

CHAPTER IV.

The Fulcrum of the Argument.

It is the produce of the land and labour of a country, in which its wealth consists.

Dr Colquhoun sums up the annual income of the nation, expressed in money, at a scale of value corresponding to 70s. 6d. per quarter for wheat, in the following table :—

Property created in Great Britain and Ireland, in the Year 1812—13.

Agriculture, in all its branches	-	£216,817,624
Mines and minerals, including coals	-	9,000,000
Manufactures, in every branch	-	114,230,000
Inland trade, in all its branches	-	31,500,000
Foreign commerce and shipping	-	46,373,748
Coasting trade	-	2,000,000
Fisheries, exclusive of the Colonial Fisheries of Newfoundland	-	2,100,000
Chartered and private bankers	-	3,500,000
Foreign income remitted	-	5,000,000
		<hr/> £430,521,372 <hr/>

Without subscribing to the perfect correctness of this estimate, as we cannot see how

banking profits are a creation of national property, whatever they may be of individual, we shall, for the sake of argument, assume the statement to be true.

Now, the first thing necessary to the annual production of any commodity is, that there should be an annual consumption and demand for it. Its production is, in fact, a proof of its consumption. Without consumption no demand could exist, and no production would take place. Demand, on the other hand, proceeds from income. Without income, the inclination to consume may be strong enough, but not being accompanied with the power of purchase, the inclination is not sufficient. It is, therefore, from the expenditure of income only, that this demand arises.

This conclusion is, therefore, obvious,—that if to the existence of an annual income of 430 millions, an expenditure of 430 millions be necessary, in order to cause that demand which gives rise to it, and there is no other source of income from whence this consumption can proceed, every shilling of the 430 millions must be annually spent.

CHAPTER V.

National Wealth not increased by National Economy.

If the whole income of society must be spent, and if the whole annual produce must be consumed, in order to its being produced, no increase of national wealth by mere accumulation can take place. There must, no doubt, at all times, be a stock of commodities in the hands of the merchant, manufacturer, and dealer, in order that consumption may be regularly supplied. This stock, however, must have been accumulated previous to the establishment of that consumption to which it administers. Thus, cotton, which comes from the East and West Indies, has to go through such various manufacturing processes, that with the voyage, and the time occupied in preparing it for use, a second crop, in all probability, will be off the ground before the first reaches the consumer. Hence, of necessity, there must be generally a stock equal to one crop on hand, before consumption can take place. This stock may be sometimes larger, and sometimes less. But

it must always be sufficient to supply consumption, and can never, to any very great extent, exceed the amount necessary for that purpose. A merchant or manufacturer very soon discovers when his stock is too large, by his being unable to dispose of it. He consequently ceases either to import, or to manufacture what he cannot sell. It is the same with every other commodity. A stock of it must exist previous to consumption, and though it may vary in amount, can never very far exceed the limits that the object for which it exists prescribes to it. Not only will it not pay to have capital invested in an unsaleable stock, but most commodities are perishable, and if they do not entirely spoil, lose their saleable value by keeping. Thus there can be no great accumulation of national wealth by the saving of stock on its way to consumption. Neither can there be any saving of buildings and machinery. They must also exist previous to the consumption which they aid in supplying. The manufacturing machinery at any one time in use, is generally equal to supply the demand to which it administers, and if no improvement take place in it, no very considerable stock of machinery beyond what is wanted can accumulate. By an improvement in machinery, an additional capital is sometimes rendered necessary. This, how-

ever, is not the result of an accumulation of capital, but of ingenuity; and sometimes by simplifying machinery, less capital is rendered necessary, as well as more. When, however, an additional capital, in consequence of any such improvements, is required, it must accumulate before consumption through the medium of the new machinery can be supplied, and when a sufficient quantity of it for that purpose is set agoing, no further increase can take place. The same may be said of almost every other description of what economists call productive capital. Its wear and tear will require to be kept up. This forms part of the annual expenditure of a nation, but it never can materially increase beyond the demand for it.

That this is the case will be sufficiently evident upon an examination of the amount of productive capital which this country is estimated to possess. The following is from Dr Colquhoun's Tables, and includes Great Britain and Ireland:—

Mines and Minerals.—This valuation, I apprehend, not only includes the capital which they cost, but their value, according to the rent or profits which they yield, which, with the best mines, must far exceed their cost, - - - £75,000,000
Carried forward - - - £75,000,000

Brought over	£75,000,000
Canals, tolls, and timber, estimated probably upon the same principles,	50,000,000
Dwelling-houses, including warehouses and manufactories, £400,000,000, one quarter of which we shall suppose to constitute the value of the warehouses and manufactories,	100,000,000
Manufactured goods in a finished state, deposited in manufactories, warehouses, and shops for sale,	140,000,000
Foreign merchandise, deposited in warehouses, shops, &c. either paid for, or virtually paid by debts owing to this country by foreigners,	40,000,000
British shipping of every description employed in trade, including vessels on the stocks,	27,000,000
Agricultural property, consisting of grain, hay, straw, cheese, butter, and other productions of farms, including implements of husbandry,	45,000,000
Animals, viz. horses, horned cattle, sheep, hogs, goats, asses, deer, wild animals, and poultry,	183,000,000
	£660,000,000

This table contains all that description of capital, by the accumulation of which, according to the theory of Dr Smith, the wealth of society is, and may be increased; yet it is little more, by Dr Colquhoun's calculation, than equal to one year and a half's amount of property annually created, though it has been accumulating from the first dawn of civilization. That such

capital is necessary and essentially conducive to national wealth, there can be no question. A spade is necessary and essentially conducive to the annual produce of the garden which is dug with it. But, that public wealth can be increased by any parsimonious savings of it, is quite impossible. When you have spades enough, and to spare, more would not be wealth but waste. If you build a mill upon your estate, it may improve its value. If you build another, with only employment for one, you throw away so much money. You do not increase your wealth by it. The same with a nation. A stock of goods, machinery, &c. is necessary, in order to the production and advantageous distribution of wealth, but no merely parsimonious increase of it can be of any service. This country has much more rapidly improved, and increased its stock of this description of wealth, during the last thirty years, than at any former period of our history; yet during the principal part of that time, we have been engaged in expensive wars, which have drained the country of its surplus capital. Little or none was left to accumulate and spread over the land, to irrigate its agriculture and commerce, according to existing theories. No deficiency of capital, however, has been observed: it has always been found where it has been wanted. And from this it may,

perhaps, not be incorrect to infer, that where the spirit of improvement and enterprise, (which are the children of freedom and intelligence,) exists, want of capital is seldom experienced. It may, at least, be very safely assumed that it never can accumulate where it is not wanted; and that national parsimony, to any extent, is neither particularly advantageous nor possible.

CHAPTER VI.

National Wealth composed of Annual Income.

A FINE house, fine furniture, a good stock of cloaths, and other consumable commodities, are the usual symptoms of wealth; but we should not consider an individual rich who had no other property. We should think him, on the contrary, excessively poor, for the show he exhibited. He would only be rich in proportion to this appearance, if his annual income corresponded with it. A nobleman with a splendid house and no estate, would be an exceedingly poor nobleman. He would, in fact, be only worth what his house would sell for, and purchase him in annual income. If he could not sell it, and purchase annual income with the produce, he would be worth nothing.

What is the case with an individual, is the case also with a nation. Its buildings, furniture, stock in trade, manufactures, shipping, &c. though important instruments and undoubted proofs of wealth, form but the surface of it. It is the annual amount of commodities produ-

ced for actual consumption in which the wealth of a nation principally consists. Though stock, manufactories, canals, &c. like a mill upon an estate for grinding its produce into flour, warehouses for storing it, and conveyances for carrying it, are necessary for preparing and distributing its wealth for consumption, yet as it is the corn, and not the mill, warehouses, carts, &c. which constitutes the value of the estate—for without the estate they would be worth nothing,—so is it the annual produce of a nation, which forms its wealth, and not the instruments by which that produce is fitted for consumption.



CHAPTER VII.

Real and Nominal Income of Society.

THE income of society, as expressed in money, may be divided into two descriptions, the nominal and the real. A person with an estate, which will yield him ten thousand pounds per annum, may have it mortgaged to half its value: his income, however, will still be ten thousand pounds per annum, though the mortgagee may receive one half of the rental for the interest of his mortgage. The two incomes united, in that case, would amount to fifteen thousand pounds per annum, while the income from which they were derived would only be ten thousand pounds. The proprietor might, with the remainder of his income, and the mortgagee with his share of it, employ servants and labourers, purchase commodities which represent labour, materials, and profits of manufacturers and tradesmen, hire teachers, reward players, go journies, &c. and those persons who thus received the money might in their turn do the same. By passing in this manner from hand to hand, it might entirely compose the

incomes of many, and form a part of the incomes of many more; and were the whole added together, would present an enumeration of income to many times its original amount. The real income, however, from which the whole proceeded, would be that which was, in the first instance, derived by the owner of the estate from the produce of the soil.

CHAPTER VIII.

The Income of Society is consumed.

IN whatever way a person acquires the money he receives, he must do one of three things with it. He must either hoard it, lend it at interest to others, or expend it himself.

If he hoard it, he contracts the amount of currency in circulation, and reduces the prices of commodities below the national standard. All changes of price are produced by an increased or diminished demand for commodities in the market, and the effect of hoarding is in the first instance to reduce the demand for commodities to the extent of the money hoarded. By this means their price is reduced; and by this reduction the foreign demand for them is increased, and the surplus quantity which the money hoarded left without a demand, is carried off. A balance of payments is thus created in favour of the nation, and a quantity of money brought into it equal to that which by hoarding was abstracted from circulation. When the money that has been hoarded is brought into circulation again, precisely the

opposite effects are produced. Hoarding money, therefore, does not diminish the ultimate demand for commodities, it only alters the channel of their consumption.

If he lend it to others at interest, they give him interest for it, either to expend it commercially or actually. They employ it either in building houses or ships, or digging mines, &c. from which an annual profit is expected, or in the manufacture of goods, or in the purchase and sale of them, or in some way in which the transit of commodities from their first production to their final consumption is promoted, in all of which commercial or actual consumption is produced; or otherwise they expend it in the actual purchase, consumption, and enjoyment of the necessities, conveniences, and luxuries of life.

If he expend it himself, it must either be in actual or commercial consumption as above described: so that whether he saves the money, or whether he spends it, consumption is equally produced.