

THE WORKS
AND CORRESPONDENCE OF
DAVID RICARDO

VOLUME I

PLAN OF THE EDITION

VOLUME

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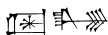
THE WORKS
AND CORRESPONDENCE OF
David Ricardo

Edited by Piero Sraffa
with the Collaboration of M. H. Dobb



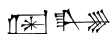
VOLUME I

On the Principles of
Political Economy and
Taxation



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CHAPTER II

On Rent

It remains¹ however to be considered, whether the appropriation of land, and the consequent creation of rent, will occasion any variation in the relative value of commodities, independently of the quantity of labour necessary to production. In order to understand this part of the subject, we must enquire into the nature of rent, and the laws by which its rise or fall is regulated.²

Rent is that portion of the produce of the earth, which is paid to the landlord for the use of the original and indestructible powers of the soil. It is often, however, confounded with the interest and profit of capital, and, in popular language, the term is applied to whatever is annually paid by a farmer to his landlord. If, of two adjoining farms of the same extent, and of the same natural fertility, one had all the conveniences of farming buildings, and, besides, were³ properly drained and manured, and advantageously divided by hedges, fences and walls, while the other had none of these advantages, more remuneration would naturally be paid for the use of one, than for the use of the other; yet in both cases this remuneration would be called rent. But it is evident, that a portion only of the money annually to be paid for the improved farm, would be given for the original and indestructible powers of the soil; the other portion would be paid for the use of the capital which had been employed in ameliorating the quality of the land, and in erecting such buildings as were necessary to secure and preserve the produce. Adam Smith sometimes speaks of rent, in the strict sense to which I am desirous of confining it, but more often

¹ Cp. above, p. 22–3, end of n. 3.

² In ed. 1 this and the next paragraph are not separated.

³ Eds. 1–2 ‘buildings, were, besides,’.

in the popular sense, in which the term is usually employed. He tells us, that the demand for timber, and its consequent high price, in the more southern countries of Europe, caused a rent to be paid for forests in Norway, which could before afford no rent.¹ Is it not, however, evident, that the person who paid what he thus calls rent, paid it in consideration of the valuable commodity which was then standing on the land, and that he actually repaid himself with a profit, by the sale of the timber? If, indeed, after the timber was removed, any compensation were paid to the landlord for the use of the land, for the purpose of growing timber or any other produce, with a view to future demand, such compensation might justly be called rent, because it would be paid for the productive powers of the land; but in the case stated by Adam Smith, the compensation was paid for the liberty of removing and selling the timber, and not for the liberty of growing it. He speaks also of the rent of coal mines, and of stone quarries,² to which the same observation applies—that the compensation given for the mine or quarry, is paid for the value of the coal or stone which can be removed from them, and has no connection with the original and indestructible powers of the land. This is a distinction of great importance, in an enquiry concerning rent and profits; for it is found, that the laws which regulate the progress of rent, are widely different from those which regulate the progress of profits, and seldom operate in the same direction. In all improved countries, that which is annually paid to the landlord, partaking of both characters, rent and profit, is sometimes kept stationary by the effects of opposing causes; at other times advances or recedes, as one or the³ other of these causes preponderates. In the future pages of this work, then, whenever I speak of the rent of land, I wish to be understood as speaking

¹ Bk. I, ch. xi, pt. ii; vol. I, p. 164. ³ Eds. 1–2 do not contain ‘the’.

² *ib.* vol. I, pp. 163, 167.

of that compensation, which is paid to the owner of land for the use of its original and indestructible powers.¹

On the first settling of a country, in which there is an abundance of rich and fertile land, a very small proportion of which is required to be cultivated for the support of the actual population, or indeed can be cultivated with the capital which the population can command, there will be no rent; for no one would pay for the use of land, when there was an abundant quantity not yet appropriated, and, therefore, at the disposal of whosoever might choose to cultivate it.

On the common principles of supply and demand, no rent could be paid for such land, for the reason stated why nothing is given for the use of air and water, or for any other of the gifts of nature which exist in boundless quantity. With a given quantity of materials, and with the assistance of the pressure of the atmosphere, and the elasticity of steam, engines may perform work, and abridge human labour to a very great extent; but no charge is made for the use of these natural aids, because they are inexhaustible, and at every man's disposal. In the same manner the brewer, the distiller, the dyer, make incessant use of the air and water for the production of their commodities; but as the supply is boundless, they bear² no price.*

*"The earth, as we have already seen, is not the only agent of nature which has a productive power; but it is the only one, or nearly so, that one set of men take to themselves, to the exclusion of others; and of which, consequently, they can appropriate the benefits. The waters of rivers, and of the sea, by the power which they have of giving movement to our machines, carrying our boats, nourishing our fish, have also a productive power; the wind which turns our mills, and even the heat of the sun, work for us; but happily no one has yet been able to say, the 'wind and the sun are mine, and the service which they render must be paid for.'"—*Economie Politique, par J. B. Say*, vol. ii. p. 124.

¹ Cp. the 'original and inherent power of the land' in *Essay on Profits*, below, IV, 18, n. The definition of rent is extended below, p. 261, n., to include the remunera-

tion paid to the landlord for the use of all 'indestructible powers' of land, whether original or not.

² Ed. 1 'it bears'.

If all land had the same properties, if it were unlimited in quantity,¹ and uniform in quality, no charge could be made for its use, unless where it possessed peculiar advantages of situation. It is only, then, because land is not unlimited in quantity and uniform in quality,² and because in the progress of population, land of an inferior quality, or less advantageously situated, is called into cultivation, that rent is ever paid for the use of it. When in the progress of society, land of the second degree of fertility is taken into cultivation, rent immediately commences on that of the first quality, and the amount of that rent will depend on the difference in the quality of these two portions of land.

When land of the third quality is taken into cultivation, rent immediately commences on the second, and it is regulated as before, by the difference in their productive powers. At the same time, the rent of the first quality will rise, for that must always be above the rent of the second, by the difference between the produce which they yield with a given quantity of capital and labour. With every step in the progress of population, which shall oblige a country to have recourse to land of a worse quality, to enable it to raise its supply of food, rent, on all the more fertile land, will rise.

Thus suppose land—No. 1, 2, 3,—to yield, with an equal employment of capital and labour, a net produce of 100, 90, and 80 quarters of corn. In a new country, where there is an abundance of fertile land compared with the population, and where therefore it is only necessary to cultivate No. 1, the whole net produce will belong to the cultivator, and will be the profits of the stock which he advances. As soon as population had so far increased as to make it necessary to cultivate

¹ Eds. 1–2 ‘boundless in quantity’.

² Ed. 1 ‘It is only then because land is of different qualities with respect to its productive powers’.

Ed. 2 is uniform with ed. 3, except that it has ‘boundless’ in place of ‘unlimited’.

No. 2, from which ninety quarters only can be obtained after supporting the labourers, rent would commence on No. 1; for either there must be two rates of profit on agricultural capital, or ten quarters, or the value of ten quarters must be withdrawn from the produce of No. 1, for some other purpose. Whether the proprietor of the land, or any other person, cultivated No. 1, these ten quarters would equally constitute rent; for the cultivator of No. 2 would get the same result with his capital, whether he cultivated No. 1, paying ten quarters for rent, or continued to cultivate No. 2, paying no rent. In the same manner it might be shown that when No. 3 is brought into cultivation, the rent of No. 2 must be ten quarters, or the value of ten quarters, whilst the rent of No. 1 would rise to twenty quarters; for the cultivator of No. 3 would have the same profits whether he paid twenty quarters for the rent of No. 1, ten quarters for the rent of No. 2, or cultivated No. 3 free of all rent.

It often, and, indeed, commonly happens, that before No. 2, 3, 4, or 5, or the inferior lands are cultivated, capital can be employed more productively on those lands which are already in cultivation. It may perhaps be found, that by doubling the original capital employed on No. 1, though the produce will not be doubled, will not be increased by 100 quarters, it may be increased by eighty-five quarters, and that this quantity exceeds what could be obtained by employing the same capital, on land No. 3.

In such case, capital will be preferably employed on the old land, and will equally create a rent; for rent is always the difference between the produce obtained by the employment of two equal quantities of capital and labour. If, with a capital of 1000*l.*, a tenant obtain 100 quarters of wheat from his land, and by the employment of a second capital of 1000*l.*, he obtain a further return of eighty-five, his landlord would have the

power at the expiration of his lease, of obliging him to pay fifteen quarters, or an equivalent value, for additional rent; for there cannot be two rates of profit. If he is satisfied with a diminution of fifteen quarters in the return for his second 1000*l.*, it is because no employment more profitable can be found for it. The common rate of profit would be in that proportion, and if the original tenant refused, some other person would be found willing to give all which exceeded that rate of profit to the owner of the land from which he derived it.

In this case, as well as in the other, the capital last employed pays no rent. For the greater productive powers of the first 1000*l.*, fifteen quarters is paid for rent, for the employment of the second 1000*l.* no rent whatever is paid. If a third 1000*l.* be employed on the same land, with a return of seventy-five quarters, rent will then be paid for the second 1000*l.*, and will be equal to the difference between the produce of these two, or ten quarters; and at the same time the rent of the first 1000*l.* will rise from fifteen to twenty-five quarters; while the last 1000*l.* will pay no rent whatever.

If, then, good land existed in a quantity much more abundant than the production of food for an increasing population required, or if capital could be indefinitely employed without a diminished return on the old land, there could be no rise of rent; for rent invariably proceeds from the employment of an additional quantity of labour with a proportionally less return.

The most fertile, and most favorably situated, land will be first cultivated, and the exchangeable value of its produce will be adjusted in the same manner as the exchangeable value of all other commodities, by the total quantity of labour necessary in various forms, from first to last, to produce it, and bring it to market. When land of an inferior quality is taken into cultivation, the exchangeable value of raw produce will rise, because more labour is required to produce it.

The exchangeable value of all commodities, whether they be manufactured, or the produce of the mines, or the produce of land, is always regulated, not by the less quantity of labour that will suffice for their production under circumstances highly favorable, and exclusively enjoyed by those who have peculiar facilities of production; but by the greater quantity of labour necessarily bestowed on their production by those who have no such facilities; by those who continue to produce them under the most unfavorable circumstances; meaning—by the most unfavorable circumstances, the most unfavorable under which the quantity of produce required, renders it necessary to carry on the production.

Thus, in a charitable institution, where the poor are set to work with the funds of benefactors, the general prices of the commodities, which are the produce of such work, will not be governed by the peculiar facilities afforded to these workmen, but by the common, usual, and natural difficulties, which every other manufacturer will have to encounter. The manufacturer enjoying none of these facilities might indeed be driven altogether from the market, if the supply afforded by these favored workmen were equal to all the wants of the community; but if he continued the trade, it would be only on condition that he should derive from it the usual and general rate of profits on stock; and that could only happen when his commodity sold for a price proportioned to the quantity of labour bestowed on its production.*

*Has not M. Say forgotten, in the following passage, that it is the cost of production which ultimately regulates price? "The produce of labour employed on the land has this peculiar property, that it does not become more dear by becoming more scarce, because population always diminishes at the same time that food diminishes, and consequently the quantity of these products *demanded*, diminishes at the same time as the quantity supplied. Besides, it is not observed that corn is more dear in those places where there is plenty of uncultivated land, than in completely cultivated countries. England and France were much more imperfectly cultivated

It is true, that on the best land, the same produce would still be obtained with the same labour as before, but its value would be enhanced in consequence of the diminished returns obtained by those who employed fresh labour and stock on the less fertile land. Notwithstanding, then, that the advantages of fertile over inferior lands are in no case lost, but only transferred from the cultivator, or consumer, to the landlord, yet, since more labour is required on the inferior lands, and since it is from such land only that we are enabled to furnish ourselves with the additional supply of raw produce, the comparative value of that produce will continue permanently above its former level, and make it exchange for more hats, cloth, shoes, &c. &c. in the production of which no such additional quantity of labour is required.

The reason then, why raw produce rises in comparative value, is because more labour is employed in the production of the last portion obtained, and not because a rent is paid to the landlord. The value of corn is regulated by the quantity of labour bestowed on its production on that quality of land, or with that portion of capital, which pays no rent. Corn is not high because a rent is paid, but a rent is paid because corn is high; and it has been justly observed,¹ that no reduction

in the middle ages than they are now; they produced much less raw produce; nevertheless from all that we can judge by a comparison with the value of other things, corn was not sold at a dearer price. If the produce was less, so was the population; the weakness of the demand compensated the feebleness of the supply." Vol. ii. 338. M. Say being impressed with the opinion that the price of commodities is regulated by the price of labour, and justly supposing that charitable institutions of all sorts tend to increase the population beyond what it otherwise would be, and therefore to lower wages, says, "I suspect that the cheapness of the goods, which come from England, is partly caused by the numerous charitable institutions which exist in that country." vol. ii. 277. This is a consistent opinion in one who maintains that wages regulate price.

¹ See Malthus's *Inquiry into the Nature and Progress of Rent*, 1815, p. 57.

would take place in the price of corn, although landlords should forego the whole of their rent. Such a measure would only enable some farmers to live like gentlemen, but would not diminish the quantity of labour necessary to raise raw produce on the least productive land in cultivation.

Nothing is more common than to hear of the advantages which the land possesses over every other source of useful produce, on account of the surplus which it yields in the form of rent. Yet when land is most abundant, when most productive, and most fertile, it yields no rent; and it is only when its powers decay, and less is yielded in return for labour, that a share of the original produce of the more fertile portions is set apart for rent. It is singular that this quality in the land, which should have been noticed as an imperfection, compared with the natural agents by which manufacturers are assisted, should have been pointed out as constituting its peculiar pre-eminence. If air, water, the elasticity of steam, and the pressure of the atmosphere, were of various qualities; if they could be appropriated, and each quality existed only in moderate abundance, they, as well as the land, would afford a rent, as the successive qualities were brought into use. With every worse quality employed, the value of the commodities in the manufacture of which they were used, would rise, because equal quantities of labour would be less productive. Man would do more by the sweat of his brow, and nature perform less; and the land would be no longer pre-eminent for its limited powers.

If the surplus produce which land affords in the form of rent be an advantage, it is desirable that, every year, the machinery newly constructed should be less efficient than the old, as that would undoubtedly give a greater exchangeable value to the goods manufactured, not only by that machinery but by all the other machinery in the kingdom; and a rent would

be paid to all those who possessed the most productive machinery.*

*“In agriculture too,” says Adam Smith, “nature labours along with man; and though her labour costs no expense, its produce has its value, as well as that of the most expensive workman.” The labour of nature is paid, not because she does much, but because she does little. In proportion as she becomes niggardly in her gifts, she exacts a greater price for her work. Where she is munificently beneficent, she always works gratis. “The¹ labouring cattle employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value equal to their own consumption, or to the capital which employs them, together with its owner’s profits, but of a much greater value. Over and above the capital of the farmer and all its profits, they regularly occasion the reproduction of the rent of the landlord. This rent may be considered as the produce of those powers of nature, the use of which the landlord lends to the farmer. It is greater or smaller according to the supposed extent of those powers, or in other words, according to the supposed natural or improved fertility of the land. It is the work of nature which remains, after deducting or compensating every thing which can be regarded as the work of man. It is seldom less than a fourth, and frequently more than a third of the whole produce. No equal quantity of productive labour employed in manufactures, can ever occasion so great a reproduction. *In them nature does nothing, man does all;* and the reproduction must always be in proportion to the strength of the agents that occasion it. The capital employed in agriculture, therefore, not only puts into motion a greater quantity of productive labour than any equal capital employed in manufactures, but in proportion too, to the quantity of the productive labour which it employs, it adds a much greater value to the annual produce of the land and labour of the country, to the *real* wealth and revenue of its inhabitants. Of all the ways in which a capital can be employed, it is by far the most advantageous to the society.”—Book II. chap. v. p. 15.²

Does nature nothing for man in manufactures? Are the powers of wind and water, which move our machinery, and assist navigation, nothing? The pressure of the atmosphere and the elasticity of steam, which enable us to work the most stupendous engines—are they not the gifts of nature? to say nothing of the effects of the matter of heat in softening and melting metals, of the decomposition of the atmosphere in the process of dyeing³ and fermentation. There is not a manufacture which can be mentioned, in which nature does not give her assistance to man, and give it too, generously and gratuitously.

In remarking on the passage which I have copied from Adam Smith,

¹ Adam Smith actually says ‘The labourers and’. There are other minor inaccuracies in the quotation.

² Cannan’s ed., vol. 1, pp. 343–4. The italics are Ricardo’s.

³ Ed. 3 misprints ‘dying’.

The rise of rent is always the effect of the increasing wealth of the country, and of the difficulty of providing food for its augmented population. It is a symptom, but it is never a cause of wealth; for wealth often increases most rapidly while rent is either stationary, or even falling. Rent increases most rapidly, as the disposable land decreases in its productive powers. Wealth increases most rapidly in those countries where the disposable land is most fertile, where importation is least restricted, and where through agricultural improvements, productions can be multiplied without any increase in the proportional quantity of labour, and where consequently the progress of rent is slow.

If the high price of corn were the effect, and not the cause of rent, price would be proportionally influenced as rents were high or low, and rent would be a component part of price. But that corn which is produced by the greatest quantity of labour is the regulator of the price of corn; and rent does not and cannot enter in the least degree as a component part of its price.* Adam Smith, therefore, cannot be correct in supposing that the original rule which regulated the exchangeable

Mr. Buchanan observes, "I have endeavoured to show, in the observations on productive and unproductive labour, contained in the fourth volume, that agriculture adds no more to the national stock than any other sort of industry. In dwelling on the reproduction of rent as so great an advantage to society, Dr. Smith does not reflect that rent is the effect of high price, and that what the landlord gains in this way, he gains at the expense of the community at large. There is no absolute gain to the society by the reproduction of rent; it is only one class profiting at the expense of another class. The notion¹ of agriculture yielding a produce, and a rent in consequence, because nature concurs with human industry in the process of cultivation, is a mere fancy. It is not from the produce, but from the price at which the produce is sold, that the rent is derived; and this price is got not because nature assists in the production, but because it is the price which suits the consumption to the supply."²

*The clearly understanding this principle is, I am persuaded, of the utmost importance to the science of political economy.³

¹ Misprinted 'motion' in all eds. ² Buchanan's ed. of the *Wealth of Nations*, vol. II, p. 55, note.

³ Ed. I does not contain this note.

value of commodities, namely, the comparative quantity of labour by which they were produced, can be at all altered by the appropriation of land and the payment of rent.¹ Raw material enters into the composition of most commodities, but the value of that raw material, as well as corn, is regulated by the productiveness of the portion of capital last employed on the land, and paying no rent; and therefore rent is not a component part of the price of commodities.

We have been hitherto considering the effects of the natural progress of wealth and population on rent, in a country in which the land is of variously productive powers; and we have seen, that with every portion of additional capital which it becomes necessary to employ on the land with a less productive return, rent would rise. It follows from the same principles, that any circumstances in the society which should make it unnecessary to employ the same amount of capital on the land, and which should therefore make the portion last employed more productive, would lower rent. Any great reduction in the capital of a country, which should materially diminish the funds destined for the maintenance of labour, would naturally have this effect. Population regulates itself by the funds which are to employ it, and therefore always increases or diminishes with the increase or diminution of capital. Every reduction of capital is therefore necessarily followed by a less effective demand for corn, by a fall of price, and by diminished cultivation. In the reverse order to that in which the accumulation of capital raises rent, will the diminution of it lower rent. Land of a less² unproductive quality will be in succession relinquished, the

¹ For Adam Smith's 'supposition' (not previously referred to in ed. 3), see p. 22-3, n. 3.

² Should probably read 'a less and less', as the sense requires. This may indeed have been the reading in

the copy sent to the printer, as an abnormally wide spacing of the next line in ed. 1 indicates that some letters were removed after the type had been set.

exchangeable value of produce will fall, and land of a superior quality will be the land last cultivated, and that which will then pay no rent.

The same effects may however be produced, when the wealth and population of a country are increased, if that increase is accompanied by such marked improvements in agriculture, as shall have the same effect of diminishing the necessity of cultivating the poorer lands, or of expending the same amount of capital on the cultivation of the more fertile portions.

If a million of quarters of corn be necessary for the support of a given population, and it be raised on land of the qualities of No. 1, 2, 3; and if an improvement be afterwards discovered by which it can be raised on No. 1 and 2, without employing No. 3, it is evident that the immediate effect must be a fall of rent; for No. 2, instead of No. 3, will then be cultivated without paying any rent; and the rent of No. 1, instead of being the difference between the produce of No. 3 and No. 1, will be the difference only between No. 2 and 1. With the same population, and no more, there can be no demand for any additional quantity of corn; the capital and labour employed on No. 3 will be devoted to the production of other commodities desirable to the community, and can have no effect in raising rent, unless the raw material from which they are made cannot be obtained without employing capital less advantageously on the land, in which case No. 3 must again be cultivated.

It is undoubtedly true, that the fall in the relative price of raw produce, in consequence of the improvement in agriculture, or rather in consequence of less labour being bestowed on its production, would naturally lead to increased accumulation; for the profits of stock would be greatly augmented. This accumulation would lead to an increased demand for labour, to higher wages, to an increased population, to a further demand for raw produce, and to an increased cultivation. It is only, however,

after the increase in the population, that rent would be as high as before; that is to say, after No. 3 was taken into cultivation. A considerable period would have elapsed, attended with a positive diminution of rent.

But improvements in agriculture are of two kinds: those which increase the productive powers of the land, and those which enable us, by improving our machinery,¹ to obtain its produce with less labour. They both lead to a fall in the price of raw produce; they both affect rent, but they do not affect² it equally. If they did not occasion a fall in the price of raw produce, they would not be improvements; for it is the essential quality of an improvement to diminish the quantity of labour before required to produce a commodity; and this diminution cannot take place without a fall of its price or relative value.

The improvements which increase³ the productive powers of the land, are such as the more skilful rotation of crops, or the better choice of manure. These improvements absolutely enable us to obtain the same produce from a smaller quantity of land. If, by the introduction of a course of turnips, I can feed my sheep besides raising my corn, the land on which the sheep were before fed becomes unnecessary, and the same quantity of raw produce is raised by the employment of a less quantity of land. If I discover a manure which will enable me to make a piece of land produce 20 per cent. more corn, I may withdraw at least a portion of my capital from the most unproductive part of my farm. But, as I⁴ before observed, it is not necessary that land should be thrown out of cultivation, in order to reduce rent: to produce this effect, it is sufficient that successive portions of capital are employed on the same land with different results, and that the portion which gives the least result should be withdrawn. If, by the introduction of the

¹ Ed. 1 does not contain ‘, by improving our machinery,’.

² Misprinted ‘effect’ in ed. 3.

³ Misprinted ‘increased’ in eds. 2–3.

⁴ Ed. 1 ‘as I have’.

turnip husbandry, or by the use of a more invigorating manure, I can obtain the same produce with less capital, and without disturbing the difference between the productive powers of the successive portions of capital, I shall lower rent; for a different and more productive portion will be that which will form the standard from which every other will be reckoned. If, for example, the successive portions of capital yielded 100, 90, 80, 70; whilst I employed these four portions, my rent would be 60, or the difference between

$$\left. \begin{array}{r} 70 \text{ and } 100 = 30 \\ 70 \text{ and } 90 = 20 \\ 70 \text{ and } 80 = 10 \\ \text{---} \\ 60 \end{array} \right\} \begin{array}{l} \text{whilst the produce} \\ \text{would be } 340 \end{array} \left\{ \begin{array}{r} 100 \\ 90 \\ 80 \\ 70 \\ \text{---} \\ 340 \end{array} \right.$$

and while I employed these portions, the rent would remain the same, although the produce of each should have an equal augmentation. If, instead of 100, 90, 80, 70, the produce should be increased to 125, 115, 105, 95, the rent would still be 60, or the difference between

$$\left. \begin{array}{r} 95 \text{ and } 125 = 30 \\ 95 \text{ and } 115 = 20 \\ 95 \text{ and } 105 = 10 \\ \text{---} \\ 60 \end{array} \right\} \begin{array}{l} \text{whilst the produce} \\ \text{would be increased} \\ \text{to } 440 \end{array} \left\{ \begin{array}{r} 125 \\ 115 \\ 105 \\ 95 \\ \text{---} \\ 440 \end{array} \right.$$

But with such an increase of produce, without an increase of demand,* there could be no motive for employing so much

*I hope I am not understood as undervaluing the importance of all sorts of improvements in agriculture to landlords—their immediate effect is to lower rent; but as they give a great stimulus to population, and at the same time enable us to cultivate poorer lands, with less labour, they are ultimately of immense advantage to landlords. A period however must elapse, during which they are positively injurious to him.¹

¹ Eds. 1–2 do not contain this note; it was added, with other similar passages elsewhere, as a reply to Malthus's criticisms (below, II, 118), but Ricardo had already

stated in the *Essay on Profits* (below, IV, 19), that the fall of rent would be temporary; cp. also, for ed. 1, above, pp. 79–80 and for ed. 2, below, p. 412.

capital on the land; one portion would be withdrawn, and consequently the last portion of capital would yield 105 instead of 95, and rent would fall to 30, or the difference between

$$\left. \begin{array}{r} 105 \text{ and } 125 = 20 \\ 105 \text{ and } 115 = 10 \\ \text{—} \\ 30 \end{array} \right\} \begin{array}{l} \text{whilst the produce will}^1 \text{ be still} \\ \text{adequate to the wants of the} \\ \text{population, for it would be } 345 \\ \text{quarters, or} \end{array} \left\{ \begin{array}{r} 125 \\ 115 \\ 105 \\ \text{—} \\ 345 \end{array} \right.$$

the demand being only for 340 quarters.—But there are improvements which may lower the relative value of produce without lowering the corn rent, though they will lower the money rent of land. Such improvements do not increase the productive powers of the land; but they enable us to obtain its produce with less labour. They are rather directed to the formation of the capital applied to the land, than to the cultivation of the land itself. Improvements in agricultural implements, such as the plough and the thrashing machine, economy in the use of horses employed in husbandry, and a better knowledge of the veterinary art, are of this nature. Less capital, which is the same thing as less labour, will be employed on the land; but to obtain the same produce, less land cannot be cultivated. Whether improvements of this kind, however, affect corn rent, must depend on the question, whether the difference between the produce obtained by the employment of different portions of capital be increased, stationary, or diminished. If four portions of capital, 50, 60, 70, 80, be employed on the land, giving each the same results, and any improvement in the formation of such capital should enable me to withdraw 5 from each, so that they should be 45, 55, 65, and 75, no alteration would take place in the corn rent; but if the improvements were such as to enable me to make the whole saving on that portion of capital,² which is least productively employed,

¹ Ed. 1 'would'.

² Ed. 1 'on the largest portion of capital, that portion'.

corn rent would immediately fall, because the difference between the capital most productive, and the capital least productive, would be diminished; and it is this difference which constitutes rent.

Without multiplying instances, I hope enough has been said to show, that whatever diminishes the inequality in the produce obtained from successive portions of capital employed on the same or on new land, tends to lower rent; and that whatever increases that inequality, necessarily produces an opposite effect, and tends to raise it.

In speaking of the rent of the landlord, we have rather considered it as the proportion of the produce,¹ obtained with a given capital on any given farm, without any reference to its exchangeable value; but since the same cause, the difficulty of production, raises the exchangeable value of raw produce, and raises also the proportion of raw produce paid to the landlord for rent, it is obvious that the landlord is doubly benefited by difficulty of production. First he obtains a greater share, and secondly the commodity in which he is paid is of greater value.*

*To make this obvious, and to show the degrees in which corn and money rent will vary, let us suppose that the labour of ten men will, on land of a certain quality, obtain 180 quarters of wheat, and its value to be 4*l.* per quarter, or 720*l.*; and that the labour of ten additional men will, on the same or any other land, produce only 170 quarters in addition; wheat would rise from 4*l.* to 4*l.* 4*s.* 8*d.* for 170 : 180 :: 4*l.* : 4*l.* 4*s.* 8*d.*; or, as in the production of 170 quarters, the labour of 10 men is necessary in one case, and only of 9.44 in the other, the rise would be as 9.44 to 10, or as 4*l.* to 4*l.* 4*s.* 8*d.* If 10 men be further employed, and the return be

160,	the price will rise to	£4	10	0
150,	.	.	.	4 16 0
140,	.	.	.	5 2 10

Now if no rent was paid for the land which yielded 180 quarters, when corn was at 4*l.* per quarter, the value of 10 quarters would be paid as

¹ Eds. 1–2 read ‘of the whole produce,’ and do not contain ‘obtained with a given capital on any given farm.’ On the question of rent as a proportion (with which this cor-

rection and those on p. 49, n. 1 above and p. 402, n. 4 below are concerned) see *Notes on Malthus*, below, II, 196–8.

rent when only 170 could be procured, which, at 4*l.* 4*s.* 8*d.* would be 42*l.* 7*s.* 6*d.*

20 qrs. when 160 were produced, which at £4 10 0 would be	£90	0	0
30 qrs. 150	4	16	0
40 qrs. 140	5	2	10
	205	13	4

Corn rent¹ would increase $\left\{ \begin{array}{l} 100 \\ 200 \\ 300 \\ 400 \end{array} \right\}$ and money rent in the $\left\{ \begin{array}{l} 100 \\ 212 \\ 340 \\ 485 \end{array} \right\}$
in the proportion of proportion of

¹ Ed. 1 has here in addition 'then'.

CHAPTER XXXII

Mr. Malthus's Opinions on Rent

ALTHOUGH the nature of rent has in the former pages of this work been treated on at some length; yet I consider myself bound to notice some opinions on the subject, which appear to me erroneous, and which are the more important, as they are found in the writings of one, to whom, of all men of the present day, some branches of economical science are the most indebted. Of Mr. Malthus's *Essay on Population*, I am happy in the opportunity here afforded me of expressing my admiration. The assaults of the opponents of this great work have only served to prove its strength; and I am persuaded that its just reputation will spread with the cultivation of that science of which it is so eminent an ornament. Mr. Malthus, too, has satisfactorily explained the principles of rent, and shewed that it rises or falls in proportion to the relative advantages, either of fertility or situation, of the different lands in cultivation, and has thereby thrown much light on many difficult points connected with the subject of rent, which were before either unknown, or very imperfectly understood; yet he appears to me to have fallen into some errors, which his authority makes it the more necessary, whilst his characteristic candour renders it less unpleasing to notice. One of these errors lies in supposing rent to be a clear gain and a new creation of riches.

I do not assent to all the opinions of Mr. Buchanan concerning rent; but with those expressed in the following passage, quoted from his work by Mr. Malthus, I fully agree; and, therefore, I must dissent from Mr. Malthus's comment on them.

"In this view it (rent) can form no general addition to the stock of the community, as the neat surplus in question is no-

thing more than a revenue transferred from one class to another; and from the mere circumstance of its thus changing hands, it is clear that no fund can arise, out of which to pay taxes. The revenue which pays for the produce of the land, exists already in the hands of those who purchase that produce; and, if the price of subsistence were lower, it would still remain in their hands, where it would be just as available for taxation as when, by a higher price, it is transferred to the landed proprietor.”¹

After various observations on the difference between raw produce and manufactured commodities, Mr. Malthus asks, “Is it possible then, with M. de Sismondi,² to regard rent as the sole produce of labour, which has a value purely nominal, and the mere result of that augmentation of price which a seller obtains in consequence of a peculiar privilege; or, with Mr. Buchanan, to consider it as no addition to the national wealth, but merely a transfer of value, advantageous only to the landlords, and proportionably *injurious* to the consumers?”*

I have already expressed my opinion on this subject in treating of rent,³ and have now only further to add, that rent is a creation of value, as I understand that word, but not a creation of wealth. If the price of corn, from the difficulty of producing any portion of it, should rise from 4*l.* to 5*l.* per quarter, a million of quarters will be of the value of 5,000,000*l.* instead of 4,000,000*l.*, and as this corn will exchange not only for more money, but for more of every other commodity, the possessors will have a greater amount of value; and as no one else will, in consequence, have a less, the society altogether will be possessed of greater value, and in that sense rent is a creation of value. But this value is so far nominal, that it adds nothing to the

* An Inquiry into the Nature and Progress of Rent, p. 15.

¹ Buchanan's ed. of the *Wealth of Nations*, vol. III, p. 272, note; quoted by Malthus in *An Inquiry into...Rent*, 1815, p. 7.

² *De la Richesse commerciale*, 1803, vol. I, p. 49; cp. above, p. 380, n.

³ Above, pp. 75–7.

wealth, that is to say,¹ the necessities, conveniences, and enjoyments of the society. We should have precisely the same quantity, and no more of commodities, and the same million quarters of corn as before; but the effect of its being rated at 5*l.* per quarter, instead of 4*l.*, would be to transfer a portion of the value of the corn and commodities from their former possessors to the landlords. Rent then is a creation of value, but not a creation of wealth; it adds nothing to the resources of a country, it does not enable it to maintain fleets and armies; for the country would have a greater disposable fund if its land were of a better quality, and it could employ the same capital without generating a rent.

It must then be admitted that Mr. Sismondi and Mr. Buchanan, for both their opinions are substantially the same, were correct, when they considered rent as a value purely nominal, and as forming no addition to the national wealth, but merely as a transfer of value, advantageous only to the landlords, and proportionably injurious to the consumer.²

In another part of Mr. Malthus's "Inquiry" he observes,³ "that the immediate cause of rent is obviously the excess of price above the cost of production at which raw produce sells in the market;" and in another place he says,⁴ "that the causes of the high price of raw produce may be stated to be three:—

"First, and mainly, that quality of the earth, by which it can be made to yield a greater portion of the necessities of life than is required for the maintenance of the persons employed on the land.

"2dly. That quality peculiar to the necessities of life, of being able to create their own demand, or to raise up a number of demanders in proportion to the quantity of necessities produced.

¹ Eds. 1–2 repeat here 'to'.

² Ed. 1 does not contain this paragraph. Cp. below, II, 116, where Ricardo defends this statement

against Malthus's criticism.

³ *Inquiry into...Rent*, p. 2.

⁴ *ib.* p. 8.

"And 3dly. The comparative scarcity of the most fertile land." In speaking of the high price of corn, Mr. Malthus evidently does not mean the price per quarter or per bushel, but rather the excess of price for which the whole produce will sell, above the cost of its production, including always in the term "cost of its¹ production," profits as well as wages. One hundred and fifty quarters of corn at 3*l.* 10*s.* per quarter, would yield a larger rent to the landlord than 100 quarters at 4*l.*, provided the cost of production were in both cases the same.

High price, if the expression be used in this sense, cannot then be called a *cause* of rent; it cannot be said "that the immediate cause of rent is obviously the excess of price above the cost of production, at which raw produce sells in the market," for that excess is itself rent. Rent, Mr. Malthus has defined to be "that portion of the value of the whole produce which remains to the owner of the land, after all the outgoings belonging to its cultivation, of whatever kind, have been paid, including the profits of the capital employed, estimated according to the usual and ordinary rate of the profits of agricultural stock at the time being."² Now whatever sum this excess may sell for, is money rent; it is what Mr. Malthus means by "the excess of price above the cost of production at which raw produce sells in the market;" and, therefore, in an inquiry into the causes which may elevate the price of raw produce, compared with the cost of production, we are inquiring into the causes which may elevate rent.

In reference to the first cause which Mr. Malthus has assigned for the rise of rent, namely, "that quality of the earth by which it can be made to yield a greater portion of the necessaries of life than is required for the maintenance of the persons employed on the land," he makes the following observations³: "We still

¹ Eds. 1-2 do not contain 'its'.

² *Inquiry into...Rent*, pp. 1-2.

³ Ed. 1 reads 'In reference to the

first cause of the rise of rent, Mr. Malthus has the following observations'.

want to know why the consumption and supply are such as to make the price so greatly exceed the cost of production, and the main cause is evidently the *fertility* of the earth in producing the necessities of life. Diminish this plenty, diminish the fertility of the soil, and the excess will diminish; diminish it still further, and it will disappear.”¹ True, the excess of necessities will diminish and disappear, but that is not the question. The question is, whether the excess of their price above the cost of their production will diminish and disappear, for it is on this that money rent² depends. Is Mr. Malthus warranted in his inference, that because the excess of quantity will diminish and disappear, therefore “the cause of the *high price* of the necessities of life above the cost of production is to be found in their abundance, rather than in their scarcity; and is not only essentially different from the high price occasioned by artificial monopolies, but from the high price of those peculiar products of the earth, not connected with food, which may be called natural and necessary monopolies?”³

Are there no circumstances under which the fertility of the land, and the plenty of its produce may be diminished, without occasioning a diminished excess of its price above the cost of production, that is to say, a diminished rent? If there are, Mr. Malthus’s proposition is much too universal; for he appears to me to state it as a general principle, true under all circumstances, that rent will rise with the increased fertility of the land, and will fall with its diminished fertility.

Mr. Malthus would undoubtedly be right, if, of any given farm,⁴ in proportion as the land yielded abundantly, a greater share of the whole produce were paid to the landlord; but the contrary is the fact: when no other but the most fertile land is in

¹ *Inquiry into...Rent*, p. 13.

² Ed. 1 ‘rent money’, corrected in *Errata*.

³ *ib.* p. 13. Ricardo’s italics.

⁴ Eds. 1–2 do not contain ‘of any given farm,’. Cp. above, p. 83, n.

cultivation, the landlord has the smallest proportion¹ of the whole produce, as well as the smallest value, and it is only when inferior lands are required to feed an augmenting population, that both the landlord's share of the whole produce, and the value he receives, progressively increase.

Suppose that the demand is for a million of quarters of corn, and that they are the produce of the land actually in cultivation. Now, suppose the fertility of all the land to be so diminished, that the very same lands will yield only 900,000 quarters. The demand being for a million of quarters, the price of corn would rise, and recourse must necessarily be had to land of an inferior quality sooner than if the superior land had continued to produce a million of quarters. But it is this necessity of taking inferior land into cultivation which is the cause of the rise of rent,² and will elevate it, although the quantity of corn received by the landlord, be reduced in quantity. Rent, it must be remembered, is not in proportion to the absolute fertility of the land in cultivation, but in proportion to its relative fertility. Whatever cause may drive capital to inferior land, must elevate rent on the superior land³; the cause of rent being, as stated by Mr. Malthus in his third proposition, "the comparative scarcity of the most fertile land." The price of corn will naturally rise with the difficulty of producing the last portions of it, and the value of the whole quantity produced on a particular farm will be increased, although its quantity be diminished⁴; but as the cost of production will not increase on the more fertile land⁵, as wages and profits taken together will continue always of the same

¹ Eds. 1-2 'share' in place of 'proportion'.

² Eds. 1-2 do not contain the remainder of this sentence, to 'in quantity.'

³ Eds. 1-2 do not contain 'on the superior land'.

⁴ Eds. 1-2 do not contain the last two lines beginning 'and the value of the whole quantity'.

⁵ Eds. 1-2 do not contain 'on the more fertile land'.

value*, it is evident that the excess of price above the cost of production, or, in other words, rent must rise with the diminished fertility of the land, unless it is counteracted by a great reduction of capital, population, and demand. It does not appear then, that Mr. Malthus's proposition is correct: rent does not immediately and necessarily rise or fall with the increased or diminished fertility of the land; but its increased fertility renders it capable of paying at some future time an augmented rent. Land possessed of very little fertility can never bear any rent; land of moderate fertility may be made, as population increases, to bear a moderate rent; and land of great fertility a high rent; but it is one thing to be able to bear a high rent, and another thing actually to pay it. Rent may be lower in a country where lands are exceedingly fertile than in a country where they yield a moderate return, it being in proportion rather to relative than absolute fertility—to the value of the produce, and not to its abundance.[†]

Mr. Malthus supposes that the rent on land yielding those peculiar products of the earth which may be called natural and

* See page 115,¹ where I have endeavoured to shew, that whatever facility or difficulty there may be in the production of corn; wages and profits together will be of the same value. When wages rise, it is always at the expense of profits, and when they fall, profits always rise.

[†] Mr. Malthus has observed in a late publication,² that I have misunderstood him in this passage, as he did not mean to say, that rent immediately and necessarily rises and falls with the increased or diminished fertility of the land. If so, I certainly did misunderstand him. Mr. Malthus's words are, "Diminish this plenty, diminish the fertility of the soil, and the excess (rent) will diminish; diminish it still further, and it will disappear."³ Mr. Malthus does not state his proposition conditionally, but absolutely. I contended against what I understood him to maintain, that a diminution of the fertility of the soil was incompatible with an increase of rent.⁴

¹ Ed. 1 'page 124' (*i.e.* p. 115, above) ed. 2 'page 124' (*i.e.* p. 120, above), ed. 3 'page 120' (*i.e.* p. 120, above); the trouble was due to failure to adjust the reference to the pagination of ed. 2.

² *Principles of Political Economy*, below, II, 121, n. and cp. Ricardo's Note 59.

³ Quoted above, p. 402.

⁴ Eds. 1–2 do not contain this footnote.

necessary monopolies, is regulated by a principle essentially different from that which regulates the rent of land that yields the necessaries of life. He thinks that it is the scarcity of the products of the first which is the cause of a high rent, but that it is the abundance of the latter, which produces the same effect.

This distinction does not appear to me to be well founded; for you would as surely raise the rent of land yielding scarce wines, as the rent of corn land, by increasing the abundance of its produce, if, at the same time, the demand for this peculiar commodity increased; and without a similar increase of demand, an abundant supply of corn would lower instead of raise¹ the rent of corn land. Whatever the nature of the land may be, high rent must depend on the high price of the produce; but, given the high price, rent must be high in proportion to abundance and not to scarcity.²

We are under no necessity of producing permanently any greater quantity of a commodity than that which is demanded. If by accident any greater quantity were produced, it would fall below its natural price, and therefore would not pay the cost of

¹ Ed. 2 'raising'.

² Ed. 1, in place of the last two paragraphs, reads: 'Mr. Malthus says, that the "cause of the excess of price of the necessaries of life above the cost of production, is to be found in their abundance rather than their scarcity, and is essentially different from the high price of those peculiar products of the earth, not connected with food, which may be called natural and necessary monopolies."

'In what are they essentially different? Would not the abundance of those peculiar products of the earth cause a rise of rent, if the demand for them at the same time increased? and can rent ever rise,

whatever the commodity produced may be, from abundance merely, and without an increase of demand?

'The second cause of rent mentioned by Mr. Malthus, namely, "that quality peculiar to the necessaries of life, of being able to create their own demand, or to raise up a number of demanders in proportion to the quantity of necessaries produced," does not appear to me to be any way essential to it. It is not the abundance of necessaries which raises up demanders, but the abundance of demanders which raises up necessaries.' The passages from Malthus are also quoted above, p. 402 and p. 400.

production, including in that cost¹ the usual and ordinary profits

of stock: thus the supply would be checked till it conformed to the demand, and the market price rose to the natural price.

Mr. Malthus appears to me to be too much inclined to think that population is only increased by the previous provision of food,—“that it is food that creates its own demand,”—that it is by first providing food, that encouragement is given to marriage, instead of considering that the general progress of population is affected by the increase of capital, the consequent demand for labour, and the rise of wages; and that the production of food is but the effect of that demand.

It is by giving the workman² more money, or any other commodity in which wages are paid, and which has not fallen in value, that his situation is improved. The increase of population, and the increase of food will generally be the effect, but not the necessary effect of high wages. The amended condition of the labourer, in consequence of the increased value which is paid him, does not necessarily oblige him to marry and take upon himself the charge of a family—he will, in all probability,³ employ a portion of his increased wages in furnishing himself abundantly with food and necessities,—but with the remainder he may, if it please him, purchase any commodities that may contribute to his enjoyments—chairs,⁴ tables, and hardware; or⁵ better clothes, sugar, and tobacco. His increased wages then will be attended with no other effect than an increased demand for some of those commodities; and as the race of labourers will not be materially increased, his wages will continue permanently

¹ Eds. 1–2 ‘together with’ in place of ‘including in that cost’.

² Misprinted ‘workmen’ in ed. 3.

³ Ed. 2 does not contain ‘, in all probability,’.

⁴ In place of the last four lines, beginning ‘he will, in all probability’,

ed. 1 reads ‘he may, if it please him, exchange his increased wages for any commodities that may contribute to his enjoyments—for chairs,’ etc.

⁵ Ed. 1 has in addition ‘for’.

high. But although this might be the consequence of high wages, yet so great are the delights of domestic society, that in practice it is invariably found that an increase of population follows the amended condition of the labourer; and it is only because it does so, that, with the trifling exception already mentioned,¹ a new and increased demand arises for food. This demand then is the effect of an increase of capital and² population, but not the cause—it is only because the expenditure of the people takes this direction, that the market price of necessaries exceeds the natural price, and that the quantity of food required is produced; and it is because the number of people is increased, that wages again fall.

What motive can a farmer have to produce more corn than is actually demanded, when the consequence would be a depression of its market price below its natural price, and consequently a privation to him of a portion of his profits, by reducing them below the general rate? “If,” says Mr. Malthus, “the necessaries of life, the most important products of land, had not the property of creating an increase of demand proportioned to their increased quantity, such increased quantity would occasion a fall in their exchangeable value.* However abundant might be the produce of the country³, its population might remain stationary; and this abundance without a proportionate demand, and with a very high corn price of labour, which would naturally take place under these circumstances, might reduce the price of raw produce, like the price of manufactures, to the cost of production.”⁴

* Of what increased quantity does Mr. Malthus speak? Who is to produce it? Who can have any motive to produce it, before any demand exists for an additional quantity?

¹ Ed. I does not contain ‘, with the trifling exception already mentioned,’.

² Eds. 1–2 do not contain ‘capital and’.

³ Eds. 1–2 ‘a country’.

⁴ *Inquiry into...Rent*, pp. 9–10.

Might reduce the price of raw produce to the cost of production.¹ Is it ever for any length of time either above or below this price? Does not Mr. Malthus himself, state it never to be so? “I hope,” he says, “to be excused for dwelling a little, and presenting to the reader, in various forms, the doctrine, that corn, in reference to the quantity² *actually produced*, is sold at its necessary price, like manufactures, because I consider it as a truth of the highest importance, which has been overlooked by the economists, by Adam Smith, and all those writers, who have represented raw produce as selling always at a monopoly price.”³

“Every extensive country may thus be considered as possessing a gradation of machines for the production of corn and raw materials, including in this gradation not only all the various qualities of poor land, of which every territory has generally an abundance, but the inferior machinery which may be said to be employed when good land is further and further forced for additional produce. As the price of raw produce continues to rise, these inferior machines are successively called into action; and as the price of raw produce continues to fall, they are successively thrown out of action. The illustration here used, serves to shew, at once, the *necessity of the actual price of corn to the actual produce*, and the different effect which would attend a great reduction in the price of any particular manufacture, and a great reduction in the price of raw produce.”*

* Inquiry, &c.⁴ “In all progressive countries, the average price of corn is never higher than what is necessary to continue the average increase of produce.” Observations, p. 21.⁵

“In the employment of fresh capital upon the land, to provide for the wants of an increasing population, whether this fresh capital is employed in bringing more land under the plough, or improving land already in

¹ In eds. 1–2 this sentence is in inverted commas and is followed by a question mark.

² Malthus italicizes also ‘quantity’.

³ *Inquiry into...Rent*, p. 39.

⁴ pp. 38–9. Ricardo’s italics.

⁵ Malthus’s *Observations on the Effects of the Corn Laws*, ed. 3, 1815.

How are these passages to be reconciled to that which affirms, that if the necessities of life had not the property of creating an increase of demand proportioned to their increased quantity, the abundant quantity produced would then, and then only, reduce the price of raw produce to the cost of production? If corn is never under its natural price, it is never more abundant than the actual population require it to be for their own consumption; no store can be laid up for the consumption of others; it can never then by its cheapness and abundance be a stimulus to population. In proportion as corn can be produced cheaply, the increased wages of the labourers will have more power to maintain families. In America, population increases rapidly, because food can be produced at a cheap price, and not because an abundant supply has been previously provided. In Europe population increases comparatively slowly, because food cannot be produced at a cheap value. In the usual and ordinary course of things, the demand for all commodities precedes their supply. By saying, that corn would, like manufactures, sink to its price of production, if it could not raise up demanders, Mr. Malthus cannot mean that all rent would be absorbed; for he has himself justly remarked, that if all rent were given up by the landlords, corn would not fall in price; rent being the effect, and not the cause of high price, and there being always one quality of land in cultivation which pays no rent whatever, the corn from which replaces by its price, only wages and profits.

cultivation, the main question always depends upon the expected returns of this capital; and no part of the gross profits can be diminished, without diminishing the motive to this mode of employing it. Every diminution of price, not fully and immediately balanced by a proportionate fall in all the necessary expenses of a farm, every tax on the land, every tax on farming stock, every tax on the necessities of farmers, will tell in the computation; and if, after all these outgoings are allowed for, the price of the produce will not leave a fair remuneration for the capital employed, according to the general rate of profits, and a rent at least equal to the rent of the land in its former state, no sufficient motive can exist to undertake the projected improvement." *Observations*, p. 22.

In the following passage, Mr. Malthus has given an able exposition of the causes of the rise in the price of raw produce in rich and progressive countries, in every word of which I concur; but it appears to me to be at variance with some of the propositions maintained by him in¹ his *Essay on Rent*. "I have no hesitation in stating, that, independently of the irregularities in the currency of a country, and other temporary and accidental circumstances, the cause of the high comparative money price of corn is its high comparative *real price*,² or the greater quantity of capital and labour which must be employed to produce it; and that the reasons why the real price of corn is higher, and continually rising in countries which are already rich, and still advancing in prosperity and population, is to be found in the necessity of resorting constantly to poorer land, to machines which require a greater expenditure to work them, and which consequently occasion each fresh addition to the raw produce of the country to be purchased at a greater cost; in short, it is to be found in the important truth, that corn in a progressive country, is sold at a price necessary to yield the actual supply; and that, as this supply becomes more and more difficult, the price rises in proportion."³

The real price of a commodity is here properly stated to depend on the greater or less quantity of labour and capital (that is, accumulated labour) which must be employed to produce it. Real price does not, as⁴ some have contended, depend on money value; nor, as others have said, on value relatively to corn, labour, or any other commodity taken singly, or to all commodities collectively; but, as Mr. Malthus justly says, "on the greater (or less) quantity of capital and labour which must be employed to produce it."

Among the causes of the rise of rent, Mr. Malthus mentions, "such an increase of population as will lower the wages of

¹ Ed. 1 'in some parts of'.

² Ricardo's italics.

³ *Inquiry into...Rent*, pp. 40–1.

⁴ Misprinted 'has' in ed. 3.

labour.”¹ But if, as the wages of labour fall, the profits of stock rise, and they be together always of the same value,* no fall of wages can raise rent, for it will neither diminish the portion, nor the value of the portion of the produce which will be allotted to the farmer and labourer together; and, therefore, will not leave a larger portion, nor a larger value for the landlord. In proportion as less is appropriated for wages, more will be appropriated for profits, and *vice versâ*. This division will be settled by the farmer and his labourers, without any interference of the landlord; and, indeed, it is a matter in which he can have no interest, otherwise than as one division may be more favourable than another, to new accumulations, and to a further demand for land. If wages fell,² profits, and not rent, would rise. If wages rose, profits, and not rent, would fall. The rise of rent and wages, and the fall of profits, are generally the inevitable effects of the same cause—the increasing demand for food, the increased quantity of labour required to produce it, and its consequently high price. If the landlord were to forego his whole rent, the labourers would not be in the least benefited. If it were possible for the labourers³ to give up their whole wages, the landlords would derive no advantage from such a circumstance; but in both cases the farmer would receive and retain all which they relinquish⁴. It has been my endeavour to shew in this work, that a fall of wages would have no other effect than to raise profits. Every rise of profits is favourable to the accumulation of capital, and to the further increase of population, and therefore would, in all probability, ultimately lead to an increase of rent.⁵

* See p. 115⁶.

¹ *Inquiry into...Rent*, p. 22.

² Eds. 1–2 ‘fall’.

³ Eds. 1–2 ‘If the labourers were’.

⁴ Eds. 1–2 ‘relinquished’.

⁵ Eds. 1–2 do not contain this sentence, beginning ‘Every rise’.

⁶ Ed. 1 ‘p. 124’ (*i.e.* p. 115, above),

ed. 2 ‘p. 124’ (*i.e.* p. 120, above),

ed. 3 ‘p. 121’ (*i.e.* p. 120, above).

Cp. above, p. 404, n. 1.

Another cause of the rise of rent, according to Mr. Malthus, is "such agricultural improvements, or such increase of exertions, as will diminish the number of labourers necessary to produce a given effect."¹ To this passage I have the same objection that I had against that which speaks of the increased² fertility of land being the cause of an immediate rise of rent.³ Both the improvement in agriculture, and the superior fertility will give to the land a capability of bearing at some future period a higher rent, because with the same price of food there will be a great additional quantity; but till the increase of population be⁴ in the same proportion, the additional quantity of food would not be required, and, therefore, rents would be lowered and not raised. The quantity that could under the then existing circumstances be consumed, could be furnished⁵ either with fewer hands, or with a less quantity of land, the price of raw produce would fall, and capital would be withdrawn from the land.* Nothing can raise rent, but a demand for new land of an inferior quality, or some cause which shall occasion an alteration in the relative fertility of the land already under cultivation.[†] Improvements in agriculture, and in the division of labour, are common to all land; they increase the absolute quantity of raw produce obtained from each, but probably do

* See p. 79⁶, &c.

[†] It is not necessary to state, on every occasion, but it must be always understood, that the same results will follow, as far as regards the price of raw produce and the rise of rents, whether an additional capital of a given amount, be employed on new land, for which no rent is paid, or on land

¹ *Inquiry into...Rent*, p. 22.

² Ed. 2 does not contain 'increased'.

³ See above, p. 400.

⁴ Ed. 2 does not contain 'be'.

⁵ In place of the sentences (beginning "To this passage") which follow the quotation from Malthus, ed. 1 reads: "This would not raise the value of the whole produce, and

would therefore not increase rent.

It would rather have a contrary tendency, it would lower rent; for if in consequence of these improvements, the actual quantity of food required could be furnished' etc.

⁶ Ed. 1 'p. 70' (*i.e.* p. 79, above), ed. 2 'p. 70' (*i.e.* p. 82, above), ed. 3 'p. 73' (*i.e.* p. 82, above). Cp. above, p. 404, n. 1.

not much disturb the relative proportions which before existed between them.

Mr. Malthus has justly commented on the error of Dr. Smith's argument, that corn is of so peculiar a nature, that its production cannot be encouraged by the same means that the production of all other commodities is encouraged. He observes,¹ "It is by no means intended to deny the powerful

already in cultivation, if the produce obtained from both be precisely the same in quantity. See p. 72.²

M. Say, in his notes to the French translation of this work,³ has endeavoured to shew that there is not at any time land in cultivation which does not pay a rent, and having satisfied himself on this point, he concludes that he has overturned all the conclusions which result from that doctrine. He infers, for example, that I am not correct in saying that taxes on corn, and other raw produce, by elevating their price, fall on the consumer, and do not fall on rent. He contends that such taxes must fall on rent.⁴ But before M. Say can establish the correctness of⁵ this inference, he must also shew that there is not any⁶ capital employed on the land for which no rent is paid (see the beginning of this note, and pages 67 and 74 of the present work); now this he has not attempted to do. In no part of his notes has he refuted, or even noticed that important doctrine. By his note to page 182 of the second volume of the French edition, he does not appear to be aware that it has even⁷ been advanced.⁸

¹ In place of the beginning of this paragraph ed. 1 reads: 'Mr. Malthus has justly commented on an error of Adam Smith, and says, "the substance of his (Dr. Smith's) argument is, that corn is of so peculiar a nature, that its real price cannot be raised by an increase of its money price; and that, as it is clearly an increase of real price alone, which can encourage its production, the rise of money price, occasioned by a bounty, can have no such effect."

'He continues:'

² In Ed. 1 this paragraph reads: 'It is not necessary to state on every occasion, but it must be always understood, that the same effect will be produced by employing different, but equal portions of capital on the land already in cultivation, with different results. Rent is the

difference of produce obtained with equal capitals, and with equal labour on the same, or on different qualities of land.'

³ Ed. 2 has here in addition 'which I have only seen since this edition was in the press.'

⁴ In ed. 2 the last two sentences read 'He infers, for example, that I am not correct in saying that taxes on raw produce do not fall on rent, but by elevating the price of raw produce they fall on the consumer. He contends that they do fall on rent.'

⁵ Ed. 2 does not contain 'the correctness of'.

⁶ Ed. 2 'no' in place of 'not any'.

⁷ Ed. 2 does not contain 'even'.

⁸ Ed. 1 does not contain this paragraph.

influence of the price of corn upon the price of labour, on an average of a considerable number of years; but that this influence is not such as to prevent the movement of capital to, or from the land, which is the precise point in question, will be made sufficiently evident, by a short inquiry into the manner in which labour is paid, and brought into the market, and by a consideration of the consequences to which the assumption of Adam Smith's proposition would inevitably lead."*

Mr. Malthus then proceeds to shew, that demand and high price will as effectually encourage the production of raw produce, as the demand and high price of any other commodity will encourage its production. In this view it will be seen, from what I have said of the effects of bounties,¹ that I entirely concur. I have noticed the passage from Mr. Malthus's "Observations on the Corn Laws," for the purpose of shewing in what a different sense the term real price is used here,² and in his other pamphlet, entitled "Grounds of an Opinion", &c.³ In this passage Mr. Malthus tells us, that "it is clearly an increase of real price alone which can encourage the production of corn,"⁴ and, by real price, he evidently means the increase in its value relatively to all other things; or, in other words, the rise in its market above its natural price, or the cost of its production. If by real price this is what is meant, although I do not admit the propriety of thus naming it,⁵ Mr. Malthus's opinion is undoubtedly correct; it is the rise in the market price of corn which alone encourages its production; for it may be laid down

* Observations on the Corn Laws, p. 4.⁶

¹ Above, p. 304 ff.

² This sentence should have been revised in eds. 2-3, which omit the relevant part of the quotation given in ed. 1; see above, p. 413, n. 1.

³ *The Grounds of an Opinion on the Policy of Restricting the Importation of Foreign Corn*, 1815.

⁴ *Observations*, 3rd ed. p. 4.

⁵ Ed. 1 does not contain 'although I do not admit the propriety of thus naming it,'.

⁶ Should be 'p. 5' in eds. 2-3, which omit the quotation from p. 4 given above, p. 413, n. 1.

as a principle uniformly true, that the only great¹ encouragement to the increased production of a commodity, is its market value exceeding its natural or necessary value.

But this is not the meaning which Mr. Malthus, on other occasions, attaches to the term, real price. In the *Essay on Rent*,² Mr. Malthus says, by “the real growing price of corn, I mean the real *quantity* of labour and capital, *which has been employed* to produce the last additions which have been made to the national produce.” In another part he states³ “the cause of the high comparative real price of corn to be the greater *quantity* of capital and labour, which must be *employed* to produce it.”* Suppose that in the foregoing passage we were to substitute this definition of real price, would it not then run thus?—“It is clearly the increase in the quantity of labour and capital which must be employed to produce corn, which alone can encourage its production.” This would be to say, that it is clearly the rise in the natural or necessary price of corn, which encourages its production—a proposition which could not be maintained. It is not the price at which corn can be produced, that has any influence on the quantity produced, but the price at which it can be sold. It is in proportion to the degree of the difference of its price above or below⁴ the cost of production, that capital is

* Upon shewing this passage to Mr. Malthus, at the time when these papers were going to the press, he observed, “that in these two instances he had inadvertently used the term *real price*, instead of *cost of production*.”[ⁿ] It will be seen, from what I have already said, that to me it appears, that in these two instances he has used the term *real price* in its true and just acceptance, and that in the former case only it is incorrectly applied.⁵

¹ Eds. 1–2 do not contain ‘great’.

² Not in the ‘*Essay on Rent*’, but (as Ricardo had said in the preceding paragraph) in *Grounds of an Opinion*, p. 21, n. Ricardo’s italics.

³ *Inquiry into...Rent*, p. 41. Malthus actually says ‘the cause of the high comparative money price of corn is its high comparative real price, or

the greater quantity of capital and labour which must be employed to produce it’. Ricardo quotes the passage more accurately above, p. 410 and below, p. 417.

⁴ Eds. 1–2 ‘the degree of the excess of its price above’.

⁵ Cp. letter to Malthus of 26 March 1817, below, VII, 145.

attracted to, or repelled from the land. If that excess be such as to give to capital so employed, a greater than the general profit of stock, capital will go to the land; if less, it will be withdrawn from it.

It is not, then, by an alteration in the real price of corn that its production is encouraged, but by an alteration in its market price. It is not “because a greater quantity of capital and labour must be employed to produce it,”¹ (Mr. Malthus’s just definition of real price,) ² that more capital and labour are attracted to the land, but because the market price rises above this its real price, and, notwithstanding the increased charge, makes the cultivation of land the more profitable employment of capital.

Nothing can be more just than the following observations of Mr. Malthus, on Adam Smith’s standard of value. “Adam Smith was evidently led into this train of argument, from his habit of considering *labour as the standard measure of value*, and corn as the measure of labour. But that corn is a very inaccurate measure of labour, the history of our own country will amply demonstrate; where labour, compared with corn, will be found to have experienced very great and striking variations, not only from year to year, but from century to century; and for ten, twenty, and thirty years together. *And that neither labour nor any other commodity can be an accurate measure of real value in exchange*, is now considered as one of the most incontrovertible doctrines of political economy; and, indeed, follows from the very definition of value in exchange.”³

If neither corn nor labour are accurate measures of real value in exchange, which they clearly are not, what other commodity is?—certainly none. If, then, the expression, real price of commodities, have any meaning, it must be that which Mr. Malthus

¹ In ed. 3 by a misprint the inverted commas are closed at the end of the paragraph, instead of here.

² Eds. 1–2 do not enclose this phrase in brackets.

³ *Observations*, 3rd ed., p. 12. Ricardo’s italics here and below.

has stated in the Essay on Rent—it must be measured by the proportionate quantity of capital and labour necessary to produce them.

In Mr. Malthus's "Inquiry into the Nature of Rent," he says, "that, independently of irregularities in the currency of a country, and other temporary and accidental circumstances, the cause of the high comparative money price of corn, is its high comparative real price, *or the greater quantity of capital and labour which must be employed to produce it.*"*

This, I apprehend, is the correct account of all permanent variations in price, whether of corn or of any other commodity. A commodity can only permanently rise in price, either because a greater quantity of capital and labour must be employed to produce it, or because money has fallen in value; and, on the contrary, it can only fall in price, either because a less quantity of capital and labour may be employed to produce it, or because money has risen in value.

A variation arising from the latter of these¹ alternatives, an altered value of money, is common at once to all commodities; but a variation arising from the former cause, is confined to the particular commodity requiring more or less labour in its production. By allowing the free importation of corn, or by improvements in agriculture, raw produce would fall; but the price of no other commodity would be affected, except in proportion to the fall in the real value, or cost of production, of the raw produce, which entered into its composition.

Mr. Malthus, having acknowledged this principle, cannot, I think, consistently maintain that the whole money value of all the commodities in the country must sink exactly in proportion to the fall in the price of corn. If the corn consumed in the

* Page 40.

¹ Eds. 1–2 'the latter of either of these'.

country were of the value of ten millions per annum, and the manufactured and foreign commodities consumed were of the value of twenty millions, making altogether thirty millions, it would not be admissible to infer that the annual expenditure was reduced to 15 millions, because corn had fallen 50 per cent., or from 10 to 5 millions.

The value of the raw produce which entered into the composition of these manufactures might not, for example, exceed 20 per cent. of their whole value, and, therefore, the fall in the value of manufactured commodities, instead of being from 20 to 10 millions, would be only from 20 to 18 millions; and after the fall in the price of corn of 50 per cent., the whole amount of the annual expenditure, instead of falling from 30 to 15¹ millions, would fall from 30 to 23 millions.*

This, I say, would be their value, if you supposed it possible, that with such a cheap price of corn, no more corn and commodities would be consumed; but as all those who had employed capital in the production of corn on those lands which would no longer be cultivated, could employ it in the production of manufactured goods; and only a part of those manufactured goods would be given in exchange for foreign corn, as on any other supposition no advantage would be gained by importation, and low prices; we should have the additional value of all that quantity of manufactured goods which were so produced, and not exported to add to the above value, so that the real diminution, even in money value, of all the commodities in the country, corn included, would be equal only to the loss of

* Manufactures, indeed, could not fall in any such proportion, because, under the circumstances supposed, there would be a new distribution of the precious metals among the different countries. Our cheap commodities would be exported in exchange for corn and gold, till the accumulation of gold should lower its value, and raise the money price of commodities.

¹ Misprinted '25' in ed. 1.

the landlords, by the reduction of their rents, while the quantity of objects of enjoyment would be greatly increased.¹

Instead of thus considering the effect of a fall in the value of raw produce; as Mr. Malthus was bound to do by his previous admission; he considers it as precisely the same thing as ² a rise of 100 per cent. in the value of money, and, therefore, argues as if all commodities would sink to half their former price.

"During the twenty years beginning with 1794," he says, "and ending with 1813, the average price of British corn per quarter was about eighty-three shillings; during the ten years ending with 1813, ninety-two shillings; and during the last five years of the twenty, one hundred and eight shillings. In the course of these twenty years, the Government borrowed near five hundred millions of real capital; for which, on a rough average, exclusive of the sinking fund, it engaged to pay about five per cent. But if corn should fall to fifty shillings a quarter, and other commodities in proportion, instead of an interest of about five per cent., the Government would really pay an interest of seven, eight, nine, and for the last two hundred millions, ten per cent.

"To this extraordinary generosity towards the stockholders, I should be disposed to make no kind of objection, if it were not necessary to consider by whom it is to be paid; and a moment's reflection will shew us, that it can only be paid by the industrious classes of society, and the landlords; that is, by all those whose nominal income will vary with the variations in the measure of value. The nominal revenues of this part of the society, compared with the average of the last five years, will be diminished one half, and out of this nominally reduced income, they will have to pay the same nominal amount of taxes."*

* The Grounds of an Opinion, &c. page 36.³

¹ Eds. 1-2 do not contain this paragraph.

² Eds. 1-2 'with' in place of 'as'.

³ Should be 39.

In the first place, I think, I have already shewn, that even the value of the gross income¹ of the whole country will not be diminished in the proportion for which Mr. Malthus here contends; it would not follow, that because corn fell fifty per cent., each man's gross² income would be reduced fifty per cent. in value*; his net income might be actually increased in value³.

In the second place, I think the reader will agree with me, that the increased charge, if admitted, would not fall exclusively "on the landlords and the industrious classes of society:" the stockholder, by his expenditure, contributes his share to the support of the public burdens in the same way as the other classes of society. If, then, money became really more valuable, although he would receive a greater value, he would also pay a greater value in taxes, and, therefore, it cannot be true that the whole addition to the real value of the interest would be paid by "the landlords and the industrious classes."

The whole argument, however, of Mr. Malthus, is built on an infirm basis: it supposes, because the gross income of the country is diminished, that, therefore, the net income must also be diminished, in the same proportion. It has been one of the objects of this work to shew, that with every fall in the real value of necessaries, the wages of labour would fall, and that the profits of stock would rise—in other words, that of any given annual value a less portion would be paid to the labouring class, and a larger portion to those whose funds employed this class. Suppose the value of the commodities produced in a particular

* Mr. Malthus, in another part of the same work,⁴ supposes commodities to vary 25 or 20 per cent. when corn varies $33\frac{1}{3}$.

¹ Eds. 1–2 'the nominal income' in place of 'even the value of the gross income'.

² Eds. 1–2 do not contain 'gross'.

³ Eds. 1–2 do not contain 'his net income might be actually increased in value'.

⁴ *Grounds of an Opinion*, p. 41.

manufacture to be 1000*l.*, and to be divided between the master and his labourers, in the proportion of 800*l.* to labourers, and 200*l.* to the master; if the value of these commodities should fall to 900*l.*, and 100*l.* be saved from the wages of labour, in consequence of the fall of necessaries, the net income of the masters would be in no degree impaired, and, therefore, he could with just as much facility pay the same amount of taxes, after, as before the reduction of price.*²

It is of importance to distinguish clearly between gross revenue and net revenue, for it is from the net revenue of a society that all taxes must be paid. Suppose that all the commodities in the country, all the corn, raw produce, manufactured goods, &c. which could be brought to market in the

* Of net produce and gross produce, M. Say speaks as follows: "The whole value produced is the gross produce; this value, after deducting from it the cost of production, is the net produce." Vol. II. p. 491. There can then be no net produce, because the cost of production, according to M. Say, consists of rent, wages, and profits. In page 508, he says, "The value of a product, the value of a productive service, the value of the cost of production, are all then similar values, whenever things are left to their natural course." Take a whole from a whole, and nothing remains.¹

¹ The references are to Say's 4th ed., 1819. Eds. 1–2 in place of this note have the following one: 'In Chap. XXVI. I have observed, that the real resources of a country, and its ability to pay taxes, depend on its net, and not on its gross income.' Ed. 1 reads 'Chap. 24.' in place of 'Chap. XXVI.', but in either case the reference is to the chapter 'On Gross and Net Revenue'.

² In place of the five paragraphs that follow in the text, ending on p. 425, ed. 1 and (unless otherwise stated) ed. 2 read: 'And that wages would fall as much as the mass of commodities, or rather that the net

income remaining to landlords, farmers, manufacturers, traders, and stockholders, the only real payers of taxes, would be as great as before, is very highly probable; for nothing would be even nominally lost to the society by the freest importation of corn, but that portion of rent of which the landlords would be deprived in consequence of the fall of raw produce.

'The difference between the value of corn and all other commodities sold in the country, before and after the importation of cheap corn, would be only equal to the fall of rent; because, independently of rent,

course of the year, were of the value of 20 millions, and that in order to obtain this value, the labour of a certain number of men was necessary, and that the absolute necessities of these labourers required an expenditure of 10 millions. I should say that the gross revenue of such society was 20 millions, and its net revenue 10 millions. It does not follow from this supposition, that the labourers should receive only 10 millions for their labour; they might receive 12, 14, or 15 millions, and in that case they would have 2, 4, or 5 millions of the net income. The rest would be divided between landlords and capitalists; but the whole net income would not exceed 10 millions. Suppose such a society paid 2 millions in taxes, its net income would be reduced to 8 millions.

Suppose now money to become more valuable by one-tenth, all commodities would fall, and the price of labour would fall, because the absolute necessities of the labourer formed a part of those commodities, consequently the gross income would be reduced to 18 millions, and the net income to 9 millions. If the

the same quantity of labour would always produce the same value.

'The whole reduction which is made in wages, is a value actually added to the value of the net income before possessed by the society; whilst the only value which is taken from that net income is the value of that part of their rent of which the landlords will be deprived by a fall of raw produce. When we consider that the fall of produce acts upon a limited number of landlords [Ed. 2 'upon landlords only'], while it reduces the wages not only of those who are employed in agriculture, but of all those who are occupied in manufactures and commerce, it may well be doubted, whether the net

revenue of the society would suffer any abatement whatever. [*Footnote:* 'This is on the supposition that money continued at the same value. In the last note, I have endeavoured to shew that money would not continue of the same value,—that it would fall, from increased importation; a fact which is much more favourable to my argument.']

'But, if it did, it must not be supposed that the ability to pay taxes will diminish in the same degree, as the money value, even of the net revenue. Suppose that my net revenue were diminished from 1000*l.* to 900*l.*; but that my taxes continued to be the same, to be 100*l.*: is it not probable that my

taxes fell in the same proportion, and, instead of 2 millions, 1,800,000*l.* only were raised, the net income would be further reduced to 7,200,000*l.*, precisely of the same value as the 8 millions were before, and therefore the society would neither be losers nor gainers by such an event. But suppose that after the rise of money, 2 millions were raised for taxes as before, the society would be poorer by 200,000*l.* per annum, their taxes would be really raised one-ninth. To alter the money value of commodities, by altering the value of money, and yet to raise the same money amount by taxes, is then undoubtedly to increase the burthens of society.

But suppose of the 10 millions net revenue, the landlords received five millions as rent, and that by facility of production, or by the importation of corn, the necessary cost of that article in labour was reduced 1 million, rent would fall 1 million, and the prices of the mass of commodities would also fall to the same amount, but the net revenue would be just as great as before; the gross income would, it is true, be only 19 millions,

ability to pay this 100*l.* may be greater with the smaller than with the larger revenue? Commodities cannot fall so universally as Mr. Malthus supposes, without greatly benefiting the consumers, without enabling them with a much smaller money revenue to command more of the conveniences, necessities, and luxuries of human life; and the question resolves itself into this—whether those who are in possession of the net revenue of the country will be benefited as much by the diminished price of commodities, as they will suffer by the greater real taxation. On which side the balance may preponderate, will depend on the proportion which taxes

bear to the annual revenue; if it be enormously large, it may undoubtedly more than counterbalance the advantages from cheap necessities; but I trust enough has been said, to shew, that Mr. Malthus has very greatly over-rated the loss to the tax-payers, from a fall in one of the most important necessities of life; and that if they were not entirely remunerated for the real increase of taxes, by the fall of wages and increase of profits, they would be more than compensated, by the cheaper price of all objects on which their incomes were expended.'

and the necessary expenditure to obtain it 9 millions, but the net income would be 10 millions. Now suppose 2 millions raised in taxes on this diminished gross income, would the society altogether be richer or poorer? Richer, certainly; for after the payment of their taxes, they would have, as before, a clear income of 8 millions to bestow on the purchase of commodities, which had increased in quantity, and fallen in price, in the proportion of 20 to 19; not only then could the same taxation be endured, but greater, and yet the mass of the people be better provided with conveniences and necessities.

If the net income of the society, after paying the same money taxation, be as great as before, and the class of landholders lose 1 million from a fall of rent, the other productive classes must have increased money incomes, notwithstanding the fall of prices. The capitalist will then be doubly benefited; the corn and butcher's meat consumed by himself and his family will be reduced in price; and the wages of his menial servants, of his gardeners, and labourers of all descriptions, will be also lowered. His horses and cattle will cost less, and be supported at a less expense. All the commodities in which raw produce enters as a principal part of their value, will fall. This aggregate amount of savings, made on the expenditure of income, at the same time that his money income is increased, will then be doubly beneficial to him, and will enable him not only to add to his enjoyments, but to bear additional taxes, if they should be required: his additional consumption of taxed commodities will much more than make up for the diminished demand of landlords, consequent on the reduction of their rents. The same observations apply to farmers and traders of every description.

But it may be said, that the capitalist's income will not be increased; that the million deducted from the landlord's rent, will be paid in additional wages to labourers! Be it so; this will make

no difference in the argument: the situation of the society will be improved, and they will be able to bear the same money burthens with greater facility than before; it will only prove what is still more desirable, that the situation of another class, and by far the most important class in society, is the one which is chiefly benefited by the new distribution. All that they receive more than 9 millions, forms part of the net income of the country, and it cannot be expended without adding to its revenue, its happiness, or its power. Distribute then the net income as you please. Give a little more to one class, and a little less to another, yet you do not thereby diminish it; a greater amount of commodities will be still produced with the same labour, although the amount of the gross money value of such commodities will be diminished; but the net money income of the country, that fund from which taxes are paid and enjoyments procured, would be much more adequate, than before, to maintain the actual population, to afford it enjoyments and luxuries, and to support any given amount of taxation.¹

That the stockholder is benefited by a great fall in the value of corn, cannot be doubted; but if no one else be injured, that is no reason why corn should be made dear: for the gains of the stockholder are national gains, and increase, as all other gains do, the real wealth and power of the country. If they are unjustly benefited, let the degree in which they are so, be accurately ascertained, and then it is for the legislature to devise a remedy; but no policy can be more unwise than to shut ourselves out from the great advantages arising from cheap corn, and abundant productions, merely because the stockholder would have an undue proportion of the increase.

To regulate the dividends on stock by the money value of

¹ Here end the five paragraphs not contained in eds. 1–2; see above, p. 421, n. 2.

corn, has never yet been attempted. If justice and good faith required such a regulation, a great debt is due to the old stockholders; for they have been receiving the same money dividends for more than a century, although corn has, perhaps, been doubled or trebled in price.*

But it is a great mistake to suppose, that the situation of the stockholder will be more improved than that of the farmer, the manufacturer, and the other capitalists of the country; it will, in fact, be less improved.

The stockholder will undoubtedly receive the same money dividend, while not only the price of raw produce, and labour fell, but the prices of many other things into which raw produce entered as a component part. This, however, is an advantage, as I have just stated, which he would enjoy in common with all other persons who had the same money incomes to expend:—his money income would not be increased; that of the farmer, manufacturer and other employers of labour would, and consequently they would be doubly benefited.

It may be said, that although it may be true that capitalists would be benefited by a rise of profits, in consequence of a fall of wages, yet that their incomes would be diminished by the fall in the money value of their commodities. What is to lower them? Not any alteration in the value of money, for nothing has been supposed to occur to alter the value of money. Not

* Mr. McCulloch, in an able publication, has very strongly contended for the justice of making the dividends on the national debt conform to the reduced value of corn. He is in favour of a free trade in corn, but he thinks it should be accompanied by a reduction of interest to the national creditor.¹

¹ J. R. McCulloch, *An Essay on the Question of Reducing the Interest on the National Debt; in which the Justice and Expediency of that Measure are fully established*, Edinburgh, Brown and Black, 1816. Subse-

quently McCulloch repudiated and suppressed this publication; and in reprinting the *Principles* in his edition of Ricardo's *Works*, 1846, omitted this revealing footnote. See below, VII, 93, n. 2.

any diminution in the quantity of labour necessary to produce their commodities, for no such cause has operated, and if it did operate, would not lower money profits, though it might lower money prices. But the raw produce of which commodities are made, is supposed to have fallen in price, and, therefore, commodities will fall on that account. True, they will fall, but their fall will not be attended with any diminution in the money income of the producer. If he sell his commodity for less money, it is only because one of the materials from which it is made has fallen in value. If the clothier sell his cloth for 900*l.* instead of 1000*l.*, his income will not be less, if the wool from which it is made, has declined 100*l.* in value.¹

Mr. Malthus says, "It is true, that the last additions to the agricultural produce of an improving country, are not attended with a large proportion of rent; and it is precisely this circumstance that may make it answer to a rich country to import some of its corn, if it can be secure of obtaining an equable supply. But in all cases the importation of foreign corn must fail to answer nationally, if it is not so much cheaper than the corn that can be grown at home, as to equal both the profits and the rent of the grain which it displaces." *Grounds, &c.* p. 36.

In this observation Mr. Malthus is quite correct; but imported corn *must* be always so much cheaper than the corn that can be grown at home, "as to equal both the profits and the rent of the grain which it displaces." If it were not, no advantage to any one could be obtained by importing it.²

As rent is the effect of the high price of corn, the loss of rent is the effect of a low price. Foreign corn never enters into competition with such home corn as affords a rent; the fall of price

¹ Eds. 1–2 do not contain the last three paragraphs beginning 'But it is'.

² Eds. 1–2 do not contain this paragraph; but for ed. 2 cp. below, p. 429, n. 1.

invariably affects the landlord till the whole of his rent is absorbed;—if it fall still more, the price will not afford even the common profits of stock; capital will then quit the land for some other employment, and the corn, which was before grown upon it, will then, and not till then, be imported. From the loss of rent, there will be a loss of value, of estimated money value, but, there will be a gain of wealth. The amount of the raw produce and other productions together will be increased; from the greater facility with which they are produced, they will, though augmented in quantity, be diminished in value.

Two men employ equal capitals—one in agriculture, the other in manufactures. That in agriculture produces a net annual value of 1200*l.* of which 1000*l.* is retained for profit, and 200*l.* is paid for rent; the other in manufactures produces only an annual value of 1000*l.* Suppose that by importation, the same quantity of corn which cost 1200*l.*¹ can be obtained for commodities which cost 950*l.*, and that, in consequence, the capital employed in agriculture is diverted to manufactures, where it can produce a value of 1000*l.*, the net revenue of the country will be of less value, it will be reduced from 2200*l.* to 2000*l.*; but there will not only be the same quantity of commodities and corn for its own consumption, but also as much addition to that quantity as 50*l.* would purchase, the difference between the value at which its manufactures were sold to the foreign country, and the value of the corn which was purchased from it.

Now this is precisely the question respecting the advantage of importing, or growing corn; it never can be imported till the quantity obtained from abroad by the employment of a given capital exceeds the quantity which the same capital will enable us to grow at home,—exceeds² not only that quantity which

¹ Ed. 1 does not contain 'which' ² Ed. 2 does not contain 'exceeds'.
cost 1200*l.*'

falls to the share of the farmer, but also that which is paid as rent to the landlord.¹

Mr. Malthus says, "It has been justly observed by Adam Smith, that no equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction as in agriculture."² If Adam Smith speaks of value, he is correct; but if he speaks of riches, which is the important point, he is mistaken; for he has himself defined riches to consist of the necessities, conveniences, and enjoyments of human life. One set of necessities and conveniences admits of no comparison with another set; value in use cannot be measured by any known standard; it is differently³ estimated by different persons.

¹ Ed. 1 does not contain this paragraph. In ed. 2 it has an additional sentence at the end: 'Mr. Malthus may be quite sure therefore that no importation of foreign corn will ever take place "if it is not so much cheaper than the corn that can be grown at home, as to equal both the profits and the rent of the grain which it displaces."' The quotation is from *Grounds of an Opinion*, pp. 35–6.

² *Grounds of an Opinion*, p. 35. For the reference to Adam Smith, see above, p. 76.

³ Since the present edition first appeared Mr Oswald St. Clair has pointed out that some copies of ed. 3 contain the alternative reading, 'variously'. This is clearly a correction intended to avoid the verbal repetition, and must have been made by Ricardo while the printing of the last sheet was in progress.