subject. This is the origin of the "Introduction to Political Economy," first published in 1877, twelve years after the other. Its success as a text-book and as a book of reading for young people has already justified, and will doubtless continue to justify in the future, the forethought of its promoters. It has found a place in many popular libraries, and in courses of prescribed reading. Twice it has been carefully corrected and somewhat enlarged, and is now in its final form. In the preface to the later editions of the "Introduction" may be found the following sentence, which expresses a feeling not likely to undergo any change in the time to come:—"I have long been, and am still, ambitious that these books of mine may become the horn-books of my countrymen in the study of this fascinating Science."

Why, then, should I have undertaken of my own motion a new and third book on Political Economy, and attempted to mark the completion of the third cycle of a dozen years each of teaching it, by offering to the public the present volume? One reason is implied in the title, "*Principles of Political Economy*." There are three extended historical chapters in the earlier book, occupying more than one-quarter of its entire space, which were indeed novel, which cost me wide research and very great labor, and which have also proven useful and largely illustrative of almost every phase of Economics; but I wanted to leave behind me one book of about the same size as that, devoted exclusively to the Principles of the Science, and using History only incidentally to illustrate in passing each topic as it came under review. For a college text-book as this is designed to become, and for a book of reading and reference for technical purposes, it seems better that all the space should be taken up by purely scientific discussion and illustration. This does not mean, however, that great pains have not been taken in every part to make this book also easily intelligible, and as readable and interesting as such careful discussions can be made.

A second reason is, to provide for myself a fresh text-book to teach from. My mind has become quite too thoroughly familiarized with the other, even down to the very words, by so long a course of instructing from it, for the best results in the class-room. Accordingly, a new plan of construction has been adopted. Instead of the fourteen chapters there, there are but seven chapters here. Not a page nor a paragraph as such has been copied from either of the preceding books. Single sentences, and sometimes several of them together, when they exactly fitted the purposes of the new context, have been incorporated here and there, in what is throughout both in form and style a new book, neither an enlargement nor an abridgment nor a recasting of any other. I anticipate great pleasure in the years immediately to come from the handling with my classes, who have always been of much assistance to me from the first in studying Political Economy, a fresh book written expressly for them and for others like-circumstanced; in which every principle is drawn from the facts of every-day life by way of induction, and also stands in vital touch with such facts (past or present) by way of illustration.

The third and only other reason needful to be mentioned here is, that in recent years the legislation of my country in the matter of cheap Money and of artificial restrictions on Trade has run so directly counter to sound Economics in their very core, that I felt it a debt due to my countrymen to use once more the best and ripest results of my life-long studies, in the most cogent and persuasive way possible within strictly scientific limits, to help them see and act for themselves in the way of escape from false counsels and impoverishing statutes. Wantonly and enormously heavy lies the hand of the national Government upon the masses of the people at present. But the People are sovereign, and not their transient agents in the government; and the signs are now cheering indeed, that they have not forgotten their native word of command, nor that government is instituted

for the sole benefit of the governed and governing people, nor that the greatest good of the greatest number is the true aim and guide of Legislation. I am grateful for the proofs that appear on every hand, that former labors in these directions and under these motives have proven themselves to have been both opportune and effective; and I am sanguine almost to certainty, that this reiterated effort undertaken for the sake of my fellow-citizens as a whole, will slowly bear abundant fruit also, as towards their liberty of action as individuals, and in their harmonious co-operation together as entire classes to the end of popular comforts and universal progress.

A. L. PERRY.

WILLIAMS COLLEGE,
November 25, 1890.

TABLE OF CONTENTS.

	PAGE
CHAPTER I.	
VALUE	1
CHAPTER II.	
MATERIAL COMMODITIES	80
CHAPTER III.	
PERSONAL SERVICES	181
CHAPTER IV.	
COMMERCIAL CREDITS	271
CHAPTER V.	
MONEY	361
CHAPTER VI.	
FOREIGN TRADE	451
CHAPTER VII.	
TAXATION	540
INDEX	
INDEX	587