

PRINCIPLES
OF
POLITICAL ECONOMY
CONSIDERED
WITH A VIEW TO THEIR PRACTICAL
APPLICATION.

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PRINCIPLES

OF

POLITICAL ECONOMY.

INTRODUCTION.

It has been said, and perhaps with truth, that the conclusions of Political Economy partake more of the certainty of the stricter sciences than those of most of the other branches of human knowledge. Yet we should fall into a serious error if we were to suppose that any propositions, the practical results of which depend upon the agency of so variable a being as man, and the qualities of so variable a compound as the soil, can ever admit of the same kinds of proof, or lead to the same certain conclusions, as those which relate to figure and number. There are indeed in political economy great general principles, to which exceptions are of the most rare occurrence, and prominent land-marks which may almost always be depended upon as safe guides; but even these, when examined, will be found to resemble in most particulars the great general rules in morals and poli-

tics founded upon the known passions and propensities of human nature : and whether we advert to the qualities of man, or of the earth he is destined to cultivate, we shall be compelled to acknowledge, that the science of political economy bears a nearer resemblance to the science of morals and politics than to that of mathematics.

This conclusion, which could hardly fail to be formed merely from a view of the subjects about which political economy is conversant, is further strengthened by the differences of opinion which have prevailed among those who have directed a large share of talent and attention to this study.

During the prevalence of the mercantile system, the interest which the subject excited was confined almost exclusively to those who were engaged in the details of commerce, or expected immediate benefit from its results. The differences which prevailed among merchants and statesmen, which were differences rather in practice than principle, were not calculated to attract much attention. But no sooner was the subject raised into a science by the works of the Economists and of Adam Smith, than a memorable schism divided, for a considerable time, the students of this new branch of knowledge, on the fundamental questions—What is wealth? and from what source or sources is it derived?

Happily for the interests of the science and its usefulness to society, the Economists and Adam Smith entirely agreed on some of those great general principles which lead to the most impor-

tant practical conclusions; such as the freedom of trade, and the leaving every person, while he adheres to the rules of justice, to pursue his own interest his own way, together with some others: and unquestionably their agreement on these principles affords the strongest presumption of their truth. Yet the differences of the Economists and Adam Smith were not mere differences in theory; they were not different interpretations of the same phenomena, which would have no influence on practice; but they involved such views of the nature and origin of wealth, as, if adopted, would lead, in almost every country, to great practical changes, particularly on the very important subject of taxation.

Since the æra of these distinguished writers, the subject has gradually attracted the attention of a greater number of persons, particularly during the last twenty or thirty years. All the main propositions of the science have been examined, and the events which have since occurred, tending either to illustrate or confute them, have been repeatedly discussed. The result of this examination and discussion seems to be, that on some very important points there are still great differences of opinion. Among these, perhaps, may be reckoned—The definitions of wealth and of productive labour—The nature and measures of value—The nature and extent of the principles of demand and supply—The origin and progress of rent—The causes which determine the wages of labour and the profits of stock—The causes which practically retard and limit the progress of wealth—

The level of the precious metals in different countries—The principles of taxation, &c. On all these points, and many others among the numerous subjects which belong to political economy, differences have prevailed among persons whose opinions are entitled to attention. Some of these questions are to a certain degree theoretical; and the solution of them, though obviously necessary to the improvement of the science, might not essentially affect its practical rules; but others are of such a nature, that the determination of them one way or the other will necessarily influence the conduct both of individuals and of governments; and their correct determination therefore must be a matter of the highest practical importance.

In a science such as that of political economy, it is not to be expected that an *universal* assent should be obtained to all its important propositions; but, in order to give them their proper weight and justify their being acted upon, it is extremely desirable, indeed almost necessary, that a considerable *majority* of those who, from their attention to the subject, are considered by the public as likely to be the most competent judges, should agree in the truth of them.

Among those writers who have treated the subject scientifically, there is not perhaps, at the present moment, so general an agreement as would be desirable to give effect to their conclusions; and the writers who peculiarly call themselves practical, either draw no general inferences, or are so much influenced by narrow, partial, and some-

times interested views, that no reliance can be placed on them for the establishment of general rules. The last twenty or thirty years have besides been marked by a train of events of a most extraordinary kind; and there has hardly yet been time so to arrange and examine them as to see to what extent they confirm or invalidate the received principles of the science to which they relate.

The present period, therefore, seems to be unpropitious to the publication of a new systematic treatise on political economy. The treatise which we already possess is still of the very highest value; and till a more general agreement shall be found to take place, both with respect to the controverted points of Adam Smith's work, and the nature and extent of the additions to it, which the more advanced stage of the science has rendered necessary, it is obviously more advisable that the different subjects which admit of doubt should be treated separately. When these discussions have been for some time before the public, and a sufficient opportunity has been given, by the collision of different opinions and an appeal to experience, to separate what is true from what is false, the different parts may then be combined into a consistent whole, and may be expected to carry with it such weight and authority as to produce the most useful practical results.

The principal cause of error, and of the differences which prevail at present among the scientific writers on political economy, appears to me to be

a precipitate attempt to simplify and generalize; and while their more practical opponents draw too hasty inferences from a frequent appeal to partial facts, these writers run into a contrary extreme, and do not sufficiently try their theories by a reference to that enlarged and comprehensive experience which, on so complicated a subject, can alone establish their truth and utility.

To minds of a certain cast there is nothing so captivating as simplification and generalization. It is indeed the desirable and legitimate object of genuine philosophy, whenever it can be effected consistently with truth; and for this very reason, the natural tendency towards it has, in almost every science with which we are acquainted, led to crude and premature theories.

In political economy the desire to simplify has occasioned an unwillingness to acknowledge the operation of more causes than one in the production of particular effects; and if one cause would account for a considerable portion of a certain class of phenomena, the whole has been ascribed to it without sufficient attention to the facts, which would not admit of being so solved. I have always thought that the late controversy on the bullion question presented a signal instance of this kind of error. Each party being possessed of a theory which would account for an unfavourable exchange, and an excess of the market price above the mint price of bullion, adhered to that single view of the question, which it had been accustomed to consider as correct; and scarcely one writer seemed willing to

to admit of the operation of both theories, the combination of which, sometimes acting in conjunction and sometimes in opposition, could alone adequately account for the variable and complicated phenomena observable.*

It is certain that we cannot too highly respect and venerate that admirable rule of Newton, not to admit more causes than are necessary to the solution of the phenomena we are considering, but the rule itself implies, that those which really are necessary must be admitted. Before the shrine of truth, as discovered by facts and experience, the fairest theories and the most beautiful classifications must fall. The chemist of thirty years ago may be allowed to regret, that new discoveries in the science should disturb and confound his previous systems and arrangements; but he is not entitled to the name of philosopher, if he does not give them up without a struggle, as soon as the experiments which refute them are fully established.

The same tendency to simplify and generalize, produces a still greater disinclination to allow of modifications, limitations, and exceptions to any rule or proposition, than to admit the operation of more causes than one. Nothing indeed is so unsatisfactory, and gives so unscientific and unmas-

* It must be allowed, however, that the theory of the Bullionists, though too exclusive, accounted for much the largest proportion of the phenomena in question; and perhaps it may be said with truth that the Bullion Report itself was more free from the error I have adverted to than any other work that appeared.

terly an air to a proposition as to be obliged to make admissions of this kind; yet there is no truth of which I feel a stronger conviction than that there are many important propositions in political economy which absolutely require limitations and exceptions; and it may be confidently stated that the frequent combination of complicated causes, the action and reaction of cause and effect on each other, and the necessity of limitations and exceptions in a considerable number of important propositions, form the main difficulties of the science, and occasion those frequent mistakes which it must be allowed are made in the prediction of results.

To explain myself by an instance. Adam Smith has stated, that capitals are increased by parsimony, that every frugal man is a public benefactor,* and that the increase of wealth depends upon the balance of produce above consumption.† That these propositions are true to a great extent is perfectly unquestionable. No considerable and continued increase of wealth could possibly take place without that degree of frugality which occasions, annually, the conversion of some revenue into capital, and creates a balance of produce above consumption; but it is quite obvious that they are not true to an indefinite extent, and that the principle of saving, pushed to excess, would destroy the motive to production. If every person were satisfied with the simplest food, the poorest clothing, and the meanest houses, it is certain that no other sort

* *Wealth of Nations*, Book II. c. iii. pp. 15—18. 6th edit.

† Book IV. c. iii. p. 250.

of food, clothing, and lodging would be in existence; and as there would be no adequate motive to the proprietors of land to cultivate well, not only the wealth derived from conveniences and luxuries would be quite at an end, but if the same divisions of land continued, the production of food would be prematurely checked, and population would come to a stand long before the soil had been well cultivated. If consumption exceed production, the capital of the country must be diminished, and its wealth must be gradually destroyed from its want of power to produce; if production be in a great excess above consumption, the motive to accumulate and produce must cease from the want of will to consume. The two extremes are obvious; and it follows that there must be some intermediate point, though the resources of political economy may not be able to ascertain it, where, taking into consideration both the power to produce and the will to consume, the encouragement to the increase of wealth is the greatest.

The division of landed property presents another obvious instance of the same kind. No person has ever for a moment doubted that the division of such immense tracts of land as were formerly in possession of the great feudal proprietors must be favourable to industry and production. It is equally difficult to doubt that a division of landed property may be carried to such an extent as to destroy all the benefits to be derived from the accumulation of capital and the division of labour, and to occasion the most extended poverty. There is here