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THE ECONOMIC INTERPRETATION OF HISTORY.

THE ECONOMIC INTERPRETATION OF HISTORY

(LECTURES DELIVERED IN WORCESTER COLLEGE HALL, OXFORD, 1887-8)

BY

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PREFACE.

The lectures contained in this volume were delivered in the hall of the author's College (Worcester, Oxford) in his capacity as lecturer in Political Economy to that Society. They were open to all members of the university, and were very numerously attended. I mention this, because, being printed as they were read, the fact may explain or excuse the various local allusions which they contain, and the occasional repetitions of statement which will be found in them. The business of a lecturer is to teach as best he can.

I should be the last person to deny that there are economical generalities which are as universal in their application as they are true. Such, for example, are those which affirm that the individual has an inalienable right to lay out his money, or the produce of his labour to the best advantage, and that any interference with that right is an abuse of power, for which no valid excuse whatever has been, or can be, alleged. In other words, there is no answer to the claim of free exchange. Of course I am well aware that an answer has been attempted, and that civil government constantly invades the right. The invasion is brigandage under the forms of law. Other illustrations can be given, as that the police of society must always regulate the trade in instruments of credit, that certain services are part of the function of government, that the satisfaction of contracts, under an equitable interpretation, must be guaranteed, that the only honest rule in taxation is equality of sacrifice, with what such a rule implies or involves, and so on. It is very likely that in practice government violates these economical principles, and gives more or less plausible reasons for

its misconduct. And as wrongs done by government have an enduring effect, it is difficult, if not impossible, to interpret any problem in political economy, without taking into account those historical circumstances of which the present problem is frequently the result, and occasionally to examine the present political situation. In brief, any theory of political economy which does not take facts into account is pretty sure to land the student in practical fallacies of the grossest, and in the hands of ignorant, but influential people, of the most mischievous kind. I could quote these fallacies by the dozen. Some have been over and over again refuted ; others still possess vitality. Some are slowly losing their hold, especially in practical politics, which is becoming every day more economical. Many of these errors die hard, especially when they assume the form of a vested interest; sometimes they are maintained as part of the continuity of policy ; sometimes they are defended by bold and baseless assertions. In time, they become the subjects of parliamentary compromise, at last they are swept away and repudiated. Any student of the economical laws which can be found in the historical statute book, will constantly find that the wisdom of one generation is the folly of another.

Many years ago I began to suspect that much of the political economy which was currently in authority was a collection of logomachies, which had but little relation to the facts of social life. Accident, and some rare local opportunities, led me to study these facts in the social life of our forefathers, facts of which the existence was entirely unsuspected. I began to collect materials, chiefly in the form of prices, and at first of the necessaries of life. But I soon widened my research, and included in my inquiry everything which would inform me as to the social condition of Englishmen, six centuries ago and onwards. Gradually, I came to see how Englishmen lived through these ages, and to learn, what, perhaps, I can never tell fully, the continuous history of social life in this country, up to nearly recent times, or at least till that time in which the modern conditions of our experience had been almost stereotyped. By this study, I began to discover that much which popular economists believe to be natural is highly artificial ; that what they call laws are too often hasty, inconsiderate, and inaccurate inductions ; and that much which they consider to be

demonstrably irrefutable is demonstrably false. I have often had to conclude that the best-intentioned thinkers and writers have been supremely mischievous, and that in attempting to frame a system, they have wrecked all system. It must, I think, be admitted that political economy is in a bad way : its authority is repudiated, its conclusions are assailed, its arguments are com pared to the dissertations held in Milton's Limbo, its practical suggestions are conceived to be not much better than those of the philosophers in Laputa, and one of its authorities, as I myself heard, was contemptuously advised to betake himself to Saturn. Now all this is very sad. The books which seemed to be wise are often compared to those curious volumes of which the converts at Ephesus made a holocaust. And the criticism is just.

The distrust in ordinary political economy has been loudly expressed by working men. And, to speak truth, one need not wonder at it. The labour question has been discussed by many economists with a haughty loftiness which is very irritating. The economist, it is true, informs them, that all wealth is the product of labour, that wealth is labour stored in desirable objects, that capital is the result of saved labour, and is being extended and multiplied by the energies of labour. Then he turns round, and rates these workmen for their improvidence, their recklessness, their incontinence in foolishly increasing their numbers, and hints that we should be all the better off if they left us in their thousands, while there are many thousands of well-off people whose absence from us would be a vast gain. I have never read in any of the numerous works which political economists have written, any attempt to trace the historical causes of this painful spectacle, or to discover whether or no persistent wrong doing has not been the dominant cause of English pauperism. The attempts which workmen have made to better their condition have been traduced, or ignored, or made the subject of warnings as to the effects which they will induce on the wage fund, this wage fund, after all, being a phantasm, a logomachy. In the United States the case is worse. A writer will publish a book on wages, and deliberately ignore the effect of the American tariff on the real wages of workers. If he knows anything at all of what he is writing about, and is not merely writing for office, he should be aware that no fertile customs revenue can come from anything

but the expenditure of the poor, and should not need that Mr. Washbourne, the late Minister of the Union at Paris, should tell him, that smuggling is an all-devouring passion with the wealthy American, and the corruption of revenue officers the constant machinery for the practice.

Two things have discredited political economy—the one is its traditional disregard for facts ; the other, its strangling itself with definitions. The economist has borrowed his terms from common life. Now, unless the words one uses are strictly limited in meaning, as those are which express geometrical forms, or chemical compounds, no word, and for the matter of that no definition of the word, ordinarily covers what the man who uses the word intends by it. He gives, may be, a definition of the thing or thought, and succeeding writers who inherit his word begin to expand or vary it, not taking counsel with the facts, but only with their own experiences or impressions. Now word-splitting and definition-extending is a most agreeable occupation. It does not require knowledge. It is sufficient to be acute. Persons can spin out their definitions from their inner consciousness by the dozen, aye, and catch the unwary in the web. But, above all things, the economist claims to be practical. He is engaged, as he tells you, in the analysis of social man, from a particular point of view. This view is especially the function of government and the state. If his conclusions are taken rightly, they are, or should be, the basis of Parliamentary and Administrative action. But it is appalling to think of what the consequences would have been, if some so-called economical verities had been translated into law. It is grievous enough to note what the consequences have been, when some of these rash inferences have been accepted as guides in statesmanship. I have attempted to illustrate what I mean in these lectures.

The lawyer gives an arbitrary meaning to words or phrases, and will not suffer these meanings to be traversed. Unless he did so, the practice of law would be an impossible chaos. It does not signify to him that a conveyance to a man and his heirs was meant to give two estates. He insists that in his language it only gives one, in the first place, probably, for Biblical reasons. The same fact applies to the meaning which it assigns to words implying certain commercial instruments. Mr. Justice

Byles defines the legal meaning of a bill of exchange, and his definition is accepted as conclusive, as regards drawer, acceptor, and negotiators. It is no use to wrangle whether the judge's definition is capable of amendment. It is sufficient that the interpretation is fixed, beyond cavil or dispute. But there are subjects of the profoundest human interest in which no such final authority is accepted. These have been strangled by dogmas, definitions, logomachies, till the spirit of the whole matter evaporates in airy metaphysics. Now in the midst of this idle and unprofitable strife of tongues, it is not wonderful that there are people who think that the Gallios ought not to be censured for indifference. But where authority is not allowed to define words, the wrangle as to their meaning is perennial.

My treatment, then, of my subject is as follows. You have a number of social or economical facts, many of them containing problems of a serious and urgent character. So serious are they that many persons—an increasingly large number of persons—demand, if no other solution is to be given, that society must be reconstructed on new lines, as Frankenstein made his man, or monster. To meet these people with the law of supply and demand, to point out to them the bliss of unrestricted competition, and to rebuke them with the Malthusian law of population, the Ricardian theory of rent, and the margin of unproductive cultivation, is to present them with logomachies which they resent. They believe that economists are uttering optimism to order. In a vague way, they are under the impression that the greater part of the misery which they see is the direct product of laws, enacted and maintained in the interest of particular classes. And, on the whole, they are in the right. Most of the problems which vex society have an historical origin, sometimes a present cause, though more rarely.

Now I made it my business in these lectures, as I have done in others, since I have been restored to an office of which I was deprived because I traced certain social mischiefs to their origin, twenty years ago, to examine into and expound the history of social facts. Of course I am almost entirely the authority for the facts which I cite, with one notable exception, *i.e.*, the economical laws in the Statute Book. These laws are not to be found in the volumes which go by the name of the statutes at large, for when the law has

been repealed, or become obsolete, or was temporary only, it is dropped out of these collections, and very few lawyers know anything of the history of law. They are to be found only in the collection which was published at the beginning of the century, and was continued to the accession of the House of Hanover. These lectures, then, are mainly founded on the facts which are collected in my history of prices, and I presume that even the most arrogant of the metaphysical economists will allow that the facts of social life go for something in the solution of economical questions. If he does not, I will leave him, like the poet in Horace, to his madness.

My reader will find that I occasionally refer to the experiences which I gained when I was in the House of Commons. Many of my audience were young men, to whom this kind of position is likely to be an early object of ambition. Now I am not one of those who deprecate party strife. I know that rightly taken, party is the perpetual struggle of good against evil, and I have a tolerably clear instinct, fortified into conviction, of where the evil always is with which the good battles. But the experience of Parliamentary life, to him who will learn, teaches one how just but angry discontent is baffled, of how one must wait for opportunities in order to undo wrong-doing, and how, under the name of compromises, one has to accept half for whole truths. And besides, the sphere of political action is so vast and so complicated, the forms of our Constitution give so enormous a power to the Administration, and all administrations are so enamoured of the possible, instead of the true, that no more instructive education can be given one than to watch and take part in the battle of Parliamentary forces. To the historical economist, the lesson is invaluable. I think I have almost exhausted the lesson in my own person, or at least to my own capacity.

It is no doubt more profitable to an economist to be an optimist or an alarmist, to dilate on the numbers and the wages of the working classes with one, to predict the exhaustion of coal with another, and to dwell on the margin of cultivation with a third. But the progress of the working classes is exceedingly unsatisfactory, and has been enormously exaggerated by those who have written on it; while the exhaustion of coal and the margin of cultivation are scares,

which, I think, I have generally disposed of in these pages. But, in point of fact, these economists have generally been fairly well-to-do people, who have only had a lofty sympathy with those who struggle for a living. And the worst of it is, that they are so profoundly ignorant of the social facts on which they profess to be dogmatic. A man will chatter over the margin of cultivation who does not know a field of wheat from a field of barley; of the exhaustion of coal deposits when he does not know their extent, and is not aware of the economies of their use; of the condition of workmen, when he is entirely unacquainted with the fact that they were cruelly oppressed up to recent times. For political economy like this I have, and I trust I always shall have, the heartiest contempt.

Of course a resolute determination to look into and substantiate the causes which have so mightily hindered the economic progress of my countrymen is unpopular with the least deserving and least valuable, but often most powerful, classes of the community. I had some time ago to demand of the chivalrous Lord Iddesleigh, that he should substantiate a charge of communism which he made against me, by reference to anything which I had said or written in favour of a violent reconstruction of society. He was constrained to admit that he had found, and could find nothing, and politely congratulated me on not being associated with such a platform. But I have constantly noticed that men who are entirely devoid of any sense of political and social justice are fond of charging their critics with sinister designs against property and order. So I am told that some of the frantic advocates of violent reconstruction allege that I am a socialist without knowing it. But I know very well what is the issue, the natural, just, and inevitable issue, of all attempts to cure wrong-doing by violence, and to meet the misdeeds of government by a propaganda of anarchy.

The strength of communism lies in the misconduct of administrations, the sustentation of odious and unjust privilege, and the support of what are called vested interests, *i.e.*, what is in the main an indefensible position or an indefensible claim to economic existence. I have pointed out what is the nature of some among these grave social evils in the following pages, and though I cannot foresee that the English people will be induced to accept the theories of those who would recast society by the forcible appro-

priation of land and capital, yet it is quite reasonable to predict that they who have hitherto taken an unfair advantage of their position and their influence, may hereafter get less than justice from instructed discontent. The policy which puts all local taxation on occupiers, which allows the owners of mansions and parks to be judges of their own contributions to taxation, the rapine which confiscates improvements under the pretence of free contracts, will sooner or later be met with a reversal which will be far from agreeable to those who profit by present conditions. In nothing is this more visible than in agriculture, where the confiscation of the tenants' capital has been followed by the destruction of British agriculture, and as yet by ignorant discontent. But it is clear that the control of the landowner's power in the disposition of his rights is imminent, that it is nearly completed in Ireland, that it is making great progress in other parts of Great Britain, and that it is rapidly coming within the range of practical politics. The joint ownership of landlord and tenant, in which the interest of the former is to be fixed, that of the latter is to be improvable, is already advocated by persons of no mean influence. The Agricultural Holdings Act is an instalment, a compromise, the complement of which is not far distant. The claim made to the unearned increment is met by the demand that this very increment should be the object of exceptional taxation, and the demand is daily becoming more minatory and coherent. Englishmen are beginning to see that their domestic troubles are mostly of their own making, and when they learn the causes, they will be wholesale in their remedial measures.

Political economy, rightly taken, is the interpretation of all social conditions. It is justly distrusted if it is suspected of being a defence of abuses. In the theory as to how wealth is distributed, the true centre of all economical inquiries, the suspicion that it deliberately advocates an unjust distribution, hopelessly discredits it. And when men despair of equity, the just rights of those who have strained those rights are in danger. I cannot agree with Mr. George, but I am amazed to find how popular his theory is. It is entirely the outcome of economical fallacies, hitherto treated as indisputable truths. The unearned and, according to Mr. George, the entirely undeserved increment is the key to the passionate and

seductive proposals of "Progress and Poverty." Now the impulses bred by this remarkable book are not met by definitions and logomachies. They may be explained away in great part by historical facts, and by the accurate analysis of present conditions. But they never will be as long as people cling to Ricardo, and to obsolete theories of an analogous kind. The instincts of men revolt against a doctrine which teaches that a limited class of property holders is to take an increased toll on the earnings of capital and labour; that there is no escape from this bondage; and that the more intelligent and acute labour becomes, the more heavy will be the tribute which the idle and worthless can exact from society. There is no more mischievous person living than a rapacious landlord, who uses to the full all the powers which existing law gives him. But, on the other hand, there is no more useful and deserving person than a wise and just landlord, who respects his neighbour's true rights, while he preserves his own. Unluckily the former are common, the latter are rare. The contrast may be extended into other forms of property and other callings; and the result is, that the doctrine of *laissez faire* is on its trial. In some quarters, the verdict has been already given.

These lectures were compiled in 1887, though some were delivered in the early part of 1888. I mention this in order to designate the date to which some allusions in the text refer.

OXFORD,
June, 1888.

CONTENTS.

I.

PAGE

THE ECONOMICAL SIDE OF HISTORY 1

II.

LEGISLATION ON LABOUR AND ITS EFFECTS . . . 23

III.

THE CULTIVATION OF LAND BY OWNERS AND OCCUPIERS . . 46

IV.

THE SOCIAL EFFECT OF RELIGIOUS MOVEMENTS . . . 69

V.

DIPLOMACY AND TRADE 92

VI.

THE CHARACTER OF EARLY TAXATION 115

VII.

THE DISTRIBUTION OF WEALTH IN ENGLAND AT DIFFERENT EPOCHS 138

VIII.

PAGE

THE HISTORY OF AGRICULTURAL RENTS IN ENGLAND . . 160

IX.

METALLIC CURRENCIES 183

X.

PAPER CURRENCIES 205

XI.

THE ORIGIN AND PROGRESS OF ENGLISH PAUPERISM . . 227

XII.

HISTORICAL EFFECTS OF HIGH AND LOW PRICES . . . 249

XIII.

DOMESTIC MANUFACTURES 272

XIV.

THE GUILD AND APPRENTICE SYSTEM 295

XV.

THE RISE AND PROGRESS OF THE COLONIAL TRADE . . 318

XVI.

LAISSEZ FAIRE: ITS ORIGIN AND HISTORY . . . 341

XVII.

THE HISTORY OF THE PROTECTIONIST MOVEMENT IN ENGLAND 365

XVIII.

THE INTERPRETATION OF EXPORT AND IMPORT TABLES . . . 389

XIX.

PAGE
THE ESTATE OF THE CROWN, AND THE DOCTRINE OF RESUMPTION 412

XX.

PUBLIC DEBTS 434

XXI.

THE THEORY OF MODERN TAXATION 456

XXII.

THE OBJECT AND CHARACTER OF LOCAL TAXATION IN ENGLAND 479

XXIII.

THE POLICY OF GOVERNMENT IN UNDERTAKING SERVICE AND SUPPLY 501

INDEX 525

ERRATA.

Page 13 line 14 from bottom, *for* friend *read* view.
,, 13 ,, 17 ,, *for* were *read* was.
,, 15 ,, 16 ,, *for* three *read* these.
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,, 172 ,, 13 *for* persons *read* parcels.
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THE ECONOMICAL INTERPRETATION OF HISTORY.

I.

THE ECONOMICAL SIDE OF HISTORY.

Narrow views on history and political economy—The abundance of materials — The philosophy of history — Speculative political economy — The political influence of English wool — 1272–1603, and the conquest of Egypt by the Turks, illustrations of the aid given to history by economical facts—Early English institutions in parishes and towns—Self-government in the villages—Famines—Labour and capital: their several functions—Incidents of labour and capital—The wages of labour and the profits of capital identical in principle—The Great Plague of 1349, and the insurrection of 1381.

In nearly all histories, and in nearly all political economy, the collection and interpretation of economical facts, by which I mean such records as illustrate social life and the distribution of wealth at different epochs of the history of mankind, have been habitually neglected. But the neglect renders history inaccurate or at least imperfect, political economy a mere mental effort, perhaps a mischievous illusion. Every historian will tell you that no history is

worth preserving which does not at once illustrate the progress of a race, or a permanent influence. So a political economist who does not, in his estimate of present industrial forces or agents, take into account the circumstances which have created or modified these forces would, except by a miracle, assuredly blunder in his inferences. History, which does not attempt to distinguish the relative importance of facts, and does not inquire how any contemporaneous set of facts can be pressed into the interpretation, is a mere disordered and imperfect dictionary. Political economy, when it disdains the correction of evidence, is a crude metaphysic, which gives a very artificial and erroneous account of actual life. I hope to be able to illustrate these positions by numerous instances.

I have said that nearly all history, and nearly all political economy, is in this condition. But the barest annals recognize some of these facts, even when they fail to interpret them. Every historian, for instance, notices the great plague of the fourteenth century. He observes that the English kings, in their attempts on France, invariably strove to get the Netherlands on their side. He records the fact that there was a formidable insurrection in England in the last quarter of the fourteenth century, an embittered civil war in the fifteenth, a serious weakening of English reputation in the sixteenth. But these historians have never attempted to discover whether any economical facts contributed powerfully to these events. So entirely was the seventeenth century absorbed in the great struggle of that time, that it has simply left unrecorded all facts of an economical character, which in any other country, even the rudest, would have arrested attention. The political history of this century has been written over and over again. Its social or economical history has been entirely neglected. To the study of this aspect of history I have given the best years of my life. I hope in these lectures to introduce you to some of the facts and some of the inferences which I have collected, and I think I shall be able to show that very often the cause of great political events and great social movements is economical, and has hitherto been undetected.

By far the largest amount of the materials which I have collected for my purpose are from documents which have probably never been read after the immediate object for which they were compiled was

satisfied. Farming accounts, elaborate accounts of buildings and the materials purchased for their erection, with the labour paid for, have been examined, audited, and laid aside. It may be asked, Why were such documents preserved at all after their use was over? The answer is that, up to recent times, the facts which they recite might be useful as evidence of property. Two generations ago a title to land might be impugned or defended by evidence adduced on either side for six centuries and a half, and, therefore, all proof of title might be valuable. We owe the vast mass of records preserved in public and private collections to a barbarous rule of law. It is likely that what prudence first dictated became a habit, and all papers and documents were preserved because it was necessary to treasure some.

I do not make my charges against the historian and economist without reason. At the latter end of the eleventh century a most remarkable document was compiled, a survey of nearly all England. It is rightly deemed to be one of the choicest antiquarian and historical treasures which the nation possesses. It has long since been printed. It has frequently been examined for antiquarian purposes. But it has never been analysed. My friend, Professor Freeman, has published a very copious history of the Norman Conquest. He has, I do not doubt, collected every scrap of history, in the common meaning of the word, which could be procured from every source, domestic and foreign, and commented on them with a fulness which is almost overwhelming. But he has made little use of Domesday Book, which, after the skeleton of facts is arranged, contains far more genuine living material than all his other authorities.

Due weight has been given by some writers to the habits and life of primitive communities. But it is to be regretted that more attention has not been bestowed on their later development. The evidence on this, in the court rolls of manors, is exceedingly abundant in England. These documents are remarkably illustrative of village life and of the surviving relics of the communal system, and especially of that local self-government which has, perhaps, been disadvantageously superseded by the later expedients of justices and quarter sessions. But I should have learnt little of the life which our ancestors lived centuries ago, of the mutual liabilities of the villagers,

of their local courts, and their very effectual administration of justice, civil and criminal, if I had not read these manor rolls by hundreds. Mr. Hallam once regretted that we could not recall the life of a single medieval village. But the means for doing so exists in abundance, and the student of these documents must have a dull imagination indeed if he cannot picture to himself the life of an Englishman in the days of the Plantagenets from his cradle to his grave, realize all the persons with whom he was necessarily brought in contact, and give their weight to all the elements of the little society in which he lived.

Again, the materials for the history of administration of government and of finance are exceedingly abundant, but have been very inadequately pressed into the service of the historian. England has an enormous wealth of diplomatic instruments; not perhaps so copious as the great collection of Muratori, or the monumental work of Dumont, but still of remarkable fulness. The mass of financial records is absolutely prodigious, for the pipe rolls exist in an unbroken series from the days of the first Plantagenet king down to the fifth of the Hanoverian house. But they are hardly explored. Their volume would, I admit, daunt the boldest student. But there should be nothing to prevent the historian from examining the rolls of Parliament. I venture on asserting that if he did so, he could sweep away many ancient delusions as to persons and events, delusions which seem to be permanently imbedded in the popular histories.

I do not deny, I gladly acknowledge, that the solid study of history has made considerable progress. The narrative is no longer merely one of war and peace, of royal genealogies, of unrelated dates, of those annals about which the adage was uttered that happy is the nation which has no history. History has begun to include the study of constitutional antiquities, though even here there is too strong a tendency to anticipate a late development in early beginnings, and to lay too much stress on doubtful meanings. History, again, has begun to recognize the progress of jurisprudence, though it has rarely recognized the economical conditions to which the development of jurisprudence was due. It has touched lightly, very lightly, on social history, on the condition of the people, on the varying fortunes of land and labour, and on the circumstances under

which industries have been naturalized and developed amongst us. The seventeenth century is an age of intellectual and political giants, who carried on a long and unbroken warfare. It will always be studied. It is the favourite topic or theme of writers. But as it has been hitherto written, it is nothing but the record of their drama, the estimate of their characters, who were the agents of this colossal strife. To me the century has another and a very different aspect—the history of the people, whose fortunes have hitherto been passed over in silence.

In one direction, indeed, history has made great strides. I refer to that philosophy which seeks to interpret the characters and motives of statesmen and of princes, when princes were statesmen. It is almost needless to say that such writers, according to the vigour of their powers, are constantly open to the charge of partisanship or paradox. The historian may be honestly convinced that he is drawing a faithful picture of the men and their times, and he may be as faithful as he believes he is. But the more vigorous his imagination is, the better stored and more orderly it is, the more liable he is to the charge of overcolouring his picture, perhaps to the risk of its life. Latterly I have been engaged in an inquiry into the early years of the Bank of England, as I discovered some unknown and unexpected information as to the fluctuations in the price of its stock. I had to go for a few years, with the limited purpose of illustrating the fortunes of the Bank, over the same ground which Macaulay had traversed, and to use some of the same authorities which he used. My inquiry was simply into a new and great commercial adventure, not into the complicated problem of Revolution politics. As in duty bound, I bore testimony, for I had proof before me, to the cautious fairness of the historian. But a friend of mine, a very eminent statesman, demurred to my eulogy. "The vast colouring power of his fancy," he said, "was against his accuracy."

In the philosophy of history it is difficult to avoid partisanship; impossible, I believe, to escape the imputation of it. The volcano may be extinct, the crust of the lava may be crossed by the wayfarer, but deep in the crevices of the cooling mass there may remain a dull red glow. The criticism of great men in past times is sure to be interpreted as implying analogies in the present. The dispute

about the virtues and vices of Mary Stuart is not yet hushed. The reputation of Penn is still angrily defended. There are honest apologists for Wentworth, for Laud, for Shaftesbury. Some of you know that Mr. Gardiner has latterly shown not a little skill in exhibiting the first two of these historical personages in a new light, and even of suggesting a fresh aspect to the great Parliamentary struggle. I cannot, indeed, quite accept the ingenious inferences of this able writer. I do not want indeed to be told that Wentworth was not a mere adventurer. I do not take my estimate of him from Baillie or Clarendon. I do not want to be told that Laud was not a mere driveller. I do not get my opinion of him from the coarse invectives of Prynne or the coarse eulogies of Heylin. Nor has Mr. Christie removed my suspicions, well-founded suspicions I believe, as to the motives and character of Shaftesbury. Still, it is something that in the days of the second Charles a man could have held office under the Crown without becoming portentously and indisputably wicked. I could multiply these illustrations. I will only add that, as great historians of the philosophic school can hardly escape the imputation of partisanship, so the meaner masters of the craft almost invariably fall into transparent paradox and grotesque exaggeration. There is a further stage, in which an attempt is made to draw a likeness, and the failure is complete. I cannot accept Lord Stanhope's portrait of anybody.

The student of history who attempts the less ambitious but more laborious task of economical interpretation occupies a safer, a more unchallengeable position. If I can point out to you that the price of wheat rose frequently, in the first half of the seventeenth century, to 55*s.* and more a quarter, and that the peasant's wages were forcibly kept down, by the best expedient that the administration could devise, to less than sixpence a day, I am not concerned at the criticism of those who would deny that this was oppression. If I can show you that agricultural land let a generation ago at ten times the amount which it let at in the same first half of the seventeenth century, I shall not be deterred by a legion of Ricardos, into expressing the gravest doubts as to whether that eminent person gave an exhaustive account of the rent of land. Such corrections of popular political economy have constantly come before me.

The political economist of the later school has thoroughly carried

out in his own person the economical law which he sees to be at the bottom of all industrial progress; that of obtaining the largest possible result at the least possible cost of labour. He has, therefore, rarely been at the pains of verifying his conclusions by the evidence of facts. He has, therefore, constantly exalted into the domain of natural law, what is after all, and at the best, a very dubious tendency, and may be a perfectly baseless hypothesis. His conclusions have been rejected by workmen, and flouted by statesmen. The former have accused him of partisanship, the latter of unreality. He is not infrequently inconsistent with himself and his own theory. In one page he insists on the intrinsic wisdom of free competition, in another he accords the privilege of protection to young and rising communities. One of the less judicious of these writers may advocate, nay, has advocated, a regulated issue of notes under one set of circumstances, and counselled the discretionary issue of paper money at another, when the latter situation was wholly indefensible. Men have written about the "law of diminishing returns," without having given a moment's attention to the practice of agriculture, and getting a fraction of the experience which may be derived from witnessing that practice, and have rated the British workman for improvidence and recklessness, without having troubled themselves to discover the very traceable historical causes which have induced that character on him. Perhaps the most remarkable Nemesis which has come on the speculative economist is that the definition of Population by Malthus, and the definition of Rent by Ricardo, have been made the keystone to Mr. Henry George's theory, under which he demands the confiscation of Rent in the interests of Population.

The truth, when the economist has tested, and as far as possible verified his inferences or hypothesis by the evidence of facts, he may be able to predict. His predictions may be exceedingly accurate, and may be exceedingly alarming. He may show, for example, by a study of the conditions under which agricultural rent has been developed and increased in this country, that a revival of agricultural rent, unless the conditions of occupancy are wholly altered, either by the spontaneous and reawakened intelligence of the landowners, or by the operation of law, in the probable absence of such intelligence, is not only unlikely, but that matters will go

on from bad to worse, without any visible hope of recovery. The economist has satisfied his function when he has justified his prediction. Then begins the position of the statesman, whose duty it is to say, and that speedily and peremptorily, "What you say and prove will happen, must not happen, but law must be invoked, if obstinacy and stupidity requires its intervention." The student of the conditions of health alleges, and with perfect truth, that given such and such circumstance, disease and loss of life are inevitable. The statesman gives effect to his demonstration by passing sanitary laws, and enforcing their satisfaction.

The wise habit of developing inferences from evidence has been cultivated by at least one modern writer. The range of Mr. Giffen's speculations is not wide, and in some investigations which he has made, he has not, I am confident, gone far enough back in his researches. But in those which bear on monetary science and trade, his method leaves nothing to be desired, and the student, who is anxious to go beyond the common chatter of text-books and manuals, will learn more and better political economy from Mr. Giffen's essays than he would if he browsed for ever on the thorns and thistles of abstract political economy. I commend, in particular, to your notice, the essays contained in the second series.

I will now proceed to show by way of illustration how economical facts lend themselves to the interpretation of history. I stated just now that the Plantagenet kings always used Flanders as the fulcrum from which to make their attacks on France, and that our Edward III. and Henry V. sedulously cultivated the friendship of the Flemings and their rulers. The means which they employed to further these diplomatic ends, was the free or restrained exportation of English wool. From the thirteenth to the sixteenth century, "wool was king." A quarter of a century ago, the seceding states of the American Union avowed that "cotton was king," and that a stint of this necessary material of British industry would assuredly effect a diplomatic revolution in England, enforce the acknowledgment of Southern independence, and constrain the inhabitants of the United Kingdom to reconsider their hatred of slavery. The cessation of a cotton supply induced great misery, but, for reasons which will appear further on, the partisans of the South erred in their reckoning.

England was the only wool-producing country in Europe. To some extent, this remarkable industrial phenomenon is due to its climate and soil, though some parts of England are, and have been for centuries, more fitted for this product than others. In a petition to parliament presented in 1454, it is suggested that certain kinds of wool, forty-four in number, should not be exported, except at the prices named in the schedule. These prices range from 260s. the sack, the value assigned to a certain kind of Hereford wool, to 52s., that assigned to Suffolk produce. These are, beyond doubt, to use a modern phrase, brands well known in the wool trade of the time. More than a century before this time, permission was given to export wool in certain quantities at certain prices, the prices not being quite so high as those in the schedule of 1454. It is possible that the object of the petition was to encourage the English cloth trade, it is equally probable that it was intended, had the prayer been granted, to force the Flemings into active co-operation with those designs on France which had been so disastrously disappointed the year before, when Shrewsbury had been defeated and slain at Chatillon.

The practical monopoly which the English possessed of the wool supply was less due to the climate and soil of England, than it was to the maintenance of order in the kingdom. For a long time, every one in England, from the king to the serf, was an agriculturist. After the landowners had been constrained to give up arable farming, they still remained sheep masters, produced wool and sold it. Now when, owing to the diffusion or distribution of property, every one is interested in maintaining the rights of property, there is very little temptation given to theft or violence, and every inclination to detect and punish it. Hence Englishmen could keep sheep, the most defenceless of agricultural animals. Every one who knows anything about the state of Western Europe from the thirteenth to the seventeenth century, knows that the husbandman did not keep sheep, for they would have certainly been plundered of them by the nobles and their retainers if they had. The king's peace was the protection of the sheep master.

England then had a monopoly of wool. The monopoly was so complete, and the demand for the produce so urgent, that the English Parliaments were able to grant an export duty on wool

equal to more than the market value of the produce without diminishing its price. In other words, the export duty was paid by the foreign consumer, a financial success which every government has desired, which many governments have tried, and in which all, with this English exception, have failed. The reason is, that in order that an export duty should be paid by the foreign consumer, four conditions, very rarely satisfied, have to be in existence: 1. The article must be a necessary of life. 2. There must be absolutely no other source of supply, except the country from which it is derived. 3. There must be no substitute for the article in question. 4. There must be no appreciable economy possible in the use of it. These conditions were satisfied in the case of English wool during the period that it was so powerful a diplomatic force. During the course of my economic studies, I have not seen them satisfied in any other commodity whatever, and I submit that this aspect of the relation of England to Flanders and its rulers, is incomparably more instructive than the pedigree of the Dukes of Burgundy, or the barren account of military operations on the French frontier of the Low Countries. The best wool in England was worth 20s. a tod in the fifteenth century, *i.e.*, about four quarters of wheat. Three centuries later, when other prices had risen from nine to twelve times, English wool of excellent quality was sold at less than half the sum which it had been appraised at in the period which I have taken for illustration.

I will take another example by way of proving to you how much the interpretation of history gains by the study of economic facts. In the twelfth and thirteenth centuries there were numerous and well-frequented routes from the markets of Hindostan to the Western world, and for the conveyance of that Eastern produce which was so greatly desired as a seasoning to the coarse and often unwholesome diet of our forefathers. The principal ports to which this produce was conveyed were Seleucia (latterly called Licia) in the Levant, to Trebizond on the Black Sea, and to Alexandria. From these ports this Eastern produce was collected mainly by the Venetian and Genoese traders, and conveyed over the passes of the Alps to the Upper Danube and the Rhine. Here it was a source of great wealth to the cities which were planted on these waterways, from Ratisbon and Nurenberg, to Burges and Antwerp. The stream

of commerce was not deep or broad, but it was singularly fertilizing, and every one who has any knowledge of the only history worth knowing, knows how important these cities were in the later Middle Ages.

In course of time, all but one of these routes had been blocked by the savages who desolated Central Asia, and still desolate it; the most hateful and mischievous of these races being still encamped in what was once the most prosperous part of the world, Greece and Asia Minor, and keeping it in hopeless savagery. It was, therefore, the object of the most enterprising of the Western nations to get, if possible, in the rear of these destructive brigands, by discovering a long sea passage to Hindostan. All Eastern trade depended on the Egyptian road being kept open, and this remaining road was early threatened. The beginning of this discovery was the work of a Portuguese prince. The expedition of Columbus was an attempt to discover a passage to India over the Western sea. By a curious coincidence, the Cape Passage was doubled, and the New World was discovered, almost simultaneously.

These discoveries were made none too soon. Selim I. (1512–20), the Sultan of Turkey, conquered Mesopotamia and the holy towns of Arabia and annexed Egypt during his brief reign. This conquest blocked the only remaining road which the Old World knew. The thriving manufactures of Alexandria were at once destroyed. Egypt ceased to be the highway from Hindostan. Selim had all the energy of the race to which he belonged, and more than all of its vices. I discovered that some cause must be at work which had been hitherto unsuspected, in the sudden and enormous rise of price in all Eastern products, at the close of the first quarter of the sixteenth century, and found that it must have come from the conquest of Egypt.

The river of commerce was speedily dried up. The cities which had thriven on it were gradually ruined, at least in so far as this source of their wealth was concerned. The Nile became *flumen epotum Medo* in a commercial sense, and the trade of the Danube and the Rhine ceased. The Italian cities fell into rapid decay. The German nobles, who had got themselves incorporated among the burghers of the free cities, were impoverished, and betook themselves to the obvious expedient of reimbursing their losses by the pillage

of their tenants. Then came the Peasants' War, its ferocious incidents, its cruel suppression, and the development of those wild sects which disfigured and arrested the German Reformation. The battle of the Pyramids, in which Selim gained the Sultanate of Egypt for the Osmanli Turks, brought loss and misery into thousands of homes where the event had never been heard of. It is such facts as these which the economic interpretation of history illustrates and expounds.

I shall have occasion in the course of these lectures, to supply you with a multitude of examples as significant as these two which I have quoted. I am not, I hope, too much absorbed in the study which I have pursued for so many years, as to overvalue the facts which I have discovered and marshalled. But I am convinced that to omit or neglect these economical facts is to make the study of history barren, and its annals unreal. With every effort that can be given to it, the narrative of the historian can never be much more than an imperfect or suggestive sketch. We may get the chronology correct, the sequence of events exact, the details of campaigns precise, the changes of frontier reasonably accurate, but may still be far off from the controlling motives of public action, may be entirely in the dark as to the real causes of events. Nor shall we be greatly helped by the more or less successful criticism of the career and purposes of public men. During the great drama of the wars of religion, we may make a more or less intelligent estimate of Philip II. and William of Orange, of Henry of Navarre and Elizabeth of England, of Maurice, Barneveldt, Richelieu, Buckingham, of the English Puritans, of Laud and Strafford, of Eliot, Pym, Hampden, Falkland, Cromwell, of Ferdinand of Styria, Maximilian of Bavaria, Gustavus Adolphus, and Wallenstein; but we shall never, with all our pains, obviate the revision of our judgments. But when we have economical facts of great and far-reaching import to guide us, we can arrive at conclusions which cannot be modified, because they cannot be disputed. I shall not pretend to say that I have discovered the meaning of many among the facts which I have collected. It has been always my opinion, an opinion which I have constantly avowed, that my researches will very possibly yield in other hands more than I have been able to infer, and will serve to illustrate and interpret the past and present to a greater extent than I have been or shall be able to effect.

I mentioned in an early part of this lecture, that Hallam had lamented the disappearance of the annals of the poor, the recovery of which would throw so much light on the past. This excellent, laborious, and conscientious writer, whose works are more profitably studied than others of more antiquarian pretensions, derived all his information from printed books. His powers of inference and historical construction were therefore limited by his materials, and none of the writers which he consulted, with the exception of Madox, had drawn information from original documents. Madox, too, appears to have consulted very little beyond some of the Pipe rolls, and those cursorily. There were printed authorities, such as Fitzherbert's treatises, from which Hallam might have gathered much.

Some English institutions have had a most tenacious existence. It has been observed that the vestry or parish meeting is in direct succession from the assembly of freemen in the Teutonic mark. The system of grand and petty juries had their beginning in the presentments of the minor courts, and the levy of fines, sometimes of the highest penalties, on offenders. The penalties of treason are copied from the punishments inflicted on offenders against the sanctity of the mark and its boundaries. The peculiar position of the steward or seneschal of the manor, when he sat on the judgment seat were similar to, and a precedent for, the circuits and authority of the judges of assize. The perambulation of the boundaries and the attendance of the boys at this ceremony seems to be the survival of the friend of frank pledge and registration in the decenna. The taxing rolls of the Plantagenets, in which the owners of all personal property in the several parishes are named, would with a little care serve as a census of the parishes at the time when the assessors visited the inhabitants.

The parish held from thirty to one hundred inhabitants or more. It contained one or two lords of manors, for sometimes the parish was divided among two or more overlords. This lord was frequently non-resident, and only visited his domain and tenants occasionally. The most important functionary was the rector or parson, practically the head man of the village, and when the lord or steward were not holding court, the permanent chairman of the village gatherings. If his tithes had not been appropriated by some monastery, his income derived from these and from offerings and dues, ordinary

and extraordinary, was for the time considerable, and it was common for him to select, educate, train, and send to the university some bright and intelligent village lad, even though he might be of servile birth, in order that he might become a priest. In the same way, without regard to his origin, an ambitious and courageous youth might enter the king's army; and the former might become a learned doctor and bishop, as Grostête became, the latter a captain and knight, as Sale did, both having been of mean birth.

The houses of the villagers, built of wattles, smeared inside and out with mud or clay, were crowded near the church, in the street of the settlement, though there were in large parishes, outlying homesteads. In all cases the church was the common hall of the parish, and a fortress in time of danger, occupying the site of the stockade which had been built when the first settlers occupied the ground. In the body of the church were frequently stored produce, corn and wool. Here too, I believe, the common feasts of the parish were held, till such time as the proceeds from the local guild enabled the people to erect their own guild-house. The only houses of any pretension in the village were the lord's, the parson's, and the miller's, who by prescription took toll of all the inhabitants, who were bound to grind at his mill, who is a busy, and according to current report, not an over-scrupulous personage in his dealings with his fellow villagers.

Most of the villagers held land as freeholders under fixed rents, and copyholders under no less fixed services. The arable land was in open fields, strips of which, divided by balks on which the grass was left growing, were, in greater or less quantity, the property of the lord, the parson, and the tenants. When the scanty harvest was gathered, the arable land became for a time common pasture. Beside these fields were the commons, the lord's waste, and the lord's wood, the latter being generally on the village bounds. Some of the villagers had only cottages with curtilages, and were the hired labourers in husbandry; though the small farmer, when his work on his small holding was done, was ready to better himself by taking work. All, as I have said, paid rent, in money, in kind, or in labour; but in the historical period, the labour, rents, and ultimately the rents in kind were always commutable for money, the money equivalent being always less than the ordinary rate of wages.

Beyond their agricultural labours, the villagers met informally in council, under the presidency of the rector, and formally at the times, generally three times a year, when the lord's courts were held. In these courts they were trained in habits of self-government, some presenting offenders, some sitting as a jury of compurgators. For in early times, at least, it seems that no stranger could be harboured in the settlement, a breach of the rule beyond a certain time being punishable with a fine. Most villages of any size had an annual fair. Then there were markets and fairs in other towns. The earliest writer on English husbandry, Walter de Henley, allows several days for periodical visits to these places of business and pleasure. Few parishes were probably without guild lands from which the aged and the poor were nourished, till, on the plea that they were devoted to superstitous uses, they were stolen, under an Act of Parliament, by Protector Somerset.

The surroundings of these villagers' houses were unclean and unwholesome, just as they are near an Irish cottier's house in our own time, and it was the lord's interest to encourage the drain from the cottager's middens over his own meadows, which generally lay near the village stream. Perhaps the life of a mediæval Englishman was less uneventful than that of the modern peasant. He had to get all that he wanted, beyond what he procured by his own labour, for himself and his family, at three periodical fairs, or less advantageously at the shops of the few and small towns which he was able to frequent. Here he sold his surplus produce, in order to pay his dues, and to get what he needed for farm and homestead. Apart from these periodical absences from home, he learnt the news from the numerous itinerant priests who constantly visited the villages. In later times, if he sympathized with Wiklif and his poor priests, he would take counsel with these migratory preachers, confide in them his troubles and discontents, and even concert with them the means of armed resistance, resistance which once nearly shook England to its foundations.

The essence of contracts for the occupation of land, if these ancient tenures could be called contracts, was that the liabilities of the tenant should be fixed and unchangeable. This idea of a fixed rent in an estate of inheritance pervaded all relations of landlord and vassal. It affected the subsidies granted to the Crown, the

county valuations of which appear to have been unchanged from the days of the Plantagenets to the days of the Stuarts. So with the fee farm rents paid by freeholders, the labour, and subsequently the commuted rents paid by the copyholders. The principle that a tax should be unchanged was adopted in William III. land tax, an assessment which has never been revised after the lapse of nearly two centuries. So in arguing in the House of Commons, in 1881, in favour of a produce rent in Ireland, which the expectants of the unearned increment refused to accept, I ventured on predicting that an arbitrated money rent, that which the House of Commons ultimately adopted, would never be raised, but might be diminished. Time has shown that my prediction is verified.

I believe, indeed, that under ordinary circumstances the means of life were more abundant during the Middle Ages than they are under our modern experience. There was, I am convinced, no extreme poverty. His dues paid, the small farmer's property and profits were as secure as the landlord's domain. In this the condition of the English peasant was in marked contrast to the lot of the French roturier and the Teutonic bauer. There was but a small surplus population quartered on the products of the soil. The labour of the husbandman was not constrained, as in later times, to support a mass of idlers and consumers. But in other respects his condition was far less satisfactory. His diet, owing to the lack of winter food and nearly all vegetables, was unwholesome during half the year, when he was constrained to live on salt provisions. Leprosy and scurvy were common diseases in mediæval England. In the fourteenth century it is probable that life was healthier in the towns than it was in the country. In the seventeenth these conditions were reversed. In healthy seasons the death rate in London was 41½ per thousand, in unhealthy times the deaths were double the births. In this same century, the deaths in country places were calculated at 29 in the thousand.

England suffered from occasional famines. Of these by far the most formidable were the harvest failures of 1315, 1316, and 1321, when incessant rain in summer destroyed the crop, as incessant rain always does. It would seem that at this time there must have been a considerable loss of human life. This is told us, indeed, by the chroniclers of the age, but there is a stronger proof than their

narrative supplies, for the rate of wages rose 10 per cent. after the occurrence of the calamity. In this case, and in the far graver events which followed on the pestilence of 1349, the greatest increase was effected in what was previously the worst paid kind of labour, as, for instance, threshing oats and women's labour, for it is a law of prices which I have constantly verified by an examination of facts that, whenever a scarcity occurs in any necessary agent or product, the rise among the severally related forms of the service or product is always greatest in that which had hitherto been the lowest. Thus, in materials, when a scarcity occurred a quarter of a century ago in cotton, Surat produce rose vastly more than Sea Island did. Thus, after the plague to which I have just referred, the rise in the cost of threshing wheat was 33 per cent., of oats 88 per cent., while women's labour was paid double or treble its old prices.

It may assist us in illustrating the facts which will perpetually occur in dealing with economic history, if I state briefly what are the relations of the labour and the capital. Wealth is of two kinds, passive or unproductive, and active or productive, the former being constantly and regularly a reserve on which the latter may draw. This double function of wealth explains the rapidity with which in times of exalted demand wealth is readily turned into the active form, profits increase, workmen are employed, and finally wages rise. Mr. Mill has alleged, and no doubt has puzzled you greatly by the allegation, that demand for commodities is not a demand for labour, a statement which contravenes all experience. Mr. Mill's error, and an error he acknowledged this famous paradox to be in the later years of his life, arose from his believing that wealth destined to active uses was at any given time a fixed quantity, just as at any given time a balance at a banker's is. But, in point of fact, the wealth available at any given time for the purpose of affording continuity to industry is a very indefinite quantity, is capable of great and sudden extension, especially in the form of loanable wealth.

The function of capital is to secure the continuous employment of labour, and as far as possible to equalise prices and profits. The labourer lends his labour for a week or a fortnight, or longer, to the employer, and it is easy to conceive, when a turnover is rapid, that

the employer has secured his profit long before he repays his workmen for the advance which the latter has made to him. In the great majority of cases, however, the profit of the employer is postponed till long after he has repaid his workman. But the principal service which the employer does is to give the labourer the prospect of continuous employment, and as the division of employments is developed, and human labour is aided, or perhaps displaced, by costly machinery, the expediency of finding continuous employment for labour is stimulated by the knowledge that the cessation of employment would be a rapidly growing loss. Again, it is the business of the capitalist employer to maintain as far as possible an equal money value or price. The most violent fluctuations of price occur when the producer is constrained to sell at the discretion or demand of the buyer. But the capitalist dealer withholds his goods from the market until such time as he can command his price, and the shrewdest producer or dealer, the man who in the long run commands the best service, and gains the largest profits, is he who can anticipate with the greatest accuracy the demand of the market.

I refer to these facts, in which what I am stating will not be found to differ materially from the views entertained by most economists, because, at the present time, the crudest ideas are afloat about the relations of labour and capital, in which the functions of the latter are vilified, and a violent competition is proposed between the state on the one hand, that is, all who have no property, and the private capitalist on the other. The experiment of the state, or rather the taxpayer, finding competitive capital has been tried. It was the theory of Elizabeth's last poor law, and it failed disastrously, to the condign misery of the workman, a misery prolonged for centuries, as I hope to show. Nothing is gained by exaggerating the benefits which capital confers. Nothing will be gained by depreciating its real services. It has been shrewdly observed that capital and labour are like the two blades of a pair of scissors, powerless apart, but apt to their function when properly fitted.

Now all economists agree, that profits in the general sense are made up of three elements, interests on advances, whether made from his property by the capitalist agent, or supplemented by loans from

those who, being unable to employ their own wealth, are willing for a consideration to lend it to others. The rate of interest is high when loan capital is scarce, low when loan capital is abundant. But it is always a measurable quantity. A second element is risk, a quantity which cannot be measured, for if it were measureable it would cease to be risk, but must be estimated. It varies exceedingly in different callings. It is probably greatest in the case of the agriculturist, particularly if his principal culture is exposed to numerous unforeseen accidents. I mention this mainly to show how serious an element risk is, in the tender of an agricultural rent. In the course of these lectures I shall be able to give numerous illustrations from economical history of the disturbance which this contingency has caused. The third is the labour of superintendence; the time, toil, anxiety, skill which the capitalist employer must give to the details of his business. To these one may add a fourth, which is, perhaps, only a modification of the second, the inevitable wear of implements, and the rapidity with which machinery becomes obsolete or comparatively inefficient. Now it will be plain that, in the language of logicians, the first two elements of profit are objective, *i.e.*, they are external to the agent, and determined by conditions which the agent cannot control. The third, his own labour, is subjective, and it is plain that on this his real profits depend. Our analysis, therefore, shows that the capitalist employer is a labourer, and that his remuneration depends entirely on the efficiency of his labour. Whether or no he gets too much in the distribution of the gross value is another question, but the more necessary workmen make him, by being as much as possible unlike him, the greater will be his share.

Now let us turn to the recipient of wages, the labourer or workman strictly so called. The Greek philosophers, by a happy generalization, called him ἔμψυχον ὄργανον, a living machine, and the phrase is far more significant to us than it was to them, for they degraded labour by permitting slavery. The labourer in our days is a machine which has been constructed at no little cost; but far more important than the cost is the aptitude, whether it be hereditary or imitative, with which the civilized man grapples with industrial avocations. You have all of you seen many of those wonders of mediæval art, the great cathedrals and churches of this

country, indeed of Western Europe. In most cases, the architects of these marvellous works are unknown, for the very sufficient reason that they were designed by workmen. The mason or carpenter who can draw out his plot, *i.e.*, furnish the design of the structure which his hands set up, is mentioned over and over again in our early Statute Book. Familiar as I am with agriculture, I am constantly amazed at the numerous accomplishments of a first-class farm-hand, who is most fit by the multiplication of his employments, as the artizan or factory hand is by their division. He will draw a furrow across a hundred-acre field with a precision of an artist, and prove the correctness of his eye, by the completeness with which he finishes the field. To make a serviceable ditch with its proper inclination is no slight feat. To build and thatch a rick squarely, to trim a hedge neatly, to reap and mow evenly require much practice and skill. The shears which the shepherd plies are rude instruments, but in practised hands they do their work deftly. A good farm-hand generally knows as much practical husbandry as his employer, and is as skilful in the treatment of cattle as a farrier. On such training as this interest has to be paid, as surely as on the property or loans of the employer. The form it takes is in sufficient income for the industrial education of his successors, and the fortunes of a country will decline if the successor is not forthcoming, or if folly drives him away from his native soil.

The element of risk, the inevitable wear, and the ultimate extinction, of this living instrument are manifest enough. His remuneration must cover this contingent charge, or it must be covered at the expense of others. The machinery of the English poor law enables the employer, who reaps the profit of the workman's labour, to transfer to the shoulders of all occupiers the insurance of the labourers' risk. To be sure, with commendable forethought, the best workmen, either through benefit societies or labour partnerships seek to effect their own insurance. In the Middle Ages they did it through their guilds, purchasing lands and houses all over England for charitable service to their own order. Unluckily for them, as the piety of the age considered prayers for the dead to be a charity these guild lands were confiscated on the plea that the use was superstitious, and people wonder that workmen became improvident. The London guilds made ransom, with the result that the charitab

and social funds which were given by traders and artisans have been appropriated by those who are in no other sense their successors.

The costs of training and the risks of the calling are, as in the case of the employer, objective charges; the remuneration for work actually done is subjective. So that we come to the conclusion, that the wages of the employer and of the workmen are generically identical and only specifically different. The question between the two parties engaged in the joint product is, what is the share which each party shall receive, the cost of materials being deducted in the residual distribution. Here, of course, the problem is insoluble as long as each is the interpreter of his own value. In old days the distribution was determined by an oppressive authority, the resistance to which was naturally unreasoning violence. Gradually both parties began to see that the question was arguable, and they frequently had recourse to arbitration. We are beginning to hope that masters' unions and labour partnerships will ere long settle their differences by some self-acting machinery.

Now I have referred to these elementary economical principles, not only because a right conception of them is essential towards the interpretation of all economical problems, but because, in these lectures on the economical interpretation of English history, I shall have frequent occasion to show how the industrial partnership and the subsequent distribution of the product have been warped from their natural bias by legislative violence.'

Five or six centuries ago, the industry of English life was very simple. Three-fourths of the people were husbandmen, cultivating their small farms. There was always, it seems, a certain number of agricultural labourers, who sought work in the villages. It is clear that during the harvest all but the very few men of leisure were engaged in field labour, for the rule against strangers was relaxed in the case of the harvest man. Employers purchased materials, iron, steel, lead, lime, stone, timber, which the craftsmen worked up, as they do in Hindostan now. When it was possible, piece-work was the rule. It is highly probable, nay, almost certain, that even the artisans were during parts of the year husbandmen. I have seen frequent evidence of the fact.

Suddenly a great plague, the like of which was not recorded, attacked Europe almost simultaneously. Like most plagues, it was

much more deadly at first than it was subsequently, though it held its own in England for more than three centuries. It probably killed a third of the population. The wages of labour were instantly doubled, and the ruin of the great proprietors seemed imminent. The profits of capitalist agriculture sank from 20 per cent. to near zero. Now, the great proprietor saw no harm in a high price for what he had to sell, but deemed that a high price in what he had to buy was a grievous wrong. So he made use of the constitution—that is, of the Administration and Parliament—in order to secure or recover his fortunes. It is true that the means by which unfair or impossible contracts were enforced was not brought to the perfection which we witness in modern times, and for a long time the employers of labour were baffled.

The fact is, a new criticism of existing institutions had been encouraged. The riches and the immunities of the monastic orders caused much dissatisfaction. Why should not the opulent monks be made to pay a large share of taxation? Why should the Pope be allowed to levy toll and tribute in England? These discontents found frequent expression, and the radical reformer and his emissaries were welcomed and caressed in high places. But in course of time, the same bold theorists began to examine into the moral title of all property, to declare that lordship was founded in grace, that is, on deserts, and to dispute all other claims to ownership. They even declared that useful labour was more valuable than birth, and rhymed on the relative antiquity of honest work and gentle blood. They became the mouthpiece, the agents, the organizers of the peasantry, and they managed their function with secrecy and efficiency. At last, out of a clear sky, in June, 1381, the storm burst, and England was in insurrection simultaneously from Southampton to Scarborough. The insurrection was quelled, the leaders were executed, the teaching which was once so popular was branded as heresy, and the secular arm was constrained to support the clergy, but lately so unpopular, with fire and faggot. But the solid victory remained for nearly three centuries with the peasants, till at last a combination of circumstances reversed the situation, and the employers became the masters of the field. It is to the history of this long battle that I intend on the next occasion to invite your attention.

II.

LEGISLATION ON LABOUR AND ITS EFFECTS.

The effects of the Great Plague—Regulation of prices by authority customary when there were labour prices—The first Statute of Labourers—Successive Statutes of Labourers—The appeal of the workmen to Domesday—The events of 1381—Legislation of Henry IV., V., VI.—Guilds of artificers—Henry VII. and Henry VIII.—Habits of the latter—His issue of base money—The position of Elizabeth—The Elizabethan Statute of Labourers—The objects of the statute—Indirect resources of labourers—Wages actually paid—Assessments more generous under the Commonwealth.

It is inevitable, in a series of lectures like the present, where far-reaching and present effects are traced to distant causes, that one should seem discursive when one strives to be connected. The warfare of capital and labour in England has been more prolonged than any other historical struggle. Dynastic wars, wars of religion, wars on behalf of the balance of power, wars for supremacy in commerce have been, as you well know, waged in Europe for lengthened periods. But none has been so lasting as that between employer and labourer. None has hitherto been so obscure. The history of the contest is to be extracted from the Statute Book, in laws long since repealed or modified, or become obsolete, in laws which no modern edition of the statutes at large reprints. I doubt whether they exist in any other printed form than in the numerous folio volumes in which all, or nearly all, the English laws ever enacted were published, by authority of Parliament, *in extenso*, but are found, I believe, only in the greatest of our public libraries.

These laws, however, would be only indefinite, incoherent, and more or less effectual explosions of wrath and discontent, were it not for the contemporaneous evidence of wages actually paid, evidence which I have been able to supply, having long been an assiduous and solitary worker in this field of research. The law and the facts illustrate each other. But I must say, with some regret, that the inferences which I am constrained to draw, inferences which are genuine and irrefutable history, have not increased my reverence for the machinery by which the social state of England has been developed. There is, I must confess, a sordid side to the most energetic efforts of collective, I do not say individual, patriotism, and the student of the economical history of England has to prepare himself for painful experiences, even during the most heroic ages of our political history. At the same time, men are not to be blamed for taking advantage of what law accords them. It is to their credit that, in course of time, they became more merciful than the law, as I have found that they constantly were. They never, to be sure, when they made the machinery of their discipline, and what they called law and order, more searching and more severe, declared that they had created no new crime, when their principal and successful effort was to render it impossible, by studiously demoralizing the agents of law, to distinguish between innocence and guilt.

I have referred, in the last lecture, to the magnitude of the calamity known as the Plague, and more recently, it seems, as the Black Death. Before this event, and the consequences which ensued from it, these consequences having been almost immediate, every one, from the king to the serf, cultivated land for his own profit. It is impossible to conceive any social condition which would be so certain to breed a reverence for law and property as one in which every person was possessed of property, which, unless property were respected, was so open to marauders as agricultural produce was. I have no doubt that the singular respect for property in agricultural produce which so distinguished Englishmen in the fourteenth century, and, for the matter of that, onwards, and the honour in which husbandry was held, had a good deal to do with the formation of the early English character among all classes. Even in the severest time—I can give the negative testimony of my

own inquiries—it was rare indeed that farm produce was stolen. I do not mean to say that, outside the jurisdiction of the local courts, the foreign trader, the Lowland exchanger, or even the Pope's emissary, could traverse the king's highway in complete safety. I will not even assert that abbots and priors were always able to convey their cash and valuables without risk of Robin Hoods. But the insurance on the conveyance of money is very low when it is put into the hands, as it often is, of the common carrier, and I have never found the record of a loss from robbers in the many thousand collegiate and monastic accounts which I have read. Englishmen were very prone to defend their rights, real or supposed, by insurrection, and even to depose bad or weak kings, and change the succession, but they rarely broke the king's peace. Even during the civil wars of the fifteenth and seventeenth centuries there was little marauding. In 1461, the Northern army of Margaret took to pillaging, and Edward was instantly called to the throne. In the Parliamentary war, 1642–5, the Royalists of the west showed an imperfect appreciation of the rights of property, and they had to meet the resistance of the clubmen.

On the other hand, it was the custom of the age to regulate prices by authority. The assize of bread and beer is so old that it is undated. For centuries afterwards local authorities were empowered to fix prices. The Vice-Chancellor of Oxford, in the seventeenth century, put out his list of maximum prices for meat, poultry, and wine, and even of the fares on the new stage coaches. The law did not affect to regulate the prices of wheat and malt. Such a function was beyond the power of the legislator, and, it must be added, against his interests. But the law regulated the price at which wheat could be turned into bread and malt into beer. The Statute Book is full of regulations as to the price of meat and clothing. Nor does it seem that these regulations caused discontent. It was probably considered an advantage that certain services regularly needed should be put under a local police, which should see that statutable prices were not exceeded. Not a little of the criminal business transacted at the manor court is that of presentments and fines in the case of the baker and brewer and the fraudulent miller, who have broken the assize or cheated the tenants. The landowners, then, were not attempting to enforce

an absolute novelty when they demanded and obtained the Statute of Labourers.

In the first instance the king addressed a proclamation to William the Primate, as the urgency was great, ordering that workmen should labour at the old wages. This act of the king's is a curious illustration of the situation. Death, the new death, or as the Scotch called it, though only for a time, the foul death of the English, had been busy with the Church, and Edward had offered the see of Canterbury to William Edyndon, the predecessor of William of Wykeham in the see of Winchester, and Edyndon had declined it. The ultimate occupant was Simon Islip. Parliament was at once summoned, and the first Statute of Labourers, 23 Ed. III., was enacted.

The preamble of the Act recites the fact and the effects of the Pestilence, the straits to which masters were put by the consequent scarcity of servants, who will not work except at excessive wages. It then provides that every person under sixty years of age who does not live by merchandise, exercises no craft, who has no means of his own, or proper land for his occupation in tillage, and who is not serving any particular master, shall be bound to serve in husbandry, whoever may require him, at the wages customary in the twentieth year of the king's reign. Lords who have bond-men and bond-tenants have a prior claim to their services—a proof that when the dues were paid which were annexed to such persons' holding, they were free to work for whom they pleased. Any two men could denounce the person who refused to work to the sheriff, who could imprison him. To use a modern phrase, "if a servant in husbandry struck work," he should be imprisoned, and the employment of such a person after his liberation should involve the same penalty on the employer. If higher than customary wages were taken, a penalty of double the amount given and received should be inflicted, the process being taken in the Lord's court. But if the lord himself gives more than the law allows, he is to be prosecuted in the county wapentake, tithing, or other court, and treble penalties are to be inflicted on him. Artificers, many kinds being named, and a general clause including all others being added, are also to expect the wages of 1346. Then comes a clause declaring that provisions shall be sold at reasonable rates, under penalties, the administration

of this part of the law being put into the hands of mayors and bailiffs in the several cities and towns, and no gift is to be made to beggars who can work, under pain of imprisonment. The Act is to be published by archbishops and bishops in all churches of their several dioceses, and the parochial clergy are bidden to see that the law is enforced.

The legislation of 1349 was a total failure. It is probably the case that the reference to the Lord's court, in which a formal presentment of offenders had to be made first, and the cases to be tried by a jury next, was the cause of the ill-success of the legislation. There arose a custom of entering the amount of the labourer's demand in the account, then running it through with a pen and substituting the statutory amount. The bailiffs kept the letter of the statute, but paid the higher wages.

In 1350–1, 25 Ed. III., Parliament, with the assent of prelates, earls, barons, and other great men, descants on the malice of servants, asserts that they pay no respect to the older statute, and refuse to work except at double or treble wages. New provisions are therefore enacted. The money wages of all kinds of workmen, servants in husbandry, and artisans, are fixed at certain rates, as long as wheat is under 6s. 8d. a quarter. The jurisdiction of offences is transferred from the Lord's court to the justices, who are to meet for the purpose of hearing and adjudicating on offences at least four times a year, and are empowered to inflict forty days' imprisonment for the first offence, three months for the second, six for the third, as well as levying the fines of the first statute, the penalties to go to the exchequer. Servants flying from county to county were to be arrested. Contemporary writers assure us that this became a common practice, workmen no doubt seeking those localities in which labour was most required, and developing an organization for information and action. In fact, we are told that associations exactly like those of modern trade unions were entered into, the members subscribing for purposes of defence and for paying such fines as might be imposed. In a subsequent statute, 25 Ed. III. cap. 7, provision was made for paying the fines and estreats into the exchequer.

The Act was again a failure. If we can infer from the next legislation, the ill-success of the measure was due to the fines being

payable to the Crown. There was and there remained a scarcity of workmen. The void was not satisfactorily filled by imprisoning the obstinate, and the aggrieved person, the employer, was not particularly active in levying fines which should go to the king. Besides, the landowners soon despaired of carrying on the old system of cultivation with their own stock, under bailiffs, and rapidly devised a new relation between themselves and their lords, the stock and land lease, under which the landowner let his stock with the land for a time to a tenant farmer. Under 31 Ed. III. statute 1, caps. 2 and 7, the fines enacted for breaches of the statute were to go to the lords, and London, the Cinque Ports, and all other franchises were brought under the general law.

The office of justice of the peace was remodelled by an Act of 34 Ed. III. The fine on the recalcitrant labourer was abolished, for the action of the lord was now superseded. But imprisonment was to remain, and the offence was to be no longer bailable. Artisans are to be included in the new legislation. Wages are to be by the day, not the week, but persons may contract in gross for work to be done. Then the statute throws a curious light on the organizations which artisans had entered into, when it declares that the "alliances, covines, congregations, chapters, ordinances, and oaths made or to be made by masons and carpenters shall be void and annulled." The freemason of our day may detect in these associations the germ of his lodge, the economist may allow this view, but sees in them the trades union of the fourteenth century. The policy of the labourers is further illustrated by a clause in the Act, under which fugitive labourers, by whom must be meant other than serfs, since these could always be reclaimed, were to be outlawed, and branded with the letter F. Furthermore, mayors and bailiffs are constrained to deliver up all fugitive labourers, under a penalty of £10 to the king and a hundred shillings to the aggrieved party. By the 36 Ed. III. cap. 8, domestic chaplains are brought under the Statute of Labourers, and their wages are fixed. Five marks, £3 6s. 8d., were declared to be a sufficient stipend for such persons. By 42 Ed. III. it is ordered that the Statute of Labourers should be enforced by the justices.

The reign of Richard II. gives us fresh information as to the course of the struggle. "Villains," the preamble says, "withdraw

their services and customs from their lords, by the comfort and procurement of others, their counsellors, maintainers, and abettors, which have taken hire and profit of the said villains and land-tenants, by colour of certain exemplifications made out of Domesday, and affirm that they are discharged, and will suffer no distress. Hereupon they gather themselves in great routs, and argue by such a confederacy that every one shall resist their lords by force." The justices are to take cognizance of such practices, imprison the offenders, and inflict fines to king and lord on the counsellors of such persons. This is an Act of the 1 Ric.; in the next year the Statute of Labourers is confirmed.

This remarkable preamble refers no doubt to the company of poor priests, whom Wiklif had appointed, and who were the channel by which communications were kept up among the disaffected serfs. It is clear, too, that they had taken and paid for legal advice, and that the purport of this advice was, that according to the most ancient and venerable authority, Domesday, the satisfaction of the legal obligations of the tenant in villenage was a bar to the claim of any further service on the part of the lord, and especially to that part of the Statute of Labourers which gave a prior claim, at the old rates, of the serf's extra services, to the lord on whom he depended.

It is not a little singular that the administration and Parliament were entirely in the dark about the danger which was menacing them. The preamble of this statute supplied me, more than twenty years ago, with the key to Tyler's and Littlestreet's insurrection in 1381. The lords had attempted to make claims on the serfs, and were indeed backed by Parliament, which would have practically enlarged the liability of their tenures. They had claimed the old labour rents, which had long been commuted for money payments, so long that no memory went back to the more ancient custom, and had demanded further sacrifices from them. There was no villenage in Kent, but Tyler, of Dartford, had made common cause with the workmen, and probably had far more ambitious ends than the removal of social grievances. It appears, too, that some of the nobles, notably Montacute, Earl of Salisbury, were in sympathy with the insurgents, and we know that some of the city aldermen favoured them. The ostensible object of the insurrection was the total abolition of all the incidents of villenage.

The story of Tyler's insurrection is told with sufficient details in all the ordinary history books, and those of modern date have accepted in silence the proof that I published more than twenty years ago as to the causes and consequences of the insurrection. The late Mr. Tom Taylor told me that when he discovered the real facts of the case, as I had narrated them, he was exceedingly struck with the situation, and that he meditated writing an historical drama on the subject. In point of fact, the whole political and social constitution of England was imperilled, and there was great reason in what the young king told his mother, after the events of Smithfield, that he had lost and recovered his crown on that day.

Notwithstanding the harsh language to the discomfited rebels, which the chroniclers put into the young king's mouth, it is clear that he wished to concede to the demands of the serfs. He consulted Parliament as to whether he should give effect to the charters of manumission which he had granted, and when Parliament indignantly refused, as it often does to this day refuse to listen to wise counsel, the judges, I am persuaded at the king's instance, gave the most favourable constructions possible on these servile tenures, and protected the serf from arbitrary action. Richard himself, too, refused to bind the yoke more strictly, and when Parliament petitioned that the sons of serfs should be declared incompetent of holy orders, he flatly and peremptorily rejected their petition. He had no mind to provoke the risks of another Mile-end or Smithfield. Henceforth the characteristics of tenure in villenage and serfdom became slighter and more indistinct, though faint traces of personal disability can be detected as late as the sixteenth century. Tenure by villenage is rapidly called tenure by copy, and any discredit attaching to the tenant of bare lands is speedily lost in the land-hunger of the fifteenth century, when copyholds were purchased by nobles and knights.

General pardons were speedily issued, at first to those who had been guilty of illegalities in suppressing the insurrection; next to the insurgents themselves, though a long list of exceptions is published, the majority being Londoners. In one case the insurgents of Edmundsbury were pardoned, but were constrained to plead their pardon and give security to the Abbot of Bury. You will find the narrative of the serfs' acts and claims in Walsingham, and the

expedients which the reluctant abbot adopted in order to elude the insurgents. There is however an Act of this reign, 9 Ric. II. cap. 2, under which provision is made, that if villains and niefs (female serfs) bring fictitious suits against their lord, he is not to be forebarred by answering at law. By the ancient custom, if a lord pleaded against a serf of his own in a court of law, he admitted by implication the serf's manumission, and was held to have enfranchised him.

I have given this slight sketch of the events of 1381, because the gradual emancipation of the serfs, dating unquestionably and proceeding progressively from the great Insurrection, must have had its effect in strengthening the hands of all labourers in resistance to these interested statutes. The free labourers had made common cause with their meaner fellow-countrymen, and were now reinforced by those whom they had helped to emancipate. Fortunately for human progress, there are, and we trust there always will be, many, who being in no appreciable peril themselves at the hands of those who wield power selfishly or claim rights injuriously, by the aid of their dependents and their sycophants, undertake the cause of the oppressed, and gain victories in which they win no spoil. Beyond doubt, even in that day, there were many men who, having freedom and rights themselves, thought it their duty to aid those whose freedom was imperilled and whose rights were assailed.

It was not to be imagined, because king and Parliament relaxed the feudal lord's grasp on the serf, that they were likely to yield without further efforts to the claims of the labourer. The statute 12 Ric. II. cap. 4, while it re-enacts the original Act of Edward, introduces some new provisions into the law. Alleging that "servants and labourers will not, nor for a long time would serve without outrageous and excessive hire," it proceeds to fix the wages of those servants in husbandry who were lodged and boarded by their employers. But it also introduces a passport system. It enacts that servants going from one employment to another hiring shall carry letters testimonial from their late employer, puts the obligation to carry passports on pilgrims and beggars, punishes those who are without such letters of credit with the stocks, and those who forge them with imprisonment, at the discretion of the justices. It also provides that such persons as have been engaged

in husbandry up to twelve years of age shall be incapable of being apprenticed to trades or handicrafts, and declares their indentures void. It compels artisans to labour in the fields at harvest time, and puts increasing fines on those who give or receive more than the legal rates.

The 4 Hen. IV. cap. 14 prescribes that labourers should be hired by the day and not by the week, that they should not be paid for holidays, nor for the eves of feasts, and that they who quit work at noon should be paid for only half a day. The Act puts a penalty of 20s. on the labourer who takes more than the statutory payment. It is remarkable that in 1408 Henry pays four carpenters at Windsor sixpence a day for 365 days in the year. But the statute, as I have proved conclusively, was kept by neither king nor subject.

Under 7 Hen. IV. cap. 17, re-enacting the Statute of Labourers, Henry gave an answer to a petition presented by Parliament, to the effect that no person should be allowed to bind his or her son apprentice, unless he had 40s. a year in land or rent, an income from land, which up to recent times would have represented at least £80 a year. The draftsman of the petition, after stating that there was great scarcity of labour owing to the practice of apprenticeship, enacts that the limit should be 20s. a year, and puts a penalty of 100s. on any person who takes such an apprentice, any person being permitted to inform against offenders. But the Act allows parents to put their sons or daughters to school at their discretion.

By 2 Hen. V. cap. 4 the Statute of Labourers is again confirmed, and order is taken that it should be exemplified and sent to the sheriffs for publication in the county court. A new clause is added under which workmen and employers may be examined on oath, as to wages given or received, and a further power is given to the justices of issuing writs for the reclamation of fugitive labourers. By a further Act of the same reign (4 Hen. V.) the penalties for receiving excessive wages are hereafter to be levied from the receivers only.

Legislation on the wages of labour is abundant and inoperative during the next reign, the long minority of Henry VI. In the second year, the Statute of Labourers is re-enacted, and a new clause added, one which was hereafter to bear such evil fruit, that the

justices in quarter sessions should be empowered to regulate the rate of wages. But the Act was temporary. In the next year, 3 Hen. VI. cap. 1, the confederacies and yearly congregations of masons in general chapters and assemblies are forbidden, and the punishment of fine and ransom and imprisonment denounced against offenders.

By 6 Hen. VI. cap. 8 the labour statutes of Richard are re-enacted, and the clause permitting the justices of peace to fix the rate of wages re-enacted and enlarged. The justices in every county and the mayor in every city and town are to make proclamation every Easter and Michaelmas fixing how much each workman or artificer is to have, with or without food, and these proclamations are to have the force of statutes. But the statute is again temporary. It is re-enacted by 8 Hen. VI., and is to endure "till the king hath otherwise declared his will in Parliament." By 11 Hen. VI. the Statute of Apprenticeship is again enacted, but London is exempted from the 20s. a year clause, by which "the Londoners are grievously vexed and infuriated."

By 15 Hen. VI. cap. 6 the guilds of artificers and other labourers are attacked. It is stated that "guilds interpret their own charters for their own profit, and to the damage of others." The new law enacts that hereafter all letters patent and charters of guilds shall be registered before the justices of the peace in counties and the chief governors of towns. A penalty of £10 is to be inflicted on every ordinance which is not in accordance with the charters. You will notice that county or village guilds must have been numerous, or they would not have been made the subject of legislation and inspection. By 18 Hen. VI. cap. 11 the qualification of the justice is raised to £20 a year in land.

By the 23 Hen. VI. cap. 12, the law provides that a servant shall give notice to his employer that he intends to leave his service, "so as to let him provide a new one." The Act also gives a schedule of wages, in which the rates now become customary are all but acknowledged. It also declares that hirings in husbandry shall be for a year certain. There is no legislation on the subject of labour during the reigns of Edward IV. and Richard III. The labourers had won the day. In Henry VII.'s reign the rule about the qualification of apprenticeship is rescinded in the case of Norwich by

11 Hen. VII. cap. 11; and by cap. 22 of the same year, a schedule of wages is given, which, considering the cheapness of the time, is exceedingly liberal. At no time in English history have the earnings of labourers, interpreted by their purchasing power, been so considerable as those which this Act acknowledges. But the day is twelve hours from March to September, from daybreak till night for the rest of the year. It is certain that fifty years before the labour-day was one of eight hours only, and the wages paid were far in excess of what was the statutable rate at the time.

There is but little legislation of labour during the reign of Henry VIII. His Acts remit the penalties on employers who give higher wages than the statute allows, and re-enact the rates which his father's law had prescribed. By 7 Hen. VIII. cap. 5, labourers in London are exempted from the Statute of Labourers, and by 28 Hen. VIII. cap. 5, no corporation or company was allowed to restrain apprentices when their time was up from trade, or to exact more than such legal fees for their freedom as were permitted under existing laws.

I am sensible that the recital which I have made of these ancient laws is dry and dull. But you cannot study the history of any civilized country to any profit without taking note of its laws, still less that of England, in which the course of legislation seems to be so much a matter of compromise and immediate expediency, but in which it is therefore more immediately connected with its history, least of all in the economical interpretation of history, where law is to the social state what chronology and geography are to the political estimate of a nation. During all this time the mass of English labourers, by no means claiming more than the reasonable reward for their services, were thriving under their guilds and trade unions, the peasants gradually acquiring land, and becoming the numerous small freeholders of the first half of the seventeenth century, the artisans the master hands in their craft, contractors in the same period for considerable works, planning the solid and handsome structures in what is known of the Perpendicular style, and withal working with their own hands on the buildings which their shrewdness and experience had planned. It is true that at the very best age of the workman a ruin was impending, the causes of which I have been able to collect, and shall now proceed to expound.

During the whole of English history, there never was a sovereign so outrageously and wantonly extravagant as Henry. He inherited an enormous fortune from his thrifty father, as fortunes in the sixteenth century went, and dissipated it speedily. His wars and alliances in which subsidized the needy Emperor of Germany, and was baffled and foiled in all which he undertook cost him much, but his expenditure during time of peace was prodigious. He had twenty or thirty palaces, on all of which pulling down and building was perpetually going on, in which an army of workmen, often by night and day, on Sundays and on the highest festivals of his Church, were incessantly employed. The cost of his establishments was enormous. He seemed to have an idea that it was splendid and safe to entertain his nobles, and he made them quarter themselves on his numerous palaces. The establishment of Mary, till he disowned her, of the infant Elizabeth, of the infant Edward was each more costly than the whole annual charge of his father's living, as the extant wardrobe books testify. He built huge ships which would not sail, huge palaces which were the whims of the hour, and were soon left to decay. If he could have got at it, he would have spent all the private wealth of all his subjects, and he made every effort to get at it. Whatever he procured, borrowed, raised was soon like the bag of gold which Bunyan, in his vision, saw poured into the lap of Passion. He was popular in a way, for wasteful people generally are, even when they waste what does not belong to them.

The smaller monasteries went, and he soon came to an end of their accumulations. The larger ones he spared, declaring them to be the seats of piety and religion. He pledged himself that the spoil of the monasteries given him, he would ask his people for no more taxes, not even for necessary wars. Soon the greater monasteries went. I believe that, foreseeing the storm, the monks had granted long leases of the lands, so that much of his plunder was reversionary. But the accumulated treasures of ages came into his clutches. A long array of waggons carried off the gold, silver, and precious stones, which for nearly four centuries had accumulated round the shrine of Becket. This shrine was no doubt the richest in England, perhaps in Christendom. But there were others more ancient and nearly as wealthy, at Winchester, at Westminster, at a

hundred sacred places. It is exceedingly probable that the accumulations of these holy places were, as bullion, equal to all the money in circulation at the time. It vanished like snow in summer. Nothing stayed with him apparently for a longer time than he could hurl it away. The lands of the monasteries were said to have been a third of the English soil.

After these exploits he seems to have hardly dared to ask his people for money. But there still remained a way in which he could most effectually attack their pockets. He began to issue base money, at first with very little alloy beyond what had been customary. He soon became shameless, for his mint kept issuing baser and baser coins. He is the only English sovereign who has ever committed this peculiarly mean and treacherous crime, for Charles only thought of it. I reckon the continuance of this vile practice under his son as his act, for he had the credit of breeding and bringing up the infamous knaves whom he appointed as his son's guardians. At last, when the wretch was sinking into his grave, worn out by his vices and debaucheries at a comparatively early age, bloated and shamefully diseased, he bethought himself of robbing the labourers and artisans, by confiscating their guild lands. He would have confiscated all the property of the universities had he lived, but fortunately Mr. Froude's patriot king died, the Vitellius and Nero of English history.

The mischief begun by Henry was continued by the guardians of his son. It is impossible to speak with too much contempt of the crew whom Henry left to watch over and advise the young prince. Bad men, especially bad men to whom the interests of nations are entrusted, make their instruments worse. The chief of the gang was Somerset, who soon got rid of his brother Seymour at Tower Hill. Somerset completed the confiscation of the guild lands which Henry contemplated. By a political law that in such a time the greatest villain gets the mastery, Northumberland got Somerset out of the way, and for a time seemed master. He was on the point of dismembering England and creating for himself a principality or kingdom north of the Trent when Edward died; the angry and impoverished labourers rallied to Mary Tudor, and Northumberland fell. On the scaffold he added one more vice to his catalogue, for he pretended to repent. But he was so bad a

man that it may be doubted whether hypocrisy could have made him worse.

When Elizabeth came to the throne both sovereign and people were miserably poor. The base money had driven the working classes to beggary, and England, once the most powerful of Western States, was of little more account in the policy of Europe than a petty German princedom was. The queen's first task and first duty was to reform the currency. But she could not afford to make good her father's and brother's dishonesty. It would have cost her five years of her revenue. The details of Henry's crime, and the details of Elizabeth's remedy, I must postpone till I deal with the question of metallic currencies in England. It was necessary that I should say as much as I have said in order that we may have light wherewith to follow the fortunes of the English labourer. His guild lands, the benefit societies of the Middle Ages, which systematically relieved destitution, were stolen by the greedy leader of the new aristocracy, he had suffered eighteen years' experience of a debased currency, prices rose 150 per cent., and the wages of labour were almost stationary. Wages do not rise with prices. To assert that they do, or will, is either ignorance or dishonesty. During the few years which followed on the great American Civil War, and a crew of sharpers, among other dishonest actions, had insisted on, and for a time maintained, an inconvertible paper currency, the condition of workmen in the United States was very distressful. But it was not so bad as the condition of the working classes was in England after the great queen's accession in 1558. There were people at that time who wished to continue the circulation of base money, as they made a large profit on discounting it. In the American case an Englishman, seated as an economist in an academical office, was tempted, because his vanity was flattered, to defend the practice of the Wall Street junto of soft money gamblers. In the days of the English base money, Sir Thomas Gresham, financial agent of the English court at Antwerp, formulated the law which has subsequently gone by his name, that it two kinds of money declared by authority to be of equal value, but discovered in the course of trade to be of unequal value, are put into circulation simultaneously, the over-valued money will speedily drive that which is under-valued out of circulation.

After reforming the currency, Elizabeth and her advisers passed a new Statute of Labourers. In the Statute Book it is known as 5 Eliz. cap. 4. It began by repealing all the statutes which had regulated labour since 23 Edward III., over two centuries before. It then took all that was most stringent from the statutes which I have already referred to, and put them into a comprehensive enactment, which was hereafter to regulate the relations of employer and labourer. I do not indeed believe that Elizabeth and her counsellors intended to deal unjustly by the workmen; some indeed of the clauses of the Act are intended for the working man's protection, but the mischief of the Act was in the machinery by which it would be carried out, and in the terribly depressed condition of the labourer. He was handed over to the mercy of his employer at a time when he was utterly incapable of resisting the grossest tyranny. The Government of the day probably remembered the uprisings of Tyler and Cade, certainly that of Ket, and they determined to make use of an instrument, the justices in quarter sessions, who would be able to check any discontent, even the discontent of despair, and might be trusted, if necessary, to starve the people into submission. We shall see how completely success attended their efforts.

In certain employments servants were to be hired by the year. Every unmarried person under the age of 30, and not having 40s. a year of his own, nor otherwise employed, was compellable to serve at a yearly hiring in the craft to which he was brought up. You will note here that the limit of private income, the old franchise of Henry VI.'s law, suggests that the framers of the statute are of opinion that the old prices would recur, and that calling a coin a shilling, when it only contained about the third of a shilling, would enable it to buy as much as when it was three times its present weight. The servant hired for a year could not be dismissed except upon cause allowed by two justices, nor at the end of the year without a quarter's notice. Next, all persons between the ages of 15 and 60, and not otherwise employed or apprenticed, were made liable to serve in husbandry. Masters unduly dismissing their servants were to be fined 40s., and servants unlawfully quitting their employment were to be imprisoned. Servants were not to quit city or parish without a testimonial, if they do so they are to

be imprisoned, and if they have a forged testimonial they are to be whipped. Masters taking a servant without a testimonial are to be fined £5. The hours of labour are defined, as in earlier laws, at twelve hours a day during the summer months, and from daybreak to night in the winter. Absence from work is to be punished with a fine of a penny an hour. A strike is to be visited with a month's imprisonment and a fine of £5, a sum which appears to be a blow against what might be surviving of the old trade unions.

The justices are to hold a rating sessions (they generally held it a little after Easter), in which they are to fix the rate of wages in all employments, summer and winter, by day or year, with board or without board. These rates are to be certified in Chancery, approved by the Privy Council, and proclaimed by the sheriff, who is to call attention to the penalties in the Act. The justices are to be paid 5s. a day for their attendance, and those who are absent from the rating sessions are to be fined £10. The penalty on giving higher wages than the scale is £5 and ten days' imprisonment, on the receiver twenty-one days, the contract being declared void. Workmen assaulting a master are to be imprisoned for a year or more. Artificers may be compelled to do harvest work.

Workmen are allowed to migrate from county to county in harvest time. Women between twelve and forty years old, if single, can be compelled to work by the year, week, or day, at the option of the hirer, and certain persons are allowed to take apprentices in husbandry. Householders in towns may take apprentices for seven years terms, and each may have two, if they be children of artificers, and an artisan may have as an apprentice the son of a person who has no land. The apprenticeship must be for seven years, under a penalty of 40s. a month for all the period short of this time. But merchants are not to take apprentices, except from parents having 40s. a year in freehold land, and in certain specified callings, notably in the trade of woollen cloth weaving, unless they possess a freehold of £3 a year. One journeyman must be hired with every three apprentices, and if more than three are indentured, one journeyman to each additional apprentice. But persons refusing to be apprenticed are to be imprisoned. Runaways are to be imprisoned.

The justices are to inquire periodically into the execution of the

Act, and to revise their rates according to the cheapness or dearness of the necessaries of life. The Act further recognizes the common informer, who is to have half the penalties, the other half going to the Crown. Thirty-three years later the Act was amended. The liabilities of the Act were extended to weavers, the justices were empowered to issue their rates in divisions of the shires, and the rates are to be published by the sheriff, but the obligation of certifying them to the Privy Council through Chancery is abrogated. They are henceforth to be presented by the Custo Rotulorum. As was commonly the custom at that time, the Act was temporary, but was constantly renewed in the last chapter of the Parliamentary roll. Thus it was re-enacted in 1601 and 1603. In all, between 23 Edward I. and 1 James, thirty-seven Labour Acts were passed by Parliament.

The justices soon set to work. The first assessment extant is dated June 7, 1563, and is for the county of Rutland. The original is in the great collection of Elizabeth's proclamations, a volume that certainly belonged to Burghley and his son Robert Cecil, afterwards Earl of Salisbury. This assessment was, I make no doubt, to be a guide for counties south of the Trent, as one of 1595, and also printed in the same collection, is for those which are north of the Trent. Altogether I have found thirteen of these assessments between the years 1563 and 1725. I believe that they were discontinued during the eighteenth century, not because the law was neglected, but because the assessment had effectually done the work for which it was designed, the labourer's wages being now reduced to a bare subsistence.

The object of this celebrated or infamous statute was threefold—(1) to break up the combinations of labourers, (2) to supply the adequate machinery of control, and (3) by limiting the right of apprenticeship, to make the peasant labourer the residuum of all other labour, or, in other words, to forcibly increase the supply. The courts of law, if the justices were slow to act, could be quite relied on for enforcing the statute, for the most prejudiced lawyer cannot deny that the Stuart judges were, with some exceptions, timid, servile, and cruel. Attempts have been made to argue that the Stuart kings wished to rule strictly by law. But their apologists forget that law is no abstract proposition, but a highly practical

condition of social life, and that procedure is as much law as the penalties which a statute enacts, and the rights which law professes to guarantee. To keep to the letter of the law and corrupt its procedure, is a far greater treason against law and freedom than it is to enact a law of Draconian severity. Now the Stuarts made the judge's patent run during the pleasure of the Crown, and gave the judge abundant warnings that they would be ejected from office if their rulings or interpretations of law displeased authority. It was from this point of view, I venture to affirm the true one, that the answer of the aged Serjeant Maynard was made to William III. "You must have outlived all the lawyers," said the king. "Yes, sir," he replied, "and if your Majesty had not come hither, I should have outlived all the law." But the Stuarts did not repeal laws, they only perverted their administration by the hands of wicked judges. They did not even punish Chief Justice Vaughan for affirming the immunity of juries. At last the judges got freeholds in their offices, and became incomparably more honest.

The justices in quarter sessions took no note, as the statute instructed them, of "the cheapness or dearness of provisions." Their object was to get labour at starvation wages, and they did their best to effect their object. The law gave them the power, and provided no appeal from their decision. It may be said that the framers of the statute imagined that the magistrates could adopt a sliding scale, like that which was evidently contemplated under 25 Edward III., and as evidently was before the mind of Parliament when it framed its own scales in the fifteenth century, particularly in 1495.

Some time since, in a work of mine, entitled, "Six Centuries of Labour and Wages," my information as to the amount of wages paid and the price of food having been far less copious than it now is, I was able to show that while the Act of 1495 enabled an artisan, in prices of that time, to procure a certain amount of food and drink with a fortnight's labour, at the rates of the statute, and an agricultural labourer to obtain the same with three weeks' labour, the justices' assessment rarely enabled the peasant to obtain the same quantities with a whole year's labour, and would sometimes have required two years' incessant labour. For it must be remembered that though the law pressed hardly on the artisan, it was intended to press far more hardly on the peasant, cheap agricultural labour,

in the absence of any notable, as I shall show hereafter, any possible improvement in the art of agriculture, being, as was seen clearly enough, the best means by which, concurrently with a high price of produce, agricultural rents could be raised.

Now the researches which I have made subsequently to the the publication of my work, have abundantly confirmed the inferences which I drew as to the intention of the quarter sessions assessments. I have discovered more of these documents than were before me a few years' ago, and have been able to trace the consequences of the system. It is true that in some particulars the position of the peasant was not so bad as it now is. He was rarely without his patch of land. The Allotments Act of 31 Elizabeth cap. 7, under which an attempt was made to check the growing evil of building cottages without curtilages, which provided that no cottage should hereafter be built, unless four acres of land were attached to, for the peasant to work on his own account, and forbad under penalties that more than one family should inhabit the same tenement, is, to my mind, conclusive as to what had been a practice, and that the practice had been recently abandoned. I can trace the continuity of this practice and its beneficial effects during the early part of the eighteenth century. In the latter half of this century, the Act was repealed. Its duration was a hindrance to the fashion of enclosures then so prevalent.

Again, beyond the plot which he held in severalty, the peasant had more or less extensive rights of common. The common, even if it did not afford herbage for his cow, was a run for his poultry, and assured him the occasional fowl in the pot. When the system of enclosures was in full vigour, people commented on the very different treatment received by the man who stole the goose from the common and the man who stole the common from the goose. The gradual appropriation of these indirect advantages, however much the policy of enclosures may have increased the productiveness of agriculture, was an insensible aggravation of the peasant's lot, and a cause of increasing distress to him.

Again, as there were large tracts of open and swampy country, the England of two and more centuries ago swarmed with wild animals. From the earliest times of which we read, some of these animals were protected for private amusement or consumption,

as stags and deer, hares and wild boars. In later times, especially in James the First's reign, game laws, restraining the practice of sporting, on the plea that the practice of fowling and snaring made the labourers idle, were enacted. But it is certain that the laws were inoperative. I have examined many accounts of the sixteenth and seventeenth centuries, which register the domestic expenditure of several noblemen of rank and fortune, and of corporations. The amount of game, winged and ground, which is bought, especially in winter, is prodigious. Many purchases are made of birds which are not, I believe generally found on tables now. But if the sole right of netting and fowling had been reserved, as the statute of James prescribes, these items could not have appeared in the accounts. They were doubtlessly supplied by the small farmers and peasantry. Now, what they sold at the great house, they might have consumed themselves.

These advantages which one discovers by studying the social legislation and habits of the time, existed to an equal or a greater extent in the time of the first Tudor sovereign. It is the gradual deprivation of them, without any compensation beyond the concession of a bare subsistence which marks the economical history of the poor as the centuries pass on. It is, I think, most probable that the practice of the quarter sessions assessment ceased in the south of England at the close of the seventeenth century, and in the north at the beginning of the eighteenth. It would be strange if the practice was continued, while agricultural history, now getting full of comments on the situation, is entirely silent on the subject. But, in fact, the justices had done their work. They had made low wages, famine wages, traditional, and these wages, insufficient by themselves, were supplemented from the poor rate.

We have an account or return of the poor rates, actually collected and expended in every English county, at the end of Charles the Second's reign. Its heaviest incidence is in the counties south of the Trent. The sum, to our modern experience, is hardly a tenth of that now raised and expended in England and Wales. But this gives an inadequate idea of its character. It is in amount more than a third of the whole revenue in time of peace. If the money expended for the relief of the poor in the present day stood in the same

ratio to the public expenditure, interest on debt being not reckoned in the revenue, it would reach nearly twenty millions. In fact, the estimate which Gregory King makes of an agricultural labourer's income at the end of the seventeenth century, and I know from actual payments made and wages earned, that King's estimate is pretty accurate, the income had invariably to be supplemented from the poor rate. It is true that King exhibits his inference in a curious way. He makes out that the landowners and officials alone contribute to the annual increase of wealth, because they got the largest share, and save some of it, but that the whole class of labourers are, from the character of their incomes, a burden on the national resources, though he was not blind to the fact that they made all the wealth.

But there are two facts on which comment should be made. The rate of wages actually paid to workmen is always higher than that prescribed by the justices. I cannot say, indeed, that the wages which I have registered were paid for (say) fifty weeks in the year, but neither is it certain that the quarter sessions rates by the day are. Now I will take eight different kinds of labour at weekly rates, and strike an average of the eight from the justices' assessments, and another from the wages which I have registered are actually paid to the different kinds of workmen, five being artisans, and three unskilled and agricultural. The average of the justices' eight is 5s. 1d. a week, between 1593 and 1684. The average actually paid over the same period, and from the same years in which the rate is published is 6s. 6d. The employer was more merciful than the magistrate.

The other fact is that the assessments were far more generous during the Commonwealth than they are under the monarchy, whether we take the period before that form of government was affirmed or after it. Even under these circumstances the assessment is below the wages actually paid, though not much, only 4¼d. in 1651 and 2¼d. in 1655. After the Restoration the magistrates go back to the old scale, and prescribe 3s. a week less than was actually paid. The Puritans were perhaps stern men, but they had some sense of duty. The Cavaliers were perhaps polished, but appear to have had no virtue except what they

called loyalty. I think if I had been a peasant in the seventeenth century, I should have preferred the Puritan.

In 1825, the whole of the labour laws were swept away, chiefly by the agency of the late Mr. Joseph Hume. The early Statute Book is full of legislation on labour. There is no word in Hansard of any debate whatever on the abolition of the system. The statute of Elizabeth was obsolete, because it had done its work, and had permanently degraded the peasant. Thenceforward the whole subject was remitted to the common law, and to the dangerous interpretations which judges have given of what they are pleased to call constructive conspiracy, the most elastic instrument of tyranny which can be devised.

III.

THE CULTIVATION OF LAND BY OWNERS AND OCCUPIERS.

The consequence of agricultural success—The Duke of Argyll's illustration of rent—The history of progress—The errors of theory—The history of agricultural produce—The accuracy of ancient accounts—Gregory King's law of prices—English famines—Agriculture in the seventeenth and eighteenth centuries—The survey of Gamlingay—Common fields—Pasture—Commons—The regular clergy and agriculture—Primogeniture—The land and stock lease—Development of new tenancies, terms of years, life, and on rack-rent.

The development and progress of agriculture is the first and most convincing proof that a particular race can rise above barbarism. It is true that the practice of agriculture is compatible with and may be characteristic of an unprogressive stage, one in which civilization is early and strangely arrested. But such an arrested growth can almost always be explained by the presence of definite causes, which it costs the publicist little trouble to detect and expound.

1. The success of agriculture measures the numbers of any given community who, in the absence of foreign importation, can be maintained on the soil. When foreign importation is free and copious, the whole trading world must be taken as one community, and the rule will be found to apply with equal accuracy. We in England do not produce, perhaps could not produce enough food

from the land, wherewith to feed all its inhabitants, though this inability, for reasons which will be given further on, is disputable. But as it is we draw our supplies from various parts of the world, not a little of that which we import being in liquidation of liabilities which foreign nations or our own colonies have contracted with their English creditors. If by any ill-advised act we should check the imports of these countries, we should ruin them, or, what is more probable, compel them to repudiate their debts. It is infinitely more dangerous for a free trade country to reverse its policy, than it is for one which is protectionist to abandon that. To fall into a vice is mischievous, to abandon a vice is, economically, progressive.

2. The success of agriculture measures the extent to which other industries than agriculture can subsist, or generally other persons besides agriculturists can live. The husbandman, at least in the early stages of his craft, when he is not forced to occupy barren land, on which he can perhaps by unremitting toil induce fertility, can even with the rudest implements produce more than is sufficient for the wants of himself and his household. It is inevitably the case, as he is the most defenceless of all workmen, that either on pretence of defending him, or by taking ransom from him for abstaining from robbing him, he will have to pay toll to armed persons who constitute themselves his superiors. His labours, with more reason, supply the maintenance of those whose industry affords him more convenient means for carrying on his calling, or relieve him from undertaking bye-employments when the labour of the fields is over or is for a time suspended. The success of his industry is therefore of profound interest to all, especially when the home supply is the entire or principal source of maintenance to the inhabitants of any country. Even when it is not, the interest in successful agriculture should still be keen, for the agriculture of a country is the chief home market of a country, and the trade with one's own fellow countrymen is the safest and least risky trade of all. Everything therefore, be it law, practice, or custom, which discourages agriculture or checks its development, is a public nuisance, however venerable the law, practice, or custom may be. There has been, and there is, considerable discouragement put on agriculture, and

it is the duty of statesmen, without delay, to remove, or at least to mitigate, the causes of this discouragement.

3. The success of agriculture is the measure of rent. Rent is undoubtedly the payment made for the use of a natural instrument, the use of which is necessary to human society — the effectual and successful use of which is of profound interest to human society. The Duke of Argyll, a great, perhaps an over-confident eulogist of landowners, has compared the hire of agricultural land to the hire of a musical instrument. The comparison is ingenious and not inaccurate, but I do not think that the Duke saw the full force of his comparison. Perhaps if he had, he would not have quoted it. Let us admit that the hire of a piece of land is like the hire of a Straduarius violin. In the hands of most of us, certainly in my hands, the rent I would give for the violin would not be a penny a year; I could make no profitable music by it. But in the hands of Herr Joachim, the rent of such an instrument might be worth many pounds a year, for he could discourse most excellent music by it. And this is just the case with land. It needs the skill, experience, education, intelligence of the occupier. This has been till recent times, is in some parts of the United Kingdom, of the highest capacity and efficiency. I have studied the agriculture of Europe on the spot over the greater part of its western countries, that of America from the seaboard to the Rocky Mountains, and northward to the Great Lakes. I have never seen any husbandman equal to the English farmer. But I shall have occasion hereafter to dwell on this at more length and with more precision, when I handle the economic history of rent. At present I need only say that rent is the result of two forces. Ordinary economists have generally dwelt on only the first of them. The one is the natural powers of the soil, sometimes called original and indestructible, foolishly so, because one hardly can tell what are the original powers, and no one can allege what are indestructible, except it be such as certainly do not contribute to fertility. The other, and the vastly more important one, is the acquired capacity or skill of the tenant—the power, to revert to the Duke's illustration, of playing with effect on the violin. Unfortunately, the acquired capacity and skill of the tenant are very destructible, and have been destroyed.

Economists tell us, *inter alia*, that they busy themselves with the laws which regulate or govern the production of wealth; though when they deal with details they display the grossest ignorance about the production of the most necessary and important of human products, those of agriculture. The laws which primarily govern the production of wealth are laws of nature, and by discovering them, following and using them, human industry confers utility on matter. Some are obvious and simple. No husbandman sows corn in midsummer, expecting to reap in midwinter. The earliest artisans, miners, metallurgists knew certain natural laws, attention to which was essential to their industry. But some natural laws have only been arrived at by long observation, by profound study, by cautious research. The shortening of a voyage out and home from an English port to one in Hindostan and back again, from two years to four months, is the result of an infinite study of natural laws—some gathered on the ocean itself, some in the workshop, some in the laboratory, some, and these not the least, in the mathematician's study. Wrought iron cost in money of the fourteenth century £12 a ton. Twelve is generally a fair multiple for prices of that time, taking one thing with another, when we compare them with modern experience. Why has iron fallen in price from £144 to £4, but by the discovery and adaptation of natural laws?

The production of wealth, then, is the selection and adoption of natural laws, through the agency of human intelligence, which is progressive. We cannot tell what are the limits of human intelligence and consequently of its power. We are amazed at what it has done, and cannot guess what it may do. To have predicted a century ago, that a power would convey passengers over roads at the rate of sixty miles an hour, would have seemed as absurd as the nocturnal and aerial voyage of Borak. To have predicted that the most delicate colours would be procured from coal tar, and flavours and essences from the same material, would have been deemed the talk of a Bedlamite. There are no doubt arid and unprofitable statements constantly made, such as that men will never travel as fast as light, or in organic chemistry make synthesis as easy as analysis. There is no subject on which impossibilities have been predicted with more unfortunate assurance by economists

as those on production, and especially on agricultural production and its congeners.

We, who have to read those books in which the speculative element obscures the practical side of political economy, are treated to many alarmist predictions about the margin of cultivation, the law of diminishing returns, and the exhaustion of fertility, and this constantly by people who are profoundly ignorant of the practical side of that on which they dogmatize. But no one except in a general way has ever discovered the margin of cultivation, has ever seen the law of diminishing returns in operation, or has witnessed the exhaustion of fertility. It is because they know nothing about the facts that they are so strangely and, at times, so mischievously confident. As yet we know that wheat will not grow on a granite rock, though if this rock be disintegrated it makes the most fertile of soils, and that you could not on grounds of physical space and botanical conditions grow 150 bushels of wheat to the acre, and that you can by an indefinite number of croppings of a certain kind extinguish and annul the indestructible powers of the soil, but no one ever saw these results. Unfortunately the reputation of those who talk and write nonsense, sometimes induces most mischievous fallacies of practice on the mind of those who do not see through the nonsense, and great hostility to the professors and teachers of a science which men of the world, who have to interpret the system, declare to be unpractical and intolerable verbiage.

I do not indeed purpose, in this lecture, to deal with the economical history of rent. The treatment of this most important fact, in what economists call the laws which govern the distribution of wealth, will be reserved for a subsequent occasion, for I hope that we shall be able, as I go on with these several subjects, to proceed from what I may call the general treatment of economical history to those concrete cases, in the true interpretation of which such serious consequences are involved, and such necessary appeals are made to the interposition of law. For as the laws which govern the distribution of wealth, by which an economist means the share which each person in the great industrial partnership receives, are merely or mainly of human origin, it is plainly part of the functions of the statesman to remedy any injustice which may be traced to this adventitious origin, to determine what contracts should be

permitted, and the extent to which contracts, which may be conditionally permitted, shall be practically enforced.

This much I ought to say here. Rent, as Adam Smith did not see, and he may well be pardoned for not seeing it, is not a cause of value, but a consequent of value. It is because agricultural and analogous produce fetches more in the market than it cost to produce, outlay and average profit considered, that rent, *i.e.*, economical rent, arises. Hence, if we admit, as we must by the fact that every producer seeks to obtain the maximum result with the least possible expenditure of nervous and muscular energy, personal or supplementary as the case may be—and economical labour is not in itself a desirable thing—it necessarily follows that the ideal of the economist would be a state of things in which the produce necessary for human life could be obtained so regularly, so readily, and with so little labour, and consequently so cheaply, that no rent could arise. I cannot dispute the claim of the landowner to the rent which he receives. I think that the theory which would deprive him of it by law is unjust and odious. I hold that to have bought him out, when Mr. Mill first ventilated the doctrine of the unearned increment would have been ruinous, as I insisted to that distinguished person that it would have been when he advocated it; and as for the nationalization of land, by which I suppose is meant the violent acquisition of it by the State, I must have a far better idea of any human administration than I have ever been able to form, before I hesitate to conclude that such an expedient would be the beginning of a series of perpetual and nefarious jobs. Land was nationalized under the Roman Republic, and we all know what became of it, and of the Roman Republic too.

If I have made myself at all clear you will conclude that the fortunes and history of English agriculture are the key to the interpretation of the gravest social questions which have arisen in English economical history, probably of the present situation, possibly of difficulties in the near future. For it cannot be too often remembered and inculcated that we, in the present day, are not only the descendants of an ancient nation, with a long and connected history, but that we inherit the consequences of the folly as well as of the wisdom of our ancestry, and are what we are by virtue of causes which have had an historical beginning, and in some cases

an enduring influence. Not only is this the case, but the analyst economic history soon discovers that effects endure after causes have, to all appearance, wholly passed away; and that he is constrained, if he makes an adequate interpretation of the present situation, to modify the ancient maxim, *Cessante causa, cessat effectus*. In my last lecture I illustrated this fact very fully by showing that the quarter sessions assessments had an enduring influence on the conditions of labour long after they were disused and forgotten. In the course of this inquiry we shall have cumulative evidence of the same facts, or of facts similar to them.

Now there are certain historical facts which have had from time to time great influence on the progress of English agriculture. Such, to take some of its principal, are the great change in the occupancy of land after the middle of the fourteenth century, on which I have already made certain comments, the singular exhibition of agricultural prosperity in the fifteenth, the change of ownership after the dissolution of the monasteries, and the great extension of sheep-farming in the sixteenth, the development of rack-renting in the seventeenth, and the enclosures and experimental husbandry of the eighteenth. I do not know whether I shall have opportunity on the present occasion to refer to the remarkable reaction of the nineteenth, and in particular to the existing condition of agriculture. I shall have to make reference to most of these facts in my lecture of to-day, and perhaps the best and most obvious way in which to make them clear is to give you the information which I have been able to collect as to the rate of production at different epochs of agricultural history.

Now in 1333–6, by which I mean on this occasion, four years, though the document contains part of six years, Merton College in Oxford had a return made to the fellows of the seed sown, and the produce threshed on ten of their estates, all these lands being in their own hands, cultivated by their own capital, and under the superintendence of their own bailiffs. Wheat is not grown on all the estates in every one of the four years, but it is so generally, that I am sure the omission points to a fallow. The largest breadths are sown on the best land. Now the average produce in cheap, that is, abundant, years, as all these years are, is nine bushels of wheat and fifteen of barley, the seed being two bushels of the former and

four of the latter grain. This produce is therefore in excess of the average, and the oldest writer on English agriculture, Walter de Henley, expressly states that, unless the farmer reaps full six bushels an acre, he is cultivating at a loss, giving reasons for his estimate. This series of four years' produce precedes the great change in occupancy which I referred to as occurring in the middle of the fourteenth century, and as consequent on the plague.

The next account of production to which I invite your attention is one of after the middle of the fifteenth century. It is at Adisham, in Kent, between Canterbury and Dover, and presumably therefore a favourable specimen of agriculture. Here the produce of wheat is twelve bushels, of barley sixteen, of peas and vetches eight, and of oats twenty. The year is abundant, and prices are below the average. In 1655 Hartlib tells us that the average production of wheat was from twelve to sixteen bushels an acre, but Gregory King, about 1693, says that the produce for all kinds of grain was not more than a dozen bushels. I think that King has given a more correct estimate than Hartlib has, whose experience was to some extent of the new agriculture. In the early part of the eighteenth century the rate all round was certainly twenty bushels, and perhaps a little more.

Now from these and similar facts, for I am only giving you a specimen, I concluded that the average wheat produce of England and Wales, from the accession of Edward III. to the end of the sixteenth century, could not have been more than two and a half millions of quarters, and that the population was as numerous as the quarters, for in those days wheaten bread was the food of the people all through England, and there was little else that could be used in substitution for it, since winter roots were unknown. This inference of mine was practically confirmed by one of the poll taxes of the fourteenth century, which is virtually a census, and gives the same amount, and by an actual census of certain hundreds of Kent in the sixteenth century, where the same conclusion, when a contrast is made with the present population, is distinctly arrived at.

I have already mentioned that the distribution of land was very general, most persons holding a little farm, and the poorest a decent curtilage. Evidence of the distribution of land is derived from about

1257, and continuously onwards. It cannot be by accident that in the numerous accounts of private estates, none are found before this period, and that they are abundant after it. The custom of keeping accounts of agriculture and of manor rolls must have commenced about the period of strong political disaffection, and, I may add, of generally low prices. The lord ordinarily owned about half the estate or manor; but it is from his bailiff's accounts only that I have been able to collect any evidence. The records of no peasant's holding have survived, even if any account was taken of them. But beyond question such persons, having before them the method on which the lord cultivated his estate, profited by his example, by his successes and failures. In many ways the landowners of the thirteenth, and the first half of the fourteenth centuries must have been the instructors of the poorer cultivators, just as in a more recent and stirring time the best English landowners, and they were then many, instructed English tenant farmers in the new agriculture.

Nothing can be more carefully and more exhaustively drawn than the bailiff's account. He made rough notes of his receipts and expenditure, and from these notes, which occasionally survive, the audit was based and the roll engrossed. It is almost always in Latin, and the writing was certainly the work of the mendicant clergy. But it is absurd to imagine that the bailiff would have rendered his account in an unknown tongue. The English bailiff, generally a small farmer, often a serf, must have been at least bi-lingual. Everything is accounted for, all receipts, including those from the manor court, all rents and all produce. The acreage sown, the seed required for the purpose, the live and dead stock on the farm are carefully noted, even to an egg, a peck of tail corn, or a chicken, all losses are given, all allowances recorded, and the audit completed, and the quittance admitted; and then the bailiff began in the same methodical way to register for his next year's balance-sheet. If two consecutive years of these accounts are preserved, one can easily discover what the rate of production was from the previous cultivation.

Now at this time the English people lived on the produce of their own country. There might have been occasionally imports of grain from the Baltic seaboard, and there are occasions, late in the middle

period, in which notice is taken of such trade, from which, by the way, came that peculiar measure, the last or double ton, traceable as a local measure in the Eastern counties to the early part of the eighteenth century at least. The administration was alive to the expediency of prohibiting the export of corn to foreign countries when the home supplies were short. Thus in 1438–9, the only famine of the fifteenth century, when Parliament petitioned for a relaxation of the restraints on inland water carriage, the petition was rejected, on the plea that the Government were convinced that the concession would be interpreted as a license of exportation.

You are perhaps acquainted with Gregory King's law of prices, one of the most important generalizations in statistics, and applicable to all values whatever. King applies it to the harvest only, and states that a defect in produce raises prices in a different ratio from that which characterizes the dearth. Thus, a defect of—

1 tenth	raises the prices	above	the common rate	3 tenths
2 tenths	,,	,,	,,	8 tenths
3 tenths	,,	,,	,,	1·6 tenths
4 tenths	,,	,,	,,	2·8 tenths
5 tenths	,,	,,	,,	4·5 tenths*

This rule operates in depressing as well as in exalting prices, and is not thought of in times of high and low prices as it should be. It applies to all articles in demand, but the depression is more marked in the case of over-supply in articles of voluntary use, and the exaltation more marked in the case of under-supply in articles of necessary use. Hence the particular phenomenon which King wished to comment on, the effects of scarcity, are more visible in the principal grain than in any other. Nor must it be inferred that King has gathered his ratio of increase from an actual survey of facts. He merely means to imply that the rise will be in something like this proportion. I cannot, indeed, linger on this subject, for I have made it the subject of a special lecture to be given hereafter, but I may mention here that a small margin of excess and defect will produce results which are entirely disproportionate to the amount of excess or defect. Of course, too, when the population

* Davenant, ii. 224.

is relatively dense, in comparison with the success of agriculture, scarcity may be of frequent recurrence. We shall find that it was so in the seventeenth century, and between 1795 and 1819. In both these periods the population increased rapidly, by virtue of well-ascertained causes, and in both there were severe and continued famines.

A register of prices, and especially of prices dated through the year, the highest prices being generally those of May, when the harvest of the previous autumn was getting scanty, and the prospects of the coming harvest were uncertain, is nearly equal in exactness to a meteorological register, and is even more suggestive. Taking the agricultural year from Michaelmas to Michaelmas, the only way in which agricultural produce can be annually isolated and satisfactorily examined, it will always be found that when there is an anticipation of a defective harvest, the ordinary high prices of May is gradually enhanced, and if the anticipation is verified, prices go on increasing up to the ensuing May, when the same estimate of probabilities is made, with analogous results, the price rising if they are unfavourable, falling if they are satisfactory.

The severest famine ever experienced in England was that of the two consecutive years of 1315 and 1316. In both these years the famine was occasioned by excessive wet and defective solar heat, the corn hardly ripening in the ear. These causes have always produced dearth in England. Our ancestors always cut their corn high on the stalk, and generally used the sickle for all kinds of grain. They had good reason for the practice. By cutting high they could reap and carry their produce in nearly all weathers, and they could dry it with comparative ease. They avoided cutting weeds with their wheat, and under a system of fallows without root crops their land inevitably became foul, and they could, and did, cut the stubble at their leisure, and use the straw, unbruised by threshing, for fodder and thatching.

In 1315, the price at harvest time is high, but not excessive. It rapidly rises to four or five times its ordinary value by May, and hardly drops in July and August. In the next year it is scarcely ever below three times its ordinary price, and rises, not indeed to the extreme famine rates of the previous year, but to even four times its usual price. Nor does the hope of the ensuing harvest come till late.

The weather must have changed for the better in the month of July or August, and happier times followed. The greatest scarcity of modern times, and the highest recorded price of wheat, is in December, 1800, when it was rather more than double that which had at that time become customary. In 1315, it reached more than the highest estimate of increase, which is suggested in Gregory King's table given above. Scarcities, or famines, almost as serious occurred, for only single years, in 1321, 1351, and 1369. There was only one year of great scarcity during the fifteenth century, that of 1438, already referred to. In the sixteenth the dear years were 1527, 1550 and 1551, 1554, 1555 and 1556, when the base money was in circulation, and worst of all in 1595 and 1596, when the privation was nearly as severe as it was 280 years before. Now we may be quite certain that the same cause was at work in all these cases, excessive rain and deficient solar heat in summer. There is a curious confirmation of these inferences in the price of salt. A bad harvest is always a dear year for salt, either immediately or subsequently. The reason is that all the salt consumed in England, and it was a real necessary of life, as for half the year people lived on salted provisions, was obtained by solar evaporation only. The price of salt is therefore an indirect register of the amount of solar heat in any given year.

The interpretation of the facts in the seventeenth century is far from easy. In no period of previously recorded history was scarcity so recurrent and so prolonged. But though public affairs were of such absorbing interest, very little note is taken in contemporary authors of the terrible straits to which the working classes were reduced. I should weary you if I gave you a list of all the famine years. But sometimes they continued for a lengthened period. The five years, 1646–1651 inclusive, were of unbroken dearth; the middle year, 1648, being, as is usually the case, the worst. A similarly calamitous period occurs in the four years 1658–1661, the last year being in this case the worst, not only of this epoch, but of the whole century. Lastly come the seven years of scarcity, as they were called at the end of the century, 1692–98 inclusive.

Now during the seventeenth century, the population was certainly doubled. The cause of this was partly immigration from France, Flanders, and Germany, of refugees from the wars of religion and

persecution, partly the great development of the woollen industry, mostly the settlement of England north of the Trent, which began after the union of the two Crowns, and the peace of the Border. By the end of the century, as we know from the hearth tax, the north of England was nearly as populous as the south, though it was far poorer and more backward. Now there can be no doubt that owing to this last cause the area of cultivation was extended, though it is certain that the agriculture was rude. The invariable comment of writers on agriculture in the seventeenth century proves that the farmer was grievously rackrented (low, as I shall show in a later lecture, as the rents were, according to our modern experience), and was therefore at once impoverished and deterred from making improvements. It is true that the labouring peasant suffered even more severely than the farmer, for the landowners knew well enough that if they could compel cheap labour, they could raise their rents, and they acted steadily on that conviction in their assessments. As I have already stated, the justices during the commonwealth raised the wages in their assessments quite 50 per cent., and though their successors after the Restoration tried to revert to the old rates, employers paid the new. It is satisfactory to discover that during the great part of the period between the Restoration and the second Revolution, the price of wheat was low.

In the first half of the eighteenth century, except for two years, the prices of all the necessaries of life were even lower than they had been in the seventeenth, but this was due to the praiseworthy and patriotic energies of the great landowners, who betook themselves generally to the new agriculture, and encouraged the tenants by their own example to follow. A vast amount of land was enclosed, partly what had been open fields, partly what had been common, and there is no doubt that the bounty granted on exported corn had its effect. In point of fact the bounty stimulated the least objectionable kind of gaming, gambling for the bounty, by endeavouring to increase the produce. But after the foolish and obstinate war with the American plantations, and still more during the prolonged Continental war, comes an era of wild finance, of enormous debt, of oppressive indirect taxation, never profitable unless it attacks the consumption of the poor, and the abandonment of landlord cultivation. But I shall have occasion to deal with this subject

more exactly when hereafter I handle the history of agricultural rents.

The system under which land was cultivated was one of very remote antiquity, was possibly prehistoric. It has not become entirely extinct till very recent times, for I have myself seen it still in operation in Warwickshire and elsewhere. No doubt closes and meadows, usually the private estate or demesne of the lord, were in existence in very early times. But the land of the parish or manor, these closes or meadows excepted, was generally distributed as follows. There were a number of large common fields, in which each owner or occupier had a certain number of furrows more or less frequently repeated. Between each set of furrows ran an uncultivated balk, a foot or so in breadth, which formed a boundary or landmark, and for some time of the year a pasture. The distribution and arrangement of such a common field is described with sufficient accuracy by Fitzherbert in his treatise on surveying, published in the first quarter of the sixteenth century.

But you will understand the system better, after you have inspected the volume which I have by me, and will send round for your inspection. This is an exact copy of a survey (the original is still in existence) made of the parish of Gamlingay in Cambridgeshire in 1603, by one Thomas Langdon, and for which Merton College, to whom the original and copy belong, paid him £12, stating, with justice, that he had most beautifully drawn it. It certainly is not only the most ancient survey which I have seen, but by far the most exact and elegant. Gamlingay is a large parish on the western boundary of Cambridgeshire. It contains 3,755 acres, and has been partly in the possession of Merton College by gift of the founder from the beginning of that college. It is a curious coincidence, that the earliest endowed college in Oxford, and the latest endowed college in Cambridge, Merton here, and Downing there, are interested in Gamlingay.

The college had two manors in the parish, one which goes by the name of Mertonage, the other by that of Avenells. The enclosures, meadows, and woods belonging to the college by its possession of these two manors amount to a little over 816 acres. There was a third manor in the parish, that of Woodberry, which had belonged to the Abbot of Saltreye. The college is the principal lord, but

there are other considerable proprietors—as the Queen ; Captain Merton, Clare Hall, in Cambridge ; the Vicar of Waresley, in Hunts ; the parish of Waresley ; and a Mr. St. George. With the family of this last-named proprietor the college had ancient quarrels, for they went to law with a William St. George, of Gamlingay, in 1344 and 1345, and spent no inconsiderable sum of money in these years with the view or plea of expediting justice, and according to modern notions in a very suspicious manner. This survey was drawn up in order that it might be produced in court, and a note in the original is to the effect that it was put in as evidence in a suit for realty.

You will notice that each one of these fields is divided into very numerous strips, and that the dimensions of each with the name of the owner or occupier are duly given. You will see that there are some thousands of these strips. Langdon's survey gives thirty-four houses in the village, and the population in 1601, would, therefore, be from a hundred and fifty to a hundred and seventy persons. At present the inhabitants are over two thousand, and the increase is in accordance with what I have suggested was the population of England in the sixteenth century.

The cultivation of the common fields was necessarily that of two grain crops and a fallow. Even if the art of cultivating roots and artificial grasses, already practised in Holland had been known, it could not have been practised on the open fields, for after the harvest was gathered, all the sheep and cattle of the parish were turned into the fields to feed on the balks and what they could pick up among the stubbles. In this case the owner of several or private pastures had a great advantage, for he could send his cattle into the common field with those of the other occupiers, and rescue the aftermath at least, or rowens as it is sometimes called, of his own meadows, till the common field was eaten bare. No doubt a great deal of injustice was done by the enclosures of the eighteenth century, but the new agriculture would have been impossible without them, and the new system was the making of English agriculture, and, when Sir J. Sinclair carried it further north, of the Scottish.

The owners or occupiers of these common fields had other advantages in the commons of pasture and the lord's woods. These commons of pasture seem to have been, in early times, almost uni-

versal. They were, it would appear, that part of the settlement which was least convenient for the plough, least accessible, and least defensible. A modern English village, with its street and its church, and its very few outlying houses, is a distinct survival of the earliest occupation. In my native place in the Meonwaras I have no manner of doubt that many of the village houses have been sites for habitation during a dozen centuries, and that homesteads in the parish but away from the street are comparatively modern occupancies. Now in this common of pasture, there was generally no stint. When the stint of pasture was the rule, it was either because the common was of limited extent, or was merely the same thing as saying that the tenant of a small holding could not have, and therefore should not have, an excess of beasts or sheep on the common pasture. The case of the lord's woods, and the pannage of pigs was a different affair. This was only a qualified right on the part of the tenants. They had no right to send their hogs under the common swineherd, except under payment, but I am sure that every tenant who paid pannage, generally a half-penny an animal, had the right to send them into the wood, to browse on the acorns or beech mast. This at least I have gathered from the manor accounts, where the fines on defaulters are recorded, but no charge of trespass made.

I have already referred to the enormous, the prohibitive price of iron. The plough was rude, though if one can trust the earliest writers on husbandry, an acre a day was a moderate amount for a first ploughing. But the ground, I suspect, was only scratched. Deep ploughing was a thing of the remote future. The peasant farmer, even in the sixteenth century, could not afford an iron harrow. The teeth of this implement when he used it, especially when the ground was stony, were oaken pins carefully dried and hardened at the fire. The cart was generally supplied with solid wheels, bored out of a tree trunk, for iron was too dear for tires, even after the cost had been considerably reduced, for I have found such wheels well into the sixteenth century, when iron was half the price at which it was purchased in the fourteenth.

The cattle on these farms were small and stunted by the privations of the winter. There was no attempt to improve breeds. Cows are a good deal cheaper than oxen, bulls a good deal cheaper than

cows. Nor does there seem to have been any attempt of a general kind to improve the breeds of sheep. I have found some dear rams, but they are quite exceptional. There was to be sure temptation enough. Certain wools from the neighbourhood of Leominster were eight times dearer than wool from Suffolk. Even as late as the play of Friar Bacon and Friar Bungay, Leominster wool is quoted as superlative. In 1734 Lord Lovell only gets 3d. a pound, or 7s. a tod, for Norfolk wool. It is true that at this time, the old monopoly of English wool had passed away. But in the fourteenth century wool was often three times the nominal price of Lord Lovell's sales. The fact is there was no winter feed, and unless the farmer can keep his live stock continually in condition, it is idle to talk of breeds, or to make any attempt to perpetuate or select them. I do not believe that, on the average, any material increase was made in the marketable ox, between the fourteenth and the eighteenth centuries, and but little in the size of the marketable sheep.

In the agricultural economy of the Middle Ages, the regular clergy were of no little importance and value. The Benedictines, apart from their learning, were the great agents in making such improvements in husbandry as the age could effect, the Cistercians in sheep-breeding and wool-dealing. It is quite possible that in early times, the fatal gift of wealth had demoralized the earlier orders, as apparently the habit of simulated poverty did the Franciscans and Dominicans. But the social civilization of England would have been greatly retarded had it not been for the efforts and the labours of the regular clergy. Thousands of acres were reclaimed by the industrious monks, and estates of great value, acquired in later times by the favourites and accomplices of Henry VIII. were turned from desert into garden by the ancient orders. They continued up to the Dissolution to be indulgent landlords, partly, perhaps, because they had become unpopular, and retained the stock and land lease, out of which the tenant had become enriched and independent, after the landowner was constrained or induced to abandon it. They were the principal agents in keeping the roads in repair, for as their estates were scattered, and their rents were taken in kind, or valued in money and taken in kind, it was an object with them to make access to the monastery easy and safe. It is certain that after the Dissolution roads got out of repair, though I do not think that even

the king's highway was in so scandalous a condition in the reign of Elizabeth, as it was two centuries afterwards in the reign of George III.

You will of course understand that in the age which I have attempted to describe, and in describing which I have accumulated and condensed a vast mass of unquestionable facts, the rate of production was small, the conditions of health unsatisfactory, and the duration of life short. But, on the whole, there were none of those extremes of poverty and wealth which have excited the astonishment of philanthropists, and are now exciting the indignation of workmen. The age, it is true, had its discontents, and these discontents were expressed forcibly and in a startling manner. But of poverty which perishes unheeded, of a willingness to do honest work and a lack of opportunity, there was little or none. The essence of life in England during the days of the Plantagenets and Tudors was that every one knew his neighbour, and that every one was his brother's keeper. My studies lead me to conclude, that though there was hardship in this life, the hardship was a common lot, and that there was hope, more hope than superficial historians have conceived possible, and perhaps more variety than there is in the peasant's lot in our time.

Perhaps it may be well to say a little on the effect which the English system of agriculture induced on the social system of the country, and especially on the landowners. I have already stated, that where everybody was an husbandman, everybody was interested in keeping the peace, and making everybody else keep it. It is true that the law of primogeniture had been long a settled principle in the jurisprudence of the common law. But in the fourteenth century the stock on a well-tilled farm, and every landowner tilled his land, and on the whole tilled it according to the best knowledge of the time, the stock of a farm was worth at least three times that of the fee simple, as, unless some wisdom supervenes, it seems likely soon to be in our days, for land was constantly sold at six, eight, and twelve years' purchase, with sixpence an acre rent. But though the land went to the eldest son, the personal estate went to all the children equally, or was made the subject of a will. William the Norman had, for administrative purposes, enforced the concentration of land on the representative of a family against the half-

conquered and discontented English: for equally politic reasons, he had striven to scatter the estates of the nobles, so as to make him powerful against them, but he had not attempted to induce the law of entail on personal property. He was too shrewd to do so, and his successors shared his intelligence.

For some centuries, then, the younger son of a great estate was unknown. He shared in the stock, and I have little doubt that the motive of the famous statute which did away with subinfeudation was to facilitate the independent acquisitions of the younger son, to enable him to purchase without dependency on his elder brother. The king had no objection, for it multiplied his chances of escheat. The entail, though chronologically earlier, was economically later, for it is clear to me, from the documents which I have examined, that entails were not general, at least on large estates, till the civil wars of the fifteenth century, and not common even then.

After the great plague, and still more notably after the French war had endured for a generation or two, the younger son becomes a social inconvenience. The landowners, now landlords who let their land at a rent, were the sole inheritors. The younger sons sought their fortunes in the church and in the army. The cadets of noble families appear among the bishops, and men, sometimes not of noble birth, rose to knighthood and nobility through the army, for not a few of our oldest titles were won by military adventurers. Some of these warriors became large purchasers, as Fastolfe in the fifteenth century. Some, like Cromwell, Henry VI.'s treasurer, rose to rank by the Administration. But these were lucky people, the select of the fittest, or unfittest, as the case might be. The less fortunate became, as an only resource, military partisans, and were the stimulators and victims of the so-called war of succession in the fifteenth century. It was really a faction fight, in which the Yorkist party strove to reform the Government, and the Lancastrian to appropriate the spoils.

When the great plague, and the consequent dearness of labour made landlord cultivation impossible, the landowners established the stock and land lease. It was probably borrowed from monastic usage. The monasteries were wealthy, and were obliged to be ready to hold themselves at ransom. The inmates were under vows of poverty, the abbot was, if I can judge from his table and his per-

sonal expenditure, of which I have seen much, under no such restraint. But he husbanded the goods of the monastery, and among them its savings. Some who had been reckless in their expenditure were degraded or displaced, occasionally bringing ruin on the establishment whose affairs they administered. To abbots who wished to invest the property of the monastery safely and profitably, especially at a crisis like that of 1349, the stock and land lease offered great attractions.

In the stock and land lease, the owner of the soil, who had previously been its cultivator, let a farm, furnished with seed corn, and stock, live and dead, to a tenant for a term, the condition being that the tenant should, at the end of the term, deliver the stock scheduled to him, in good condition, or pay the money at which they were valued when the lease commenced. The valuation is generally low, and when I first came across this kind of lease I thought that the landowner let his tenant only the inferior articles on his own farm. But on inspecting the items, I came to the conclusion that the low valuation was employed partly to attract tenants, partly to cover a very serious risk, which I subsequently found that landlords regularly incurred, that of compensating their tenants for losses by disease among their cattle and sheep, certainly the latter, when the loss was above a particular percentage, all below falling on the tenant. The value of the live stock is, of course, the principal item in the valuation, which is always written out annually on the bailiff's roll. I have found, too, that under this system, the landlord, if no exceptional loss occurred, did nearly as well as on the old system of landlord cultivation.

The stock and land lease generally prevailed for about seventy years after the owner had put it into operation on his own estate. Thus Merton College let most of its land on this principle, shortly after the Great Plague, and continued it to about the end of the first quarter in the fifteenth century. New College carried on farming on its own account, at least on some of its estates, up to the end of the first quarter of the fifteenth century, and continued the lease till the end of the century. But the monasteries had it in operation up to the time of the Dissolution, and a considerable part of the assets of these institutions in the time of Edward VI. consisted of stock let to tenants for various terms.

Now I am disposed to believe that the landowners would not have abandoned the system, from which they got so good an income, voluntarily, and that this kind of lease was dropped by the tenant, who accumulated, during the prosperity of the fifteenth century, the means for buying stock for themselves, and even land. On the other hand, the monasteries would have offered easier terms as time went on. It is, of course, also possible that the armed factions of the fifteenth century were in want of money, and therefore made advantageous sales of stock to their tenants; or that their tenants, taking advantage of the purchase clauses in the lease, elected to forfeit the prices, rather than restore the stock.

The system of landlord cultivation, though it became rare, did not entirely disappear. The monasteries generally had one or two farms in their own hands, near to them, from which they drew supplies. In these cases, it was the invariable practice of the bailiff to debit them, and take credit to himself for the sales which he effected with his own employers. Thus Battle Abbey held two estates in their own hands, one at Appledrum, the other at Lullington in Sussex, produce from which was regularly sent to the monastery. The great convent of Sion, too, retained Isleworth in their hands for similar purposes. It is pretty clear that, till they were squeezed out of it by the first Lord Bedford, the abbot and monks of Westminster held their estate of Convent Garden, north of the Strand, and now the London property of the Russells, for the same purpose. Again, Fastolfe, the well-known military adventurer of the war in France, of the fifteenth century, cultivated an extensive barley estate in Norfolk, and traded largely in malt with the Low Countries. Waynflete, the Bishop of Winchester and founder of Magdalene College, was made Fastolfe's executor, and contrived to divert a portion of the estate which the deviser intended for other charitable purposes to the college which he was founding. I suspect that the transaction was very suspicious, for this pious founder was truly described by his contemporaries as *nefarius iste episcopus*. But for all this, he has had the best of it with posterity.

The next stage is the lease for terms of years. But the peculiar character of this lease, especially in the fifteenth century, is, I think, a proof that the position of the tenants is improving, and that the accumulation of occupancies in their hands was gradual. Most of

the tenancies are of numerous parcels, the lease of each parcel being determinable at different years. Sometimes a tenant will have a dozen of them, spread over as many years. This kind of tenancy must have made distraint for rent very difficult, when there was nothing but cattle to distrain on. I cannot but think that the other forms of action by which rent was recoverable were expedients adopted in order to obviate the difficulty of distraining on land which was held under many grants.

Tenancies for life were, no doubt, not infrequent. When, about the middle of the fifteenth century, Franks, the Master of the Rolls, devised a thousand pounds to Oriel College, the existing body of fellows, with commendable self-denial, purchased the reversion of an estate in Berkshire, held by a man and his wife, for the term of their natural lives. The man died soon after the purchase; the widow was disagreeably vivacious. The college made all sorts of offers to her, temporal and spiritual; for the fellows of Oriel, before the Reformation, had a very active and successful trade in religious offices. But the widow was inexorable, and the college had to wait for her demise. If I remember rightly, she lived till near the end of the century, probably outlived all the purchasers.

The last was the tenancy at will, or at rack-rent. Up to the beginning of the seventeenth century there was little chance of such a rent, and the casual or irregular gains of the overlord were chiefly derived from practising sharp manor custom on his copyholders and freeholders, as Fitzherbert broadly intimates, a form of oppression which Norden's treatise on surveying, published early in the seventeenth century, reluctantly allowed to have been charged frequently against his principals. But it is during the seventeenth century that rack-renting and rent-raising became so general as to arouse indignant remonstrance at the hands of nearly every person who writes on seventeenth-century agriculture, the special complaint being that it discourages all progress. But into the particulars of this stage I shall enter when I treat, in a subsequent lecture, of the economical history of rent.

To this occasion, also, I must defer what I should, had time permitted, have commented on in this lecture—the remarkable development of English agriculture during the eighteenth century. It is almost worthy of separate treatment. But in these outlines I

am seeking to give those leading features of economical history which have been so conspicuous in our own country. The particulars, though of profound economical significance, rather belong to that history of English agriculture which I have been the first to discuss and expound.

IV.

THE SOCIAL EFFECT OF RELIGIOUS MOVEMENTS.

Europe after the fall of the Western Empire—The Church and the monasteries the only hope of civilization, especially the Benedictines—The three parties in the English Church, official, national, and papal—The situation in Wiklif's days—His Summa Theologiæ, and its purpose—The poor priests and the peasantry—The conditions of religious movements — The teaching of Pecok — The sects of the Reformation — The Independents and the Revolution of 1688—The movement of the Wesleys—The ancient prosperity of Norfolk.

You will of course anticipate that in dealing with the subject before me to-day, "The Social Effect of Religious Movements in English History," I do not pretend to discuss the religious tenets which have from time to time been inculcated by those who have been prominent actors in these stirring events. There may, indeed, be a few particulars which I must deal with, in order to elucidate my estimate of the results which have from time to time been brought about in the social and economical history of England, by religious impulses. I am indeed disposed to believe, that however much a later habit of mind has repudiated what was once thought necessary and true, the promulgation and acceptance of such tenets, the defence of them, and even as we may now think the enormous crimes perpetuated in order to enforce them, were acts of good faith, and were honestly believed essential to the safety of society. The historian who comments on the violence of Hildebrand, on the cruelties of Dominic, on the arrogance of Innocent, on the migration to Avignon, on the epoch of the Councils, on the causes of the German and the

Genevan Reformation, on the rise of Loyola, on the religious wars which endured from 1550 to near a century later, on the last great outrage on our modern notions, the expulsion of the Huguenots, and the Penal Code of Ireland, may justly point out that infinite mischief has arisen from the policy which these circumstances indicate, but he errs as mischievously, if he thinks that the designs of those who promoted them were consciously dishonest.

I have always regretted that in this place the authorized instructor in ecclesiastical history rarely travels beyond the first four centuries of our era, and as far as I can learn, rarely gives a satisfactory exposition of what occurred in that time. For up at least to the fifteenth century, the development of theological dogma and discipline is a continuous process, every stage of which bears upon the history of the age; the reaction from which, begun in this country, and carried thence to Eastern Europe, culminated at last in the schools of Luther and Calvin. I cannot see, in short, how men can understand the Reformation, unless they understand what it resisted, what it attempted to reform, what were the compromises to which it was constrained to submit, and why it was so constrained. The attack and defence of the old creed and practice involve the profoundest political, moral, and social effects, and the interpretation of these effects is obscured rather than assisted by limiting one's inquiry to the faith, the discipline, and the practice of the Early Church.

The administration of the Roman Empire made total havoc of ancient civilization. The ruin would have been earlier but for the Empire, but it was inevitable that the Empire should bring the ruin. In this universal chaos two powers survived—the Church and a few municipalities. But the latter were weak, and almost exhausted; the former had to be concentrated, and to claim large authority, in order that it might continue to exist as a social force. The cenobite and industrial life which the Church assumed were necessary towards the revival of civilization. The Teutonic irruption adopted the vices of the later Empire without inheriting its discipline and subordination. It was essentially lawless in the fact that it did not acquiesce in any central and legal authority. It rapidly degenerated even from ancestral custom. The picture of the early Frankish monarchies, given by Gregory of Tours, and less clearly by

Fredegarius, is sufficient to show how early and how complete the anarchy was.

There was for many a century only one Power which could make head against this recurrent chaos, for the empire of Charles the Great, carefully organized as it was, had as brief a duration, and became as utterly chaotic as the Frankish monarchy which it superseded. This was an orderly community, having a universal rule and a guiding centre, which was loyal to the source of its own authority, and yet could be kept wholesome, even if the source became depraved. Such was the great Benedictine order, which preserved the relics of ancient literature and ancient law, restored agriculture, was an asylum against lawlessness, monarchical or aristocratic, and was able to survive the scandalous profligacy which characterized the Papacy in the tenth century, and even to be a great agent in the reformation of it, under Hildebrand. The philosophy of history proves that the monastic orders were the centre and the life of a reviving civilization. Though I confess that I cannot see in the "Monks of the West" all that Montalembert saw, I can discern that we owe to their example that habits of law, the dignity of labour, the promotion of education, and the record of history, were not lost during the six centuries of their early career. Nor do I wonder that, from the point of view of the public interest, apart from the strength which it gave the central power, all ecclesiastical authority favoured the cenobite at the expense of the regular clergy. Had the influence of Odo and Dunstan been enduring, Saxon England would have probably held its own against foreign invaders.

The policy of William the Norman was to establish an independent Church, ruled by his nominees. But he was resolute and successful in checking foreign ecclesiastical aggression, however defensible it might be in theory in the hands of a reformer such as Gregory VII. was. William was a very different person from Henry IV. of Germany, and never needed to go an inch on the road to Canosa. It is singular, but an illustration of what I have been saying, that during the nineteen years in which William's grandson was king, though lawlessness was everywhere, more monasteries were founded than in any other reign. But evil as were the times of Stephen, they developed a set of circumstances which

were rapidly made manifest during the more vigorous reign of his successor.

From the time of Henry II. and onwards to the Reformation in England, three sections, or, as the ancients would have called them, schools, are always visible in the English Church. The first is the official section, which I may call by a prolepsis the Erastian party, which maintained the authority of the executive, and could always be depended on by the king. These men were generally the principal officials of the exchequer, the ancient description of which, first printed by Madox, purports to be written at the dictation of one of them. To this party belonged most of the bishops in Becket's time, and the clerical chancellors and treasurers of succeeding centuries.

The second is what I may call the national section or Anglican. To this belonged such men as Becket, Langton, and Grostête. They were especially characteristic of the sixteenth century, in the person of such men as Gardiner, who, if the tenets of the old faith were left unimpaired, were perfectly willing to sanction and assist Henry in freeing himself from the authority of the Papacy. It is a striking fact, and one rarely referred to, even by ecclesiastical historians, that Gardiner and Bonner resisted and protested against the rescissory Act of Mary Tudor's reign, under which all Acts of Parliament denying the authority of the Roman See were abrogated in a lump at the instance of Cardinal Pole.

The third was the Papal or Ultramontane party. As a rule, this party was chiefly found in the monasteries, and at last exclusively. The origin of the regular orders was Papal, or if this were doubtful, the privileges and exemptions which the monasteries enjoyed were of Papal origin and Papal grant. There was nothing which the monks desired more than exemption from episcopal discipline, and there was nothing which the bishops resented and resisted more than these exemptions. There is an amusing illustration of conflicting opinion in Matthew Paris. He is, unlike most monks, strongly Anglican in his sentiments, and criticises unsparingly the king for his impolitic action, and the Pope for playing on Henry's weakness. In so far, therefore, as Grostête resisted the Papal nominations, he is a credit, in the eyes of Paris, to the English Church and the episcopate; in so far as he strove to extend

episcopal discipline over the monasteries in his diocese, he was an enemy to the Church, and to be condemned.

Sometimes, as in the fifteenth century, the Anglican party was almost absorbed in the official, when hardly a bishop was found in his diocese, but most often were in attendance on the Court. Sometimes the secular clergy made common cause with the regular, as when they all concurred in getting from Boniface the Eighth, the famous Bull, *Clericis laicos*, and thereafter were entirely reduced to submission by the king. But I am disposed to believe that the secular clergy would have made little stir, had the movement of the fourteenth century anticipated, as it was close upon doing, the Dissolution of the sixteenth. The older orders had become wealthy and negligent, and though the two orders of begging friars were at the heighth of their reputation in the thirteenth century, it is plain that they became unpopular in the fourteenth, not perhaps by the direct possession of wealth, from which the rules of their order excluded them, but by the trusts which were created on their behalf, on the enjoyment of which they entered, as freely and fully as those of the other and older orders did on their endowments. In the fifteenth century the pious and learned Gascoigne has not a good word to say for any of them, but counsels their suppression.

It was necessary for me to give this sketch of the state of the clergy, regular and secular, in England, up to at least the middle of the fourteenth century, because one cannot, without it, explain the force and persistence of that singular movement which began, as usual, at Oxford in the fourteenth century. I am referring, of course, to the political, polemical, and social career of Wiklif. It is not a little remarkable that all the great religious movements in England, from the earliest to the latest, had their origin in Oxford. Some of the earliest intimations which we get of the existence of a university or of schools of teaching in this place is the narrative of the discovery made of some heretics at Oxford in Henry the Second's reign, who were expelled and outlawed from Oxford, and perished because no one dared to shelter them. The University of Oxford, when under the influence of Grostête, appears to have welcomed the begging friars, of whom the Bishop of Lincoln had so high an opinion. In the next century the opinions of Wiklif were developed here. In the following century Pecok, the premature advocate of

Rationalism, was an Oxford man; and at the end of the century, the revival of letters in England, distinctly associated with Church Reform, but with an unaltered creed, in the hands of Erasmus, Colet, and More. The splendid schemes of Wolsey, intended to give effect to this reform, but rendered abortive by his sudden disgrace, were to have been carried out at Oxford. After the reformation was accomplished, the Puritan movement under Sampson, and the literary one under Laurence, were commenced in Elizabeth's reign. Later on it is the home of the Laudian reaction. In the eighteenth century it originated a movement, by the action of the brothers Wesley, which has had well-nigh as wide and lasting an influence as that of Wiklif; and simultaneously developed the deistical tenets Toland and Tindal, which were certainly not as obscure and unimportant as some have made them. Lastly, it was the origin and centre of the Anglican movement, which, however it has been criticised, has affected the action, if not the ritual, of those churches which have declared the strongest antagonism to it. The cause of this singular phenomenon was probably, for the most part, the extraordinary privileges and exemptions which the University enjoyed. It was certainly self-governed, and its authority over its own students was declared to be independent of bishop and pope. Many, too, believed that the course of its studies, under which the most sacred questions were customarily attacked and defended, lent no little aid to the sceptical tone which characterized the writings and conversation of its members.

In 1305, Philip le Bel, who had quarrelled with Boniface VIII., contrived, after the short reign of the successor of Boniface, to secure the election of a pope who would be entirely devoted to the French king's interests. This was the Archbishop of Bordeaux, who took the name of Clement V., and migrated to Avignon. His successors, up to the epoch of the great Schism in 1378, were all Frenchmen, and all resident at Avignon. This was not, indeed, part of the French king's possessions, but it was hemmed in by them. Now during the last thirty-five years of this period, Edward III. was a claimant of the French throne, under a title which many jurists, and French jurists too, thought valid, and the Avignon Pope was very generally deemed to be the English enemy, using his spiritual power for the purpose of aiding and abetting the French usurper. Attacks,

therefore, on the authority of the Pope were likely to be tolerated, if not welcomed.

The regular revenues of the Roman see were impoverished or suspended during the Babylonish captivity, as the residence at Avignon was described, and the pontiffs cast about for some new sources of extraordinary revenue. They brought causes to the Papal courts of law, for I have discovered and published the details of some among them, original and appellate, where the delay was great and the costs excessive. The fees paid to lawyers, all licensed by the Pope for a round sum paid down, were for the times very high. They created places for life, in consideration of present payment, and quartered such people upon their spiritual subjects in order to secure the income promised. One of them invented the doctrine of firstfruits, under which he reserved to himself the first year's revenue of all benefices in Christendom. But the greatest grievance of all was the habit which the Pope got into of putting his nominees into vacant benefices, without regard to the rights of patrons, and even, by what were called letters of provision, nominating persons in expectancy or succession to these benefices, before they were vacant. The vast sums obtained by these means were transmitted to Avignon by bills drawn on Flemish merchants, who traded with the English sheepmasters, and the English public indignantly insisted that the Pope regularly extorted on one plea or another as much money out of England as the king's own revenue came to. It seems, too, that other nations used to laugh at the patience with which England allowed itself to be plundered. And when we add to this the real or reputed leaning of the French Popes to the French king's cause, it is plain that there were all the elements of a pretty quarrel in existence. I suspect, had the English Companies caught the Pope, they would have treated him as harshly during the war as Nogaret did Boniface VIII.

Wiklif is supposed to have been born at a Yorkshire village of that name in or about the year 1324. His collateral relations are said to have dwelt there, some generations after the Reformation, and to have remained staunch adherents of the old faith. The day of his death is certainly known, the last day of the year 1384. I suspect his birth was at an earlier date than that ordinarily alleged. He was educated at Oxford, where is not known. He was certainly

a fellow of Merton, and probably master of Balliol. He was an exceedingly popular person at Oxford, where he received from the University the title of Doctor Evangelicus.

In imitation of Aquinas, perhaps with the purpose of superseding him among his Oxford pupils, Wiklif, before his political career began, wrote his Summa Theologiæ, under the title of "De Dominio civili." Some of the tenets promulgated in this work were familiarly quoted, notably his famous maxim that Dominion is founded in Grace. I felt convinced many years ago that he meant by this that all human authority was conditioned by the worthiness of the person exercising it, and that proved unworthiness was a valid reason for withdrawing one's allegiance. I can well imagine that as long as this was supposed to refer only to the French Pope at Avignon, who was making incessant claims on England and English benefices, the language might pass unchallenged, and be even acceptable. But when, in course of time, the tenet was applied to authorities nearer home, it excited at first a reasonable alarm, and ultimately undisguised hostility.

This work of Wiklif's was long supposed to be lost. Most of his writings have perished, for after his memory was condemned at the Council of Constance, some thirty years after his death, and his bones dug out of his grave at Lutterworth and burnt, diligent search was made for his writings, and those which were found were destroyed. Still, as late as 1453, books of Wiklif's were bought at Oxford, and for high prices too, for Oxford University in the fifteenth century was reputed to be full of Lollards. But the original work has latterly been found at Vienna, and has been partly published. Many of his works, it is well known, were taken to Bohemia by some Oxford students, where they were eagerly studied by the sect who were afterwards known as the Hussites. After the battle of the White Mountain in 1620, the Hussite books were captured and carried to Vienna, where they probably owe their preservation to neglect.

I have read what has been published of this treatise, and I confess that Wiklif's style is not attractive. It is involved, full of iteration, and is disappointing from the frequent hesitation, not to say evasions, of the author in stating the conclusion which he evidently has in his mind. But I could not doubt that even at this early part of his

career, he had intended to imply, by his famous adage, the interpretation which I set on it. Wiklif's doctrine on property and its rights is obscurely but unmistakably communistic. But the immediate application of his doctrine is to the Church and the monastic foundations in particular, then reckoned to have absorbed one-third of the land of England. Now these tenets would not be unpopular in Oxford, where the majority of the members detested the monks, and put every possible academical disability on them. Nor would they be unacceptable to public men, who were impatient of the continual costs of the French war, and were anxious to make Church property contribute far more largely to public purposes than it was wont to do. Wiklif gained the friendship of John of Gaunt, Salisbury, and Pembroke.

The opinions of Wiklif, as yet to all appearance only political, gained him public employment. In July, 1374, he was sent in company with several other English ecclesiastics to negotiate with Gregory XI. on the practice of Papal provisions. The meeting was at Bruges, and was apparently successful. Most of the negotiators were provided for with preferment, and Wiklif was presented to the living of Lutterworth, where he died. But hostile as he became to the Pope and finally to the Pope's doctrines, he remained strongly Anglican in his sympathies. In the book which I have referred to, his special admiration is reserved for Becket and Grosêtte, and he particularly recommends the former for refusing to acquiesce in the constitutions of Clarendon, and particularly the last, which prohibited the ordination of villains' sons without the assent of their lords, for Wiklif strongly argued against the naturalness of civil inequality.

But shortly after his return from Bruges, Wiklif took the important step of making provision for the dissemination of his tenets, which became more anti-papal and sceptical as time went on. The expedient seemed simple enough, and justified by numerous precedents. He founded a new order of poor priests, in imitation, it would seem, of the mendicant friars, who had now become entirely unpopular with the reforming party. These priests were to preach Wiklif's social and theological doctrines, to spend their lives among the poor, and especially the upland folk, as the peasants were called, to be clad in russet, *i.e.*, coarse undyed brown

wool, and to be constantly moving from place to place. Their religious character and migratory habits disarmed suspicion, and no one guessed, perhaps Wiklif least of all himself, what dangerous emissaries they soon became. They seized with avidity on that tenet which I have referred to, the unnaturalness of civil inequality, and disseminated it everywhere. They were under no central authority, were responsible to no chief, abbot, or general, but were simply held to teach evangelical doctrine, which, if the superiors of the peasants had heard them, would have filled such people with horror. It appears that they acted as treasurers to the common fund which the workmen collected, and to have had passwords and a jargon of their own. By their agency the action of the peasants was concerted from the north to the south of England.

Now let us briefly glance at the condition of England during the early years of Richard II. The war with France was languishing; the king was a child, but married to Anne of Bohemia, who was reputed for many a year afterwards to be a firm favourer of Wiklif's doctrines. People were tired of the war, not impoverished by it. The labourers were generally prosperous. The higher wages which they had struggled for, and at last obtained, were sufficient not only for them to live in such plenty as would leave them enough to subscribe to their common fund, but even to save from. There was a considerable growth of manufactures in the eastern counties, owing to the immigration of the Flemings, and these woollen manufactures were spreading over the east, south, and west of England. These people eagerly embraced the doctrine of the poor priests, who taught them the tenets of religious equality and natural freedom, and pressed into their service the lessons of the Old Testament, in which they alleged that the true polity of a religious nation was described with the fidelity and truth of inspiration. Nothing could be more invigorating than the Old Testament story, where kings were made to bow before the inspired prophet and teacher, who when kings were remiss was zealous even to slaying. Wiklif had, among his other labours, translated the Bible from the Vulgate version into English, and his book became the teaching of thousands, and a treasure to those who could acquire it.

While the peasantry were being stimulated by this new doctrine, and fortified in their judgments by the examples of the Old Testament, especially those culled from the heroic age, when every one did that which was right in his own eyes, the lords strove to make their burdens heavier, to revive the long-commuted right of predial servitude. Here, we may be sure, the peasants were told of the young Rehoboam, surrounded by foolish counsellors as that foolish king was, and despising the wiser counsellors of his father, the Salisburys and the Pembrokes. To your tents, O Israel! Then came the rising, and the slaying of the priest who was over the tribute, the victories of the Bridge, the interview at Mile End, and the tragedy at Smithfield.

I need not tell you the history of the insurrection of 1381, its collapse, and the practical success of the peasantry in the struggle. The insurrection seemed to be suppressed, but its ends were obtained. The leaders of the people were attainted and executed. Two hundred and eighty-five are mentioned by name in the Act of Parliament, four of them being beneficed clergymen in Suffolk; but the final stroke was given to the system of serfage. The nobles were frightened, and deserted the cause of the peasants; the poor priests were proscribed. But they were welcomed and hidden by the Norfolk weavers. One of them, William White, who was said to have been sent forth by Wiklif himself, seemed to have a charmed life. Incessantly hunted, he continued to elude his pursuers. At last, in his old age, in 1427, he was caught, and burnt with two others, his companions, in the Lollards' pit, outside the Bishop's Gate at Norwich, and on the other side of the Wansum.

In European history, discontent with existing religious institutions, and the acceptance of heresy on speculative topics, have always been characteristic of manufacturing regions. It was the case in Toulouse in Southern France, in Flanders, in Eastern England. The French Huguenots were the manufacturers and merchants of that country in the seventeenth century, and when they were expelled, carried with them their skill and their capital. Only Italy is an exception, and Italy profited so greatly by the Papacy that it was not disposed to quarrel with the institution, though it had no love for the representative of it. The

Lollard was no doubt like the Puritan of two centuries later, sour, reserved, opinionative, and stiff. But he saved money, all the more because he did not care to spend on priest or monk, friar or pardoner. He sometimes played savage tricks on objects of popular worship. He cut down crosses, burnt images, and gave scurrilous names to sainted and holy persons. He might have taken part in the murder of Bishop de Moleyns at Portsmouth in 1450, and of Bishop Aiscough in the same year at Edyndon. Lollardy in Eastern England was apparently suppressed, but by no means extirpated. The Lollards of the fifteenth eagerly embraced the Reformation of the sixteenth century, and were the most frequent victims of the reaction. They aided the Yorkist party from sheer hatred to the persecuting Lancastrians, and when the Yorkist was victorious they had for a time peace in their dwellings. As time went on, they swelled the ranks of Cromwell's Ironsides. The latest historian of Norfolk country life dwells on the distrust which the East Anglian peasant has for parochial clergymen.

In the researches which I have made into the economical condition of England for the last six centuries, and in the numerous facts which I have accumulated, I have constantly noticed that religious movements have had social effects under two definite conditions. The evidence on the subject is so cumulative, the facts are so clear, and the inference so obvious, that what I have to say on the subject appears to me to be a measure of the success with which a religious revival or propaganda may be anticipated.

In the first place, the effort of the missionary must needs be directed to the material as well as the moral amelioration of the persons or classes which are to be the subject of the mission. If the teacher is suspected of being mainly the agent of the civil power, of intending to assist the present status, of supporting the purpose of the magistrate, the success of an institution, or the policy of a form of government, he will be distrusted and will fail. A Court preacher may encourage partisans, may stimulate a persecuting spirit, may rouse that which is already in sympathy with him, but will not gain new followers. But in all historical religions, however much they may have been subsequently corrupted by priestcraft and statecraft, the preacher has held

out hopes to his hearers that he will better them. This is the secret of the success which attended the teachings of Zoroaster and Buddha, of early Christianity and early Islam. They take advantage of existing discontent, and preach freedom, the loosening of chains, the opening of prisons, and the natural equality of man, the manifest duty of the secular ruler. They always allege, though in varied phrase, that dominion is founded on grace. They may counsel indifference or even obedience to the secular ruler, but they always propose compensation for this concession. The constant reproach against the Anglican Church, I do not say justly, is that it is the creature of compromise, constituted and maintained by the secular power and in the interests of the secular power only. This is what Selden meant when he commented cynically on the contempt with which the public looked at the downfall of the episcopal clergy in the seventeenth century. "It," people said, "is a mere instrument created by ecclesiastics, courtiers, and king, and is intended for secular uses." What English clergyman has a thousandth part of the influence possessed by the Irish parish priest, and freely conceded to him? The Lollard teachers, the Bible men, the known men, as their password went, strove to enlist the converts to their new creed by profound sympathy and ready aid to them in their old struggles.

The next fact is, that it is in vain to attempt a social revolution, a material improvement in the condition of those whom the teacher approaches, except in times when prosperity or at least some degree of comfort is general. I am speaking of new agencies, not of those which are long-standing and as long trusted. In the history of the world, I know nothing so unwearied and so sedulous as the labour of the Irish priests has been, from the dark days of the Penal Code to this last time, in which the Irish are beginning to believe that the eastern sea will bring them justice in place of oppression. I am thinking of and referring to a different set of facts. The mission of the poor priests would have had no audience in an age of despair and misery. The forces of society make short and easy work of the outbreaks which despair occasionally instigates. The insurrection of the Jacquerie in France in the fourteenth century, of the peasants in Germany in the sixteenth, were futile struggles, full of ferocity and reprisals, but completely repressed,

the population sinking back into greater misery than that was which they strove to shake off. The peasants' war in England was an outcome of the time in which wages were high, and prices were low. The peasant of that age was better off than his father or grandfather, and had the prospect of seeing his children better off than himself. They claimed at Mile End to be free, themselves, their heirs, and their lands, and to be no more bond, nor so reputed. There is no good in preaching social equality to the indigent and destitute, to the man who asks for bread or work. Men combine and organize when they are not obliged to be constantly anxious about their daily bread; when that is lacking or uncertain, their worst language, heaven help them, is that of impotent menace. The message of Wiklif's priests would have seemed a mockery to the destitute. It was because they had something to lose, much to lose, that they resolved on striking a blow to gain more. It was, I believe, from the consciousness of how dangerous fairly prosperous men are, that the English administration, its first burst of wrath over, treated the peasants so gently, and silently granted their demands.

The peasant of the fourteenth century struck a blow for freedom in the fashion which noblemen and merchants had taught him or his fathers over and over again, against John and Henry and the second Edward; as they were soon going to show him against the king round whom they now rallied, and in whose company on that Smithfield day was the young cousin who was to depose, perhaps to murder him. He struck a blow, and he won. His descendants through the long night of the last half of the sixteenth and the seventeenth centuries were to sink deeper and deeper by the operation of well-devised machinations into the apathy of despair, from which many of them have not even yet risen. The peasant of the nineteenth century has neither the spirit or the hope which called together the Men of Kent, of the East, of the North, in 1381. The times indeed are changed; other instruments are employed now than those which were customary when making war on the king was believed to be the right of the aggrieved subject. The struggle is more civil, the victory is more humane. But the man who works will always have to struggle for his own against the man who spends, and

needs all his energy, for his rival is an organization, and he is too apt to be a mob.

A strange wave came over the fifteenth century, its wonderful prosperity, and the incredible ferocity and bloodthirstiness of its nobles, in the rationalism of Bishop Pecok. His work, the archaisms of style and fact excepted, reads to me like the apologetic latitudinarianism of the eighteenth century, or the sweet reasonableness of the nineteenth. "Our lot has fallen in pleasant places, why disturb us? You may be right, but it is quite as likely that you are in the wrong, and you must not be vexatious and dogmatic. To quarrel over religion is foolish, to attack established forms and practices is impertinent. Whenever a man finds an occupation which suits him, he is quite as probably doing God and man service as you think that he is not." I know nothing stranger than the sight of this bishop, born long before his time, preaching the gospel of indifference just at the beginning of a furious, a bloody, an implacable civil war, in which the nobles of the age were to tear each other to pieces, the ecclesiastics of the age were all to be siding with the victorious party, as one side or the other was uppermost, and all were hurrying down the rapids to the Niagara of Henry VIII.

The teaching of Pecok was proscribed, as the teaching of Wiklif was, by the pious, unworldly founder of Eton and King's College, Cambridge. Henry VI., during his whole life, was incapable of forming a judgment, and the clauses of his statutes in which the heretical bishop and the heretical preacher were impartially condemned were suggested by some adviser of the poor king. But the two systems were in violent contrast. On the one side were the secret teachers of Norwich weavers and small farmers, inculcating vigilance, thrift, secrecy, contempt for ecclesiastical pretension, concentration on the business of life, but with a high ideal of personal religion. On the other was the well-to-do bishop, apologizing for his easy and well-to-do brethren, intreating his English reading audience to let well alone, and enjoy the benefits which a wise Providence and a beneficent constitution had bestowed on them. Out of the teaching of the Lollard priests was to come in the fulness of time, the stern Puritanism which piled up wealth and wrath; out of the teaching of the others, which was in reality a reflection from the

practice and purposes of the Anglican Church in his day, of time-serving, greed, and suppleness, was to come the horrible chaos of the civil war of succession, the ruin of English prosperity, the enormous waste and crimes of Henry's administration, and the hopeless beggary of the English peasant.

The English Reformation, such as it was, owed very little to the clerical caitiffs who waited on Henry's caprices. All its strength was due to the secret Lollardy which seemed to be extinguished, and was so active. It was in the eastern counties that Lollardy was the popular religion, that the Reformation of Edward's time flourished, that the martyrs of Mary's time camp, that the resistance to Elizabeth's compromise was organized, that the Puritan movement, the Independent movement, was consolidated, that the regiments of the New Model, the Ironsides were trained, that Marston Moor and Naseby, Dunbar and Worcester were won.

The Puritan movement was essentially and originally one of the middle classes, of the traders in the towns, of the farmers in the country. The confusion and loss which followed on the debasement of the currency by Henry, and the restoration under Elizabeth, when the money was to be taken by tale instead of weight, and prices consequently rose, affected principally the landowners who lived by rent, and the labourers who lived by wages. The former were stinted, because the social and economical situation was as yet a bar to competitive rents, and the latter were finally impoverished by the quarter sessions assessments. But the inconvenience was lightest to the small farmer, who cultivated his field or the portion of the common field which he held at a low fixed rent, whether his estate was one of inheritance or on a renewable term, and who lived, in the main, on the produce of his own field and his own hands. To such persons, money prices are of less significance than they are to any other class, for but little of their produce is really exchanged for money. And if, as is highly probable, the weaving of coarse woollens and linens was a bye-industry in the small farmer's house (it certainly was in more considerable mansions, such as those of Shuttleworth, in Gawthorp Hall, and Lord Pembroke's at Worksop), the profit on the weaving would make up for the exalted price which was required for implements and materials, just as in Ulster, when linen weaving was a universal domestic industry, the peasant

farmer, as long as he could pay his rent out of his weaving, was generally indifferent to its amount. But I am sure that the labourer and artisan had no interest, as they had no part in the marvellous drama of the seventeenth century, when the war between the prerogative and the people began with Cecil's book of rates, and ended with the second Revolution of 1688.

The stir of the first Revolution in 1642 brought into existence, perhaps in many cases only brought into prominence, a number of new sects, the most important of which were the Quakers and the Independents. The former, in the end, generally settled in the country and betook themselves to agriculture, the latter aggregated in the towns. The Society of Friends, quiet, self-restrained, painstaking, and parsimonious, who cut away from their lives all superfluous and some innocent enjoyments, became the most enterprising of farmers, and had not a little to do with the success of the new agriculture in the eighteenth century, when their harmless and unobtrusive lives, perhaps the success of their industry, caused them to be generally respected. Some of the best agricultural reports in Young's collections are the work of Quaker farmers. But in the end, resistance to the payment of tithes, which seems, at first, to have been a pious opinion, subsequently exalted into a religious dogma, was found incompatible with a pursuit for which the Friends were peculiarly fitted. It appears that, the abandonment of agriculture as a calling by the Quakers, took place generally in the early part of the present century.

The Independent movement had a far more important economical history. The Independents, as the reader of English history knows, were the Republican party of the seventeenth century. The Presbyterians were moderately royalist, the Cavaliers vehemently royalist, the clergy were eager to avenge their losses in the civil war, and the labourers apathetic and indifferent. The Presbyterians were tolerated in consideration of the services they did at the Restoration, were even endowed to a small extent, or allowed to be endowed. They are now represented by the small and scattered Unitarian congregations in out-of-the-way villages, and by a more numerous and compact sect in the North of England. Independency became the religion of the large towns, especially of London. The sect, of course, was the most hateful to the restored monarchy and

the restored Church. Had it been possible, they would have been visited with the utmost severity of the Clarendon persecuting Acts. But these sectaries rapidly grew rich, and out of the trade which flourished exceedingly in the last quarter of the seventeenth century, they became the moneyed interest of London. No doubt Charles would have gladly pillaged them, as he pillaged his own adherents in 1672, when he shut up the exchequer. But the boundless extravagance of his Court always kept him poor, and he had no mind, as he said, to go on his travels again, as I am pretty certain he would, had he lived much longer, as he assuredly would if he had attempted his father's pranks of illegal taxation. The Independent sect of the city of London gave stability, because it gave money, to the second Revolution. It gave its money on loan, in a business-like way, and it took security, as is the custom of merchants. The Presbyterians of the first Revolution gave their money freely to the Parliamentary cause. Now the creation of the Public debt gave a diffused interest to the New Settlement.

The Independents were the principal founders of the Bank of England. Among the first directors were Abney, the patron of Dr. Watts, three of the Houblons, who had originally been Flemish exiles, and were firm adherents of Calvin's discipline, and a host of other names who can be identified with London Nonconformity. To do business, State business, with such persons, and to visit them with penalties for their creed and discipline was an absurdity. Toleration was the necessary outcome of the new finance, as it was of the new political system. The landed interest hated them, but their hatred was impotent. Once they tried to ruin the Bank with a scheme of their own, the collapse of which made them more furious and helpless. The sons of Zeruiah, as the High Church clergy confessed, were too strong for them.

There was still an institution which was almost entirely in the hands of the monied Tories who had, I believe, finally parted company with the Stuarts, but who hated the Whigs and the Dissenters. Under a charter from Elizabeth, the East India Company had grown from small beginnings to what was then a mighty trade. Their stock often sold four or five times its nominal value, when profits were high. But Parliament had affirmed that it alone was empowered to confer monopolies of trade. The old Company saw

the ground cut from under their feet, after they had spent in vain large sums in bribing members of the House of Commons, among them the Speaker, and the members of the House of Lords. In 1692, its stock reached 158; in 1696, it fell to 38.

The Whigs determined on constructing a new and rival East India Company, the stock of which was readily and rapidly subscribed by the London Dissenters. It soon shot well ahead of the old society, though, strange to say, the old company bettered itself considerably during the period of rivalry, which only lasted a few years. Perhaps they distributed their dividends honestly instead of using their profits for the sake of political corruption. In the autumn of 1703, just before England had taken decided action in the war of the Spanish succession, the stock of the old company was at 134, of the new at 219.

The traditions of the Revolutionary period, and the attitude of the city men towards Nonconformity and the principles of 1688, remained active during the eighteenth century. Wilkes was a Nonconformist, and no great credit to any sect. The city took up his defence, sheltered him from pursuit, baffled the House of Commons in their attempt to protect their debates from publication, forced Bute out of office, and administered bold rebukes to the king himself, after making very offensive demonstrations against his mother.

In a minor degree, the principal business in the other large towns was in the hands of the same theological and political party, and not a little of the remarkable material progress which characterized the eighteenth century was due to these agencies. Mr. Gladstone has disputed the accuracy of the picture which Macaulay drew of the beggarly and sordid condition of the clergy in the seventeenth and early part of the eighteenth centuries. I can only say that my researches entirely confirm the historian's description. Their influences lay through the traditions of the Parliamentary war, with the country landowners and those of their tenants who deferred to them. I do not think that the Squires Westerns honoured the Church in the person of Parson Trulliber, as neither of them were any great credit to the country party and the Church, but they voted together, and I am old enough to remember country clergymen of whom Parson Trulliber was hardly a caricature. The grievances of a standing army, a public debt, and the land tax, were till the great

rise in prices, rents, and tithes at the end of the eighteenth century, sufficient to weld together the political interests of Church and land.

The Revolution of 1688 would, I believe, have been followed by a reaction, possibly a restoration of the Stuarts, had it not been for monied Whigs of the great towns, and especially of London. The public men of the period were corrupt, were always looking out for questionable official gain, and the first two kings of the house of Hanover were not respected and were not respectable. Now the country party would probably have been as bad as the Whigs if they had had the chance, and the Whigs, who in one shape or the other were in office from the accession of the first till the death of the second George, were not likely to attack the most solid supporters which their party had. So the occasional Conformity and the growth of Schism acts soon went, and though the disability of the Dissenter remained, as long as he did not present a qualification the enforcement of which was a public scandal, means were found by which the clergy, for a solid consideration, gave their testimony that the requisite appearance and participation had been satisfactorily fulfilled, when the person who promised it had not entered the church.

The movement which the brothers Wesley began and carried out was chiefly among the labouring classes. It is well known that Wesley intended to merely introduce a reform among reputed members of the Church of England, and that the intolerance of those who were offended at his tacit rebuke of their sloth and indifference drove him reluctantly from his purpose. But I am strongly convinced that Wesley, who laboured with so much success and effected so powerful an organization in the eighteenth century, would have wasted his labour in the seventeenth. During the first half of the eighteenth century, and indeed further on, prices were far lower than in the previous century, wages rose slightly, but were only slightly raised, and it is clear that most labourers were small occupiers as well, perhaps under the Act of 1589. There was therefore in the comparative plenty of the time an opening for a religious movement among the poor, and Wesley was equal to the occasion. It survived the terrible period of the Continental war, when nearly all the taxation of the country, so universal were the excise and customs, fell

on the poor earnings of the working classes, for it is a maxim in finance that there is no tax so productive as that which is collected from universal consumption. At the present time the protective taxes on clothing levied in the United States are easily evaded by the rich, the profits of the manufacturer are extracted from the consumption of those who cannot go abroad to buy.

I do not doubt that the remarkable progress of the working classes in the fourteenth, fifteenth, and first half of the sixteenth centuries were intimately connected with the destructive criticism which Wiklif and his followers brought to bear on the established creed and its representatives. All outward show of the opinions which these sectaries entertained was repressed, particularly during the Lancastrian epoch. But they were understood to be still secretly cherished. Pecok, the defender of the existing order of things, examines and attacks the tenets which seemed to have been uprooted. This attack betrays a suspicion that the unseen in opinion is not always unfelt. I do not doubt then that the views of the early reformers were still prevalent among the weavers and farmers of Norfolk. It is possible to extirpate a religion. Calvinism was destroyed in Flanders and Spain, almost entirely in France, to a great extent in Southern Germany. But the process was effected by an elaborate system of espionage, and the relentless punishment of the accused offenders. In the same way Romanism was extirpated in Scandinavia, and by expedients as harsh and severe. Cruel and violent as our laws on religion have been, they have not been, and, unless the character of the English were entirely altered, could not have been, effective. The High Commission Court was a very poor equivalent of the Spanish Inquisition.

The opulence of Norfolk during the epoch of Lollardy and the textile manufactures is shown in the assessments it paid. The soil of Norfolk is not particularly fertile, being mostly light. Much of its present acreage is reclaimed from the sea by gradual accretion; much of its existing surface is covered with water, and was covered to a still greater extent five centuries ago. But when the wool tax was levied in 1341, the taxation of Norfolk to the acre, London for the moment being taken out of Middlesex, was higher than that of any English county, and second to Middlesex with London. Next to it comes Oxford, probably the most fertile of the English counties,

as it has so much natural pasture, and so little waste. In 1375 when another assessment is made, the rate per acre is slightly higher in Oxford than it is in Norfolk, but these two counties are greatly richer than any other. Now there was hardly any part of England which suffered so severely by the plagues of the fourteenth century as Norfolk did. In 1453, and again in 1503, it occupies the same position, a little below Oxfordshire, but far above any other county. These are the only assessments which I have found in the pre-Reformation period. Part of the decline is no doubt due to the extension of the woollen manufacture over other parts of England, for the assessments are of a fixed grant, and are therefore relative. The growing wealth of a county heretofore backward would reduce the contingent of another, which had not indeed declined, but had not increased as the other had in the interval.

It cannot, I think, be doubted that the continuous position of Norfolk during the space of more than a century and a half, between the first and last of these assessments, was due to the habits which the religious and social tenets of the Lollards infused into the minds of those weavers and farmers. Many of them were of Flemish descent, indeed in catalogues of persons which I have found in the eastern counties, I have been struck with the frequency of distinct Teutonic names. They kept up a close intercourse with Flanders. They could not do much in the way of wool. Their produce was not deemed worthy of a price. But that from Suffolk is the cheapest in the kingdom, and probably the worst. But they exported their barley largely to the Low Countries, and received in return the hop, which they appear to have been the first to use, nearly a century before it became general in England, and recovered the art of making brick, which had been lost in England since the days of the Romans. This progressive skill, in which they outstripped the rest of the country, was due to special causes, and, in my judgment, it was due to their religion.

I have nowhere discovered, to my great regret, any assessment between 1503 and 1636, when the charge of ship money was imposed. Norfolk is now ranked as the twenty-fifth of the counties. It is seventh in 1641 and 1649, eighteenth in 1660, twelfth in 1672, nineteenth in 1695. But in the only two assessments which I have seen of towns, in 1641 and 1649, Norwich is the second

city of the kingdom. No doubt part of this change is due to the migration of its industries, as the revival at the time of the Parliamentary war is to the development of a new industry in the county. In the days of Lollardy it prospered greatly, but when, in spirit if not in name, the principles which Wiklif taught were accepted by the Anglican Church, and Wiklif was styled the morning star of the Reformation, the special prosperity of Norfolk had passed away. But, for a long time, a "weaver" was the familiar synonym for a heretic.

V.

DIPLOMACY AND TRADE.

Copiousness of diplomatic literature—The effect of the intercourse of nations—Fallacies about money, and its place in commerce—Exports and imports—How does a nation spend more than it earns—Proof of such a state of things—Early trade of England, the Hanseatic League—Trade with Flanders and elsewhere—Routes from the East—The discovery of the New World, the Cape Passage, and the conquest of Egypt by the Turks—Inherent errors in the Dutch trade—The Intercursus Magnus—Commercial treaties—1. That of Mr. Methuen. 2. That of Mr. Eden. 3. That of Mr. Cobden.

It will be obvious to you that I can treat this vast subject only in outline. There is very little printed literature which is more copious than that which deals with diplomacy and trade. The great work of Dumont proposes to give up to the middle of the eighteenth century, the various treaties, political and commercial, which have been negotiated between the different states of Europe. The numerous volumes of Rymer, historiographer to Charles II., are a selection from the public papers which are preserved in the national archives. But neither of these authors is as copious as Muratori, whose volumes are a repertory of the infinitely various relations which subsisted from time to time between the numerous Italian cities. The collection of Muratori is not only interesting to the student of modern history, but is valuable as it enshrines in it many scattered pieces of information about ancient commercial law, the most ancient and continuous of all law, for it is probable that this branch of international custom and comity reaches back to the time when the Rome

of the kings and the early republic made treaties with Carthage and the other colonies of Tyre.

The economical benefits of trade, and of that understanding between nations which leads to the exchange of products, which protects merchants and merchandize, and gives temporarily to the foreigner, under more or less easy conditions, the opportunities of commerce, are obvious and trite. The distribution of products to the greatest possible reciprocal advantage is the first and most enduring stimulant to trade. In all acts of exchange the buyer has the strongest inducement to get what he most needs, and in commerce both parties buy and both parties sell. Trade is again the most efficient instructor as to the natural benefits of soil, climate, and material, and it teaches this with the greatest rapidity and accuracy. The greatest service which unimpeded trade does to a community which has accepted it, is that it informs the people, who desire to exchange their products, what are the best kinds of material on which to exercise their industry, and develop that utility which is the sole end of economical labour. Hence it supplies the answer to the important problem—Has the industry in which a country is engaged been determined on in the most productive direction, does it produce the greatest possible results with the least possible expenditure of force? Hence it acts as a stimulant for the discovery of labour-saving instruments, and of cost-saving processes, for any waste is labour needlessly and unprofitably expended. It leads to the discovery of natural resources, as in this country coal, salt, and iron, the last two of which, before certain discoveries were made, were imported into this country. In the fifteenth century it was supposed that if the exportation of French salt was prohibited or even hindered, a most powerful instrument for checking English progress, or crippling England's domestic life, would be put into operation.

Trade, again, is an effective means for the development of international morality, for the sense of reciprocal benefit teaches the reality of reciprocal rights, and the recognition of rights in the people of a foreign country is obviously a means by which people are instructed in that sense of justice and the satisfaction of obligations which is the earliest, and, it would seem, the most difficult lesson of civilization. The difficulty there is in inculcating the force

of reciprocal obligations appears to me to be the reason why, in the early ages of jurisprudence, the law enforcing contracts has constantly been so severe, that in course of time the severity imperils the very foundations of society itself, and it becomes necessary to modify the ancient code by enacting a law of usury, in which relief is given to the debtor, and in modern times, by what is equivalent in its effects and virtually in its principle, a law of bankruptcy or a revision of contracts. The international morality which has been induced by trade in course of time develops that which is called international law, *i.e.*, international comity, the force of which is public opinion and the censure of other nations, an expedient by which, it may be hoped, as these forces become more effectual, war may become itself an anachronism. Perhaps in past times, the English people, by insisting on extravagant rights on the high seas, have been the greatest hindrance to the development of international comity; but of late years, and apparently from conviction, we ourselves have been among the foremost to suggest that the barbarisms of ancient warfare shall be discarded by international consent.

Few nations are so barbarous as not to recognize the importance of trade. But as that which they sell is by the very act of exchange that which they desire less than that which they receive, they are naturally most interested in exports. Another circumstance, however, has led to a further anxiety to increase exports, the motive of which is more obscure.

It is clear that to a person engaged in trade, the mere retention of money is not desirable. There is no reason to believe that by holding it he will gain an advantage, for by the very terms of its use as a means of exchange, it varies least of all in value within measureable time. Except, then, as it gives a sense of security against unforeseen emergencies, a risk, on the hypothesis that the trader is solvent, which is progressively diminished in civilized communities, to hoard is to lose. As the machinery of trade becomes more complicated or, to be more accurate, to be more nicely adjusted, movements of specie from country to country, or from merchant to merchant, become rarer, and the transmission of the precious metals ceases to be the business of the trader, for the function of adjusting the wants of the money market, either for internal circulation or for

the purpose of the foreign exchanges becomes the special office of the bullion dealer. This view of the entirely secondary functions of money in trade, and of its being to the dealer a mere temporary instrument to be got rid of as soon as possible in trade, if profit is to be made, was seen very early in the history of economic literature; for it is stated clearly enough in a treatise by Nicholas Oresme, Bishop of Lisieux, in the fourteenth century. Money is a convenient, the only convenient measure of exchange value; it has a temporary convenience in effecting certain exchanges, but the trader retains it in his possession for the shortest possible time. In brief, he takes it, only to get rid of it.

The case is entirely different with a government, particularly with a government in the time at which Oresme wrote. Here, and for the reason given above, as a reserve against unforeseen emergencies, the acquisition of money, the creation of a treasure, the value of a hoard, were instant and obvious. In the nature of things a government produces nothing, gets no profits. It may be in the highest degree necessary and useful, but in the nature of things, it exists only to spend. It knew, at least in the time of which I am writing, that the strongest power was that which had or could get most money. Centuries after Oresme, Louis XIV., when he was pressed by the reverses of unsuccessful war, consoled himself by saying, "After all, it is the last pistole that wins." In the sixteenth century, all Europe was aghast at the designs of Philip II. of Spain. He had the great mines of the New World, or at least levied a heavy tax on their produce. He seemed to be possessed of inexhaustible riches. He was baffled, beaten, made bankrupt by the Dutch, in whose country there was not an ounce of natural gold or silver, who got all their money by trade, except when they occasionally captured their enemy's treasure fleet, and were rapidly becoming the richest nation of Europe, when Philip had ruined Spain and brought down the Genoese traders, on his declaring himself bankrupt.

European governments interpreted the interests of their subjects by the view which they took of their own interests. Merchants knew then as they know now, that money has a temporary use only to the individual. But the government, seeing the permanent use of money to itself, strove to make it permanent in the community whose affairs they administered. So they devised the doctrine of

the balance of bargain, which Adam Smith afterwards called the mercantile system, insisted that in cash transaction with foreign merchants, there should be a balance payable to the English dealer, limited transactions in certain important English products to towns which they called staple towns, and appointed a great officer, whom they called the King's Exchanger, who should see in his own person, or by deputy, that this desirable balance was secured.

Of course they did not succeed. In the existing state of the police of the ports, they might as well have tried to keep in the wind, or to limit a falling shower to English soil. Bigger things than money are smuggled, and when the merchants knew that they could only carry their business on by getting rid of the money they had received, and the balance of bargain too, why they got rid of both. If the royal policy had been successful, there would have been a general rise of prices. There would have been more money in the country than was wanted, and to get rid of what they did not want, they would have had to give more of it for goods. But no rise of prices, on that I can speak confidently, ensued; the money flowed out to where it was wanted, like rivers to the sea, as Oresme said, and the King's Exchanger with his attendants was a mere cumber in the business of life.

But what no merchant would admit for himself, he affirmed for the whole country. The balance of trade, the balance of bargain, the mercantile system became a trouble for centuries, and when this country was fast becoming the first commercial centre of the world, honest people tortured themselves about the excess of imports over exports, said that England was going to ruin, and that we were all spending more than we were earning. I am afraid that the amount of exports were cooked, in order to comfort these worthy dreamers.

The exports of a country always pay for its imports. If they did not, the importing country would be contracting debts, and the debt would be taken in lieu of imports. It is always possible to discover whether a country is spending more than it pays for. If it does, it begins to export securities. A country may very wisely spend more than it pays for. It may very necessarily spend more than it pays for. But it must always pay for its imports in goods or securities, and there are plenty of people who can detect the opera-

tion when it takes place. But the operation is not always plain to the unpractised observer, and I am afraid that latterly, some persons, who know a little, have, for reasons of their own, practised on the ill-informed. When a country is not borrowing and has a fair share in the carrying trade, an honest return of the money value of goods exported and imported, always shows an excess in value of imports over exports. I am assuming, of course, that the trade is exclusively between country and country, and that there is no roundabout settlement through a third country.

The reason is obvious. In trade, we value what we receive at more than what we give, or there would be no profit. This is the case with every country. A Frenchman values English coals more than he does French wines, and the Englishman values French wines more than he does English coals. If each did not, there would be no trade; the Frenchman had better keep his wine, the Englishman his coals. Then the wine and the coals have to be carried. If the Englishman does both journeys, the value of the coals in France is more by the freight, the value of wine in England also more by the freight. In England, the coal is valued less the carriage, and the wine more the carriage, and what may be a very profitable transaction may seem to those who do not understand the figures a very losing transaction.

Now let us take a step further. Let us analyse what occurs every day. An English vessel takes cloth to Hamburgh, carries leather thence to Bordeaux, and takes wine to England. The only thing which appears in the exports and imports are the cloth and the wine. But the two articles bear the three freights, and, as far as they are concerned, the imports again seem ruinously above the exports. In the fifteenth century people understood the machinery of trade better than some do now, for they saw what the profit was which the English mercantile marine gained by the carrying trade, and in France especially wished to check it by a sharp Navigation Act. But the power of kings, and even of parliaments, is no match for the instincts of trade.

Under the ordinary conditions of trade, then, merchants do not find it to their interest to further the designs of Government in securing a treasure, or even an available surplus or over-supply of money. However honest the Government is in the management

of its mint, and very few European Governments have been even decently honest in this direction, but, on the contrary, most flagrantly dishonest, merchants will not keep more money than they want, will not sell, if they can help it, at a disadvantage, which, being put into the language of the custom house returns, will always make their imports exceed in value their exports. If they do not do so, they get no profits. There are to be sure persons when prices are low, and profits are low, who play on the credulity of those who do not understand the ordinary course of business, because they know that, if they could alter the course of English trade, they would for a time get higher prices and higher profits, and pay lower wages, but the dishonesty of their purpose is transparent.

The interpretation of trade is more difficult still when in a country like our own, an enormous and incredible mass of foreign and colonial securities is held by British investors. I am confidently assured, by those who know the facts well, that at least two thousand millions sterling of such securities are held in Great Britain, and ear-marked on the Stock Exchange. We in England hold all or nearly all the Colonial securities, the Indian Debt, and so large a mass of foreign debt, that no large purchase can be made of such foreign debt on any but the London Stock Exchange. Now interest must be paid on such liabilities, and of course, in accordance with the rule laid down before, the ordinary way in which such an amount of interest is paid, as is implied in the above-stated indebtedness, is by goods, the amount or value of which makes the aggregate of imports appear to be vastly in excess of the aggregate of exports. To ignorant persons these figures appear very alarming, and dishonest persons play on the alarms of the ignorant. In fact, the annual interest which the borrowers contract to pay is expressed in the currency of the United Kingdom, or in the currency of the borrowing state and community, and in theory such debtors are bound to pay in money. In practice, however, they pay in goods, generally in raw materials, or in articles which our climate will not allow to be produced, or not to be produced in so useful a form. Hence a country like our own, to whom other countries are largely indebted, always gets its raw materials, and some other articles, at the cheapest

rates possible, a great advantage to capitalist, labourer, and consumer.

There is one infallible test by which we may discover whether a country is spending more than it earns. It begins, as private individuals do, to contract debts, and the proof that it is contracting debt is given incontestably in the export of securities. It may be wise to contract debts, when, for example, a colony borrows money for the purpose of constructing beneficial railways at a rate of interest lower than that at which it can borrow at home. It may borrow of necessity, as when a country, which still has sufficient resources to meet the interest on its loans, is constrained by the charges of war, or any other expenditure on which the loan is wholly destroyed and consumed, to borrow from its neighbours. It may borrow foolishly, as when a country, not yet able to take advantage of its natural resources, borrows to construct railways, which will remain so long unproductive that it would have been better to have gone without them. When it borrows it exports securities and takes goods in exchange. In theory, the lender lends money; in fact, he lends manufactures, as rails, carriages, and similar products. If the country which borrows and takes goods puts a tax on the goods it takes, it has to pay a higher price for them; if the country which receives interest puts a heavy tax on the only articles in which the debtor country can pay, it may make such a country incapable of paying at all. Lastly, if a country wants to borrow, and will not take the goods of the lender at all, it must pay the interest in its own products, and at increasingly lower prices than it would have sold them at if it allowed trade to be more free. No doubt the debtor may repudiate, but that is fatal to his reputation as a borrower, for they who can lend never forgive a bankrupt state. But as long as he keeps good faith, the debtor is at the mercy of the creditor who can always elect how he will be paid. A state which holds many debts in its own hands has always a greater command over international money than a state which has few or none, and moreover is in debt to its neighbours.

I give you this sketch of international trade, of exports and imports, and their meaning, because some foolish or dishonest persons are trying to turn figures, which really prove the existence of a

profitable trade, into evidence that this country is declining, and should reverse its trade policy. It is very likely that such people are as uninfluential as they are shallow. It is, however, to the purpose to show that if we did reverse our policy, we should inflict incredible injuries on ourselves, as manufacturers and consumers, and should bring those who have lent their money to foreign countries, and especially to our colonies, within measurable distance of the risk of repudiation and the total loss of their property. People who try to keep our goods out of their market no doubt do us an injury, but they do themselves more. If we were to retaliate, and seek to exclude those materials in which alone they can pay their way, we might ruin them, we should certainly damage ourselves, and we should very probably give a shock to public credit which it would not recover for a century or more.

The earliest trade of England was with the Baltic and the Low Countries. For more than two centuries, and to a greater or less extent for three, England had important possessions on the south-west coast of France, from which she exported wine and salt, the former of which could not be produced in England to any advantage, and the latter, at the time, not nearly so cheaply and so well. The principal districts with which England traded in early times were the towns of the Hanseatic League, with the Flemish cities (then the principal region of textile manufactures, and the carriers of Eastern produce), and the duchy of Guienne.

The Hanseatic League was a combination of free cities on the shores of the Baltic and the German Ocean, who associated together for the purpose of defending commerce from marauders. It is probable that to their efforts Western Europe owes the extinction of that piracy on the ocean, and those piratical settlements on land, which were the scourge of Western Europe for centuries. It appears that for a time at least the seat of the administration, such as it was, of the Hanseatic League was Bergen, in Norway. Their treasury was said to have been at Wisby, in the isle of Gottland. A branch of the association was early and long settled in London, itself a principal member of the League, under the name of the alderman and merchants of the Steelyard, in a place near the Tower. It is to be regretted that the history of the League has not been

better written. The works of Werdenhagen, Mallet, Schlözer, and Lappenburg, are very poor productions.

Many charters, thirty-five have been collected, were granted to the Hanseatic League between 1235, when I have found the first, to 1567, the last. In 1578 Elizabeth abolished the League as far as England was concerned. Most of the cities were overpowered and absorbed by the rising monarchies of Northern and Eastern Europe, and at last the League was represented by Hamburgh, Lubeck, and Bremen only. Their position as a trading association is most marked during the fifteenth century, during which twenty-one out of the charters above recorded were given. The character of the trade carried on by the Hanse towns with England is, I conclude, designated in that part of the "Libel of English Policy" which deals with what the author calls the Danske trade. It appears that England was supplied with furs, cloth, feathers, occasionally wheat and rye, iron, tar, glass, wax, and other products of a similar character. There was a time in which it seems that even the produce of the farthest East was conveyed by land carriage across Asia, through the Baltic towns; and that fragments of ancient porcelain found occasionally in the extreme West, are relics of trade which is now entirely extinct and forgotten.

The trade with the Flemings began early and was of the highest importance to England and the Low Countries till Flanders was ruined by the Spanish war and the Spanish Inquisition. The Flemish cities grew wealthy from the woollen and linen trade, from the former especially, the whole raw material of which came from England. Hence friendly relations with England were of the highest importance to Flanders, and the English monarchs, while they engaged in their attempt to conquer France for the Plantagenets, saw the necessity of having Flanders or its rulers as their ally. This fact explains the friendship of Edward III. with Artevelt, of the alliance of Henry V. with the Duke of Burgundy, who had now, by marriages and usurpations, obtained nearly the whole of the Low Countries, the Yorkist alliance with Charles the Bold, and the Intercursus Magnus of Henry VII. The inheritance of the house of Burgundy has made what we now call Belgium the battle-ground of Western Europe, from the days of Philip the Second to those of the Continental war. Its commercial sig-

nificance has passed away, its political importance is still great, and it is believed to be in no small degree the key to the Western situation.

The woollen produce of Flanders, with the various kinds of silk-workers and linen manufacturers, were the occupation of most of its towns. It was so densely peopled, that, like Holland a century later, it was unable to support its own people from the produce of its soil, and imported large quantities of wheat and barley, the latter notably from the eastern counties of England. It was the mart of Eastern produce, which came to it by a route which I shall presently describe. Spices and foreign fruits were articles greatly in demand, and were purchased chiefly at Bruges. We shall see hereafter how this part of the Flemish trade was effectually destroyed. In Flanders, too, and especially in Antwerp, was carried on an active trade in bills of exchange, those instruments of credit by which, as was alleged, the wealth of England was poured by a thousand channels into the Papal treasury, and England was impoverished by spiritual tributes. During the whole of this period there were bickerings and occasional disputes, for the Flemings were turbulent by nature and by reason of their municipal privileges, and the rulers of England and Flanders frequently sacrificed commercial benefits to political jealousies and interests. As I have said, the trade between England and Guienne and its port of Bordeaux was chiefly in wine and salt, and these two articles were abundant and cheap as long as the political connection between England and Guienne lasted. As is well known, in 1450, France had recovered the whole of her seaboard from the English. It appears that the French king tried to introduce his fiscal system among the Gascons; it is known that they rebelled, that they were succoured by the English under Talbot, Earl of Shrewsbury, and that the Earl and his son were defeated and slain at the battle of Châtillon. With this victory, all the ancient possessions of the Plantagenet kings except Calais were lost. But long after all idea of attempting their recovery was given up, it was a common practice for the English sovereigns to stipulate for the free export of wine and salt from France.

The Baltic, the Flemish towns, and the French seaboard were the limits of English maritime enterprise up to near the end of the fifteenth century. But towards the close of this period the Spanish

kings of Aragon and Castile, now united, had achieved the conquest of all the Moorish Principalities in the South. Hence the English passed along the Portuguese and Spanish coast, and traded as far as the quay of Seville. They do not appear for some time to have entered the Mediterranean, still less to have ventured on exploring the regions which Henry of Portugal had visited. Hence there was some colour for the Bull of Borgia, under which all the world to the west of the Atlantic was bestowed upon Spain, all the east on Portugal. But the English penetrated to the north. The fishing grounds near Iceland had long been visited by the Yorkshire navigators. In the fifteenth century the Bristol merchants, trusting to the mariner's compass, reached the same goal through the Hebrides.

An Act of 32 Henry VIII. cap. 14, reciting an earlier Act of his father, attempts to regulate the trade of England with those parts of Europe where England had commercial relations. Even in early times its position was good. A debate between two heralds-at-arms, written in the fifteenth century and published lately by a French antiquarian society, confesses, on the part of the French patriot, that the mercantile marine of England was large and active, and allows that England has a great geographical position for trade with the Baltic provinces and South-western Europe, but charges the English with piracy on French, Spanish, Danish, and Scottish vessels, asserts that they wish to appropriate the trade of the world, dwells on the supreme importance of French products to English trade and consumption, and threatens the culprits with the penalties and police of a stringent Navigation Act. From internal evidence, it is plain that this treatise must have been written after the capture of Bordeaux in 1453, and before the death of Charles VI. in 1461 The admission as to the character of the English mercantile marine is, to my judgment, more trustworthy than the stories which are told about the maritime decay of England in the fifteenth century, and the gibes of the Flemings on the downfall of English supremacy on the seas.

The English attempted to reach Russia from the north, indeed, at that time, the sixteenth century, Russia had no accessible European port. One of the ships reached what was afterwards called Archangel in 1555, and the embassy had an interview with

Ivan the Terrible—1533–1584. It seemed that prosperous trade would be developed between Astrachan and Archangel. But after the death of Ivan, and the disturbed reign of his successor, came a period of confusion and revolution, and the enterprise of the English adventurers was arrested. It was not till after the middle of the sixteenth century that English vessels entered the Mediterranean. Even then for a long time the trade was capricious and disappointing. The Turk could destroy, but could not renew, still less create a trade. He has turned the fairest part of the earth's surface into a howling wilderness, and as long as he is permitted to exist, there is no hope of renovation. It is upon his exploits that the history of Central and Western Europe turns, that the old centres of trade were abandoned, or fell into decay, and that a new course was discovered in which the energy of the Western nations could enter.

The first definite or accurate information which we get as to the course of trade from the east to the west, is in the work of Sanuto the Venetian, in an address or remonstrance laid before one of the Avignon Popes, John XXI., in 1321, and published in a collection entitled Secreta Fidelium Crucis. How Sanuto can have imagined that any interest beyond his own would have been entertained by this most rapacious and sordid of the French Popes we are not told, but probably Pope John was to him only a channel through which he could advertise to the mercantile world what were the perils to which, in his opinion, the traffic to the East was nearing. Concerted action in Western Europe was hopeless. The experience of the Crusades had proved how frail a bond enthusiasm was, and the failure of Louis IX. might have assured the most sanguine of men, one would have thought, that the day was past in which armed intervention would revive foreign trade.

According to this author, the ancient depôt of Eastern, *i.e.*, of Indian produce was Bagdad, and it would seem that this view was confirmed by the evidence given in the writings of early travellers, and of romances, as long as Bagdad was under the rule of the Abassid Caliphs, and was practically the centre of Islam. But in course of time, Central Asia was overrun by divers barbarian hordes, and the routes of the caravans were interrupted. Two of these are known to Sanuto by memory. The one passed from Bagdad over

the plains of Mesopotamia and Syria to Licia, the ancient Seleucia, and the produce by this land route was purchased and distributed by the principal maritime cities of Italy—Venice, Genoa, Pisa, and Florence. It appears that this, the earliest and shortest route, was early attacked by the savages who crowded down into Central Asia from the Great Plateau, which lies between the eastern side of the Caspian and the Chinese Empire, irruptions of whom destroyed what remained of the ancient civilization in the great plains, and made all transit too dangerous to be possible. A second caravan route, also starting from Bagdad, followed the Tigris to its sources in Armenia and Azerbijan, and going along the road which had been explored for the first time in history by the memorable Ten Thousand, reached the same point which they did at Trebizond or Trepezus. This was the more difficult, but the safer route, though perilous enough, and traversed conveniently only during the summer. But this route had also been interrupted, though while it lasted it was welcome to the Italian cities, and especially to Venice, who had several factories in the Black Sea.

Now Sanuto tells us that Eastern produce was collected at two ports in the great peninsula of its origin, which he calls Mahabar and Cambeth, and thence had generally been shipped to certain ports on the Persian Gulf and the river, the Tigris. A smaller portion was sent to Aden, for transit through Egypt. In consequence of the circumstances referred to above, Aden had become the only port, and the Egyptian the only route. From Aden he says there was a nine days' journey across the desert to Chus, as he calls it, on the Nile. Thence it went by the river for fifteen days to Babylon, a name which the mediæval writers gave to Cairo. From Cairo it went by canal to Alexandria, whence it was shipped to Europe, after being taxed up to a third of its value by the Sultan. The cost of the articles was greatly enhanced, and the quality greatly deteriorated by this mingled sea and land passage, and by frequent transhipments. Even under existing circumstances, some persons braved the perils of the old routes, and brought small parcels of these precious goods by the Asiatic road to the Mediterranean. If they escaped robbers their gain was great, for the articles were always in much better condition.

The spices of the East were exchanged at Alexandria for

European produce. The articles most in demand were the metals, among which Sanuto enumerates quicksilver, wood and pitch, coral and amber, and the shrewd Venetian gives the taxes levied on imports, 6⅔ per cent. on gold, 4½ to 3½ on silver, and from 25 to 20 on other metals and other products. Egypt was not a country of varied products. It depended entirely on foreign countries for metals, for timber, and many familiar conveniences of life. The writer, therefore, concludes that if all commercial intercourse with Egypt were forbidden, and a sufficiently large navy could be collected in order to meet the possible effects of the Sultan's resentment, that potentate would be obliged to revise his tariff, and the old routes from Bagdad to Licia and Antioch might be revived.

The remonstrances of Sanuto were ineffectual, and the trade with the East was carried by the Egyptian route only. But it is clear from the fall in prices during the fifteenth century, that the Sultan must have seen that it was wise not to press too grievously on the trade which was so important to his dominions. Pepper, the most important and familiar of these Eastern condiments, was generally procurable at a low price during this century, and a local manufacture of sugar at Alexandria made this article so cheap, that at the beginning of the sixteenth century it was little more than an eighth of the price at which it stood at the beginning of the fifteenth.

Now stories as to the occupation of a wide and fertile region in the Far West, curious and novel products of which were cast by the great ocean wave, which we now know as the Gulf Stream, on the western coasts of the country, were rife. The voyages and discoveries of Henry of Portugal, more than a generation before, fired the imagination of mariners, and one of them, who was convinced that there was a western passage to the Indies, importuned every Court in Europe to supply him with the means of discovery. Unsuccessful with one after another, Columbus found a patron in Isabella of Castile, and discovered the New World in 1492. The Portuguese monarch was not much behind the Queen of Castile. In 1497, Vasco di Gama doubled the Cape, and the waterway to India was made out. In 1496 occurred the voyage of Sebastian Cabot from Bristol, and the discovery of Newfoundland. But for many a long day England left the field of enterprise to the Spaniard and the Portuguese. The

first Tudor king was too thrifty, the second too lavish for any real enterprise, and when the second was dead there was nothing left for a time on which enterprise could be founded.

The discoveries of Spain and Portugal were not undertaken a day too soon. At the beginning of the sixteenth century Selim, the most able and the most savage of the Turkish Sultans, overran Mesopotamia, got possession of the holy places, with the title of Caliph for his family and descendants, and in 1516 conquered Egypt at the battle of the Pyramids. Selim was the incarnation of all Turkish energy at its best, and all Turkish vices at their worst. The trade of Alexandria was destroyed, the route with the east broken, and the protracted impoverishment of the Nile valley commenced, an impoverishment which will never cease until the Turk is expelled from Egypt. The produce of the East, not yet procured in sufficient plenty by the long sea voyage, rose to famine prices, the Italian, the South German, and the Rhenish cities were impoverished, and for a long time the Flemish marts were deserted.

During the sixteenth century Spain was conquering kingdoms and collecting treasure in the New World, kingdoms to be depopulated and degraded as the Turk had done by the Old World, where he set his foot, treasures to be rapidly wasted in impossible projects. Portugal was engaged in planting factories, in extending its influence over some of the Spice Islands, and in conquering others, both nations acting under the authority of Borgia's Bull. In course of time England and Northern Europe generally revolted from the Pope, and the wars of religion began, and lasted near a century, from the revolt of the Netherlands to the peace of Westphalia. Slowly, and as soon as they felt strong enough for the enterprise, these northern people began to doubt the authority of Borgia's Bull.

If we call men by their proper names, Drake and his associates in enterprise or discovery were pirates, constantly and avowedly engaged in plundering the trade of a monarch with whom England was nominally at peace, but greatly at variance. I do not doubt the ultimate usefulness of Drake's career, but for a long time English rovers had a very bad reputation, and were actually of the character which the French herald-at-arms ascribed to the whole English nation more than a century before. The usefulness consisted perhaps in encouragement to English enterprise, and the proof of English

courage. It was probably of great military value and significance in the coming struggle with Spain, but the candid inquirer into men and acts is constrained to set down the exploits of Drake in the same class of transactions with those for which Captain Kidd and his comrades were hanged at Execution Dock, little more than a century after the naval hero of the Plymouth Hoe ended his career.

The charter of the East India Company was granted on the last day of the sixteenth century, December 31, 1600. The principal person among the new adventurers was Clifford, Earl of Cumberland, an old buccaneer, which was for a time the polite equivalent of a pirate. The practice of buccaneering, especially among the Spanish possessions in the New World, was long a favourite field of energy. Paterson, the reputed founder of the Bank of England, is sometimes said to have been a missionary in the Antilles, sometimes described as a pirate, and it has been suggested that he was probably both by turns. Long after Paterson, an English clergyman, who rose to be Archbishop of York, is said to have pursued the lucrative and invigorating calling of a buccaneer in his earlier days. So it was said of Archbishop Blackburn in his lifetime, and I never heard that this dignified prelate resented, much less refuted, this charge against him. The East India trade was tainted in its beginnings by the vices of those who followed it, and not a little of the trouble which the commerce of England incurred in the East, quarrels with the Dutch, high-handed proceedings at Amboyna, and the like, is to be explained by the lawless and piratical character of those who founded British commerce in the Eastern seas, and began the Eastern Empire.

The Dutch East India Company was founded in 1603, with a capital at least eight times as large as that of its English rival. Soon indeed the objects of the English company became different from those of the Dutch. The English strove to establish themselves on those parts of Hindostan which were not occupied by the Portuguese, from 1580 to 1640. Subjects of the Spanish crown, the Dutch sought to secure a monopoly of the spice islands, and particularly of those where the clove grew. Now such a policy included a good deal of costly fighting, and the Dutch merchant vessels were as much men-of-war as traders. There have been few objects on

which more blood has been shed than on the exclusive right to sell cloves. Two centuries and a half ago they were the most valued of spices, and according to the notions which people then had of trade, the action of the Dutch was thought to be consummately prudent and patriotic, though very irritating to other nations. But the objects of the Dutch in achieving their cardinal policy, to procure a monopoly of produce in the East, and a monopoly of markets in the West, loaded the Dutch East India Company with debt, and brought down in the ruin of that great trading corporation, another trading corporation, the great Bank of Amsterdam, which had been for more than a century and a half the commercial centre of the civilized world. The exposition of the situation and the exposure of the error are so easy, and the lesson drawn is so striking, that I am bound to explain it.

The object of a prudent trader is to keep prices up to profits, *i.e.*, to sell at such an advantage as will give him on his transactions the profit which he anticipated when he made his purchase or manufactured his goods. But the object of the prudent trader is likewise to enlarge his market, to increase the area or number of his customers, and to effect this he will sacrifice a portion of his possible profits, for he knows that if business is procured it is apt to prove permanent, and that it is better to have fifty transactions at 5 per cent. within the same time than to have five at 10, since the proportion between the two is as 250 to 50. In the competition of traders this practice is what modern experience has inculcated. But when the producer neglects to increase the number of his customers, and increases the expenses of production, he is on the road to ruin, and may be so without knowing it.

Now this last policy was that of the Dutch. They kept up prices and so limited consumption. They strained every nerve, exhausted their credit in the effort to keep by main force other traders out of the field, experience proving that the only way in which one can check competition is by lowering prices. In the expectation of getting one large profit on each transaction they succeeded in making a small profit or even a loss on their whole transactions put together, for it cost more to protect a designedly narrow trade than it would to establish and render permanent an intentionally wide one. In brief, they narrowed their market and so narrowed their profits.

The folly of the Dutch is the folly of many a tradesman, who, in order to get rapid profits out of high prices, discourages custom.

The late Mr. MacCulloch, whose opinions on economical subjects were never of much consequence, and are now of none, hazarded an opinion which could have easily been refuted from the figures which he used to collect and pretended to handle. It was that the low rate of interest in Holland was due to the heavy taxation of the country. But if taxes diminish the amount of loanable capital they cause the rate of interest to rise. If they stimulate in their expenditure new kinds of industry, they raise the interest on advances in other kinds of industry. Nothing is more familiar than the depression of existing stocks, in other words, the exaltation of the rate of interest, when new loans of large amount are brought out. That which lowers the rate of interest is the accumulation of savings at a faster rate than the opportunities of investment present themselves. Now this was precisely what happened in Holland. The Dutch were a very saving people, who deliberately, but through ignorance of the true principles of trade, narrowed the opportunity for the investment of Dutch capital. Hence the rate of interest in Holland sank to 2 per cent., and this at a time when the East India Company was borrowing desperately from the Bank of Amsterdam. I do not say that English merchants were wiser than Dutch traders were, but they did not get the opportunity for such extravagant blundering. What they would have done if they had got the Dutch monopoly it is idle to forecast.

There was no great struggle between England and Holland in India, though the two peoples have fought there. There was between England and France during the Seven Years' War, the most disastrous struggle in which France was ever engaged, according to the opinions then entertained. For all the wars in Europe, from the peace of Utrecht to the outbreak of the great Continental war, were waged on behalf of monopolies of commerce, or, to be more accurate, monopolies of market, for success meant the exclusion of the beaten nation from the markets now secured by the victorious rival. At the end of the Seven Years' War France was stripped of nearly every colony she possessed. At the beginning of it she was the rival of England in North America and in India. At the end of it she had scarce a foothold in either. In less than twenty years

after the Seven Years' War was over, England had lost her most important colonies, and people thought that her place among nations was gone. In the end the loss proved to her how unwise it is to make war in order to secure a monopoly of markets.

The Intercursus Magnus of 1496 is the first, and, on the whole, the most instructive type of these numerous commercial treaties which have been negotiated from that to recent times. Henry VII. had a political motive in it to check Yorkist intrigues in the Low Countries. He was shrewd enough to know that when you make it the interest of a nation to discourage foreign adventurers, who seek to make their asylum the home in which to hatch plots, you are more secure from such people than you would be if you disregarded such interests. The first clause of this famous treaty conceded free trade, provided a license or passport was produced; the second allowed ships to be armed though engaged in trade; the third allowed a free fishery in waters claimed by the English. By the fourth clause no pirate or privateer was allowed access to the harbours of either nation; and by the fifth, refuge from storm or war was permitted to merchant vessels. By the sixth enemies' goods were prohibited access; and by the seventh the law of wreck was greatly improved. By the eighth Flemish merchants were permitted to reside in English, English in Flemish towns; and provision is made that the levy of customs should be made without damage to the goods liable. There was to be no compulsory sale of goods, and security might be given for debt by the tenth and eleventh clauses. By the twelfth the barbarous custom of reprisals is abandoned, and legal process substituted for it, with, of course, the assurance that the decisions would be respected. And, lastly, the trade in foreign bullion was declared free.

The liberality and wisdom of these agreements, many of them anticipating by nearly four centuries what civilized nations have professed to agree on as rules for future practice, are sufficiently surprising. They lasted unfortunately no longer than the agreement was itself of importance to the contracting parties. In less than a century the granddaughter of Henry, and the great-grandson of Maximilian were to be in bitterest feud, and every one of these principles was cast to the winds. But the Intercursus was a monument and a protest; a monument of monetary wisdom, and

a protest against the infinite barbarism with which the wars of religion threatened the world. It deserves the praise which the more enlightened men of that and succeeding ages bestowed on it.

I have mentioned more than once that the wars of the eighteenth century were mainly wars for the monopoly of markets. The treaties partook of the same nature, and the most significant and typical of them is the Methuen treaty, negotiated in 1703, between England and Portugal. In the great war of the Spanish succession, it was of importance to the allies to get the accession of Portugal, and there were reasons why the Kings of Portugal should take that side. In the first place, the dynasty was only sixty years old, and the result of a successful revolt from Spain on behalf of a pretender of doubtful legitimacy. We may be certain that the hereditary rights of the crown of Spain were not forgotten. In the next, it gave the guarantee of the allied powers to the Portuguese succession. In the next, it secured the Portuguese East Indies from Dutch aggression, possibly from Dutch intrigues, for Holland was profoundly interested in the war of the Spanish succession, since it involved the Dutch frontier. Now it was possible to found a treaty on the basis of reciprocal monopoly markets. England was to exclude French wine, and take Portuguese. Portugal was to give a free market to English woollens. But the discontent of those who had to give up claret and take to port found loud expression. It seems that the English Government imagined that by prohibiting French imports they would cripple French resources. So hereafter French wine was not found in the books of the customs. But in some way or other, it got to the cellars of the consumers. I would not decry patriotism, but I am convinced that it is not always superior to opportunities, especially when the opportunity is very obvious, and the patriotism is expensive and distasteful. The Methuen treaty remained a type of commercial diplomacy up to nearly the end of the eighteenth century.

After the close of the American War, a new form of commercial treaty was set on foot, that of reciprocal customs, and a clause under which the contracting parties were included under the most favoured nation advantages. Such a treaty was that negotiated by Mr. Eden between Great Britain and France in 1786. It was, to be sure, to

be of short duration, for its life was even briefer than that of the Intercursus Magnus near three centuries before. But it was eagerly accepted, and the fashion spread. A treaty of the same kind was set on foot between France and Russia, and soon afterwards between the United States and Prussia. In a short time Europe would have been armed with a network of treaties, and these, so fondly do people believe in the spread of humanity and civilization among statesmen and kings, were supposed to be a guarantee of international peace. But within eight years after Mr. Eden's labours, the French Revolution had broken forth. France precipitated herself on astonished and unprepared Europe, and statesmen and kings were tumbling about altogether.

The treaty of 1786 was the model of the treaty negotiated between France and Great Britain in 1861. This was carried out by my friend Mr. Cobden. Himself an advocate of free trade in its broadest sense, as the true economical interest of nations, and being entirely and most lucidly in the right in his convictions, he was not unwilling to accept a part of what he would have gladly claimed in its entirety. Nor was he discouraged by his natural distrust of the very singular person who went by the name of Napoleon III. He told me that he should have been, had he been a Frenchman, in constant opposition to that man's government. But he saw no reason why he should not, being an Englishman, avail himself of an authority which, as he believed, would do good to English and French trade, and assist English and French amity. Some persons, being doctrinaire free traders, objected to the negotiation of half truths. But until, all men being wise, every man sees how hollow and unsatisfactory political and social compromises are, compromises must be made. The sphere of the speculative economist is one which the practical man might envy, were not the practical man constrained to act. Men who have lived for years, as he lived, as I have lived, in an atmosphere of compromises, learn that such a necessity is rarely logically, perhaps rarely morally, justifiable. It seldom occurs to any one, even in a long public life, to assist in a final change, one from which there can be no progress, and can be no retrogression. I cannot say that the treaty of 1861 was the best arrangement conceivable, but I am convinced that it was the best arrangement possible. And though nine years afterwards came the

furious storm which swept the French emperor from the place which he had so grossly abused, I am sure that the treaty of 1861 had its place in lightening the enormous calamities which overtook France, calamities to which a less elastic nation might have succumbed, in which a less hopeful nation might have despaired.

VI.

THE CHARACTER OF EARLY TAXATION.

Turgot's canons of taxation—The first the most important—Adam Smith's word, "enjoy" under the protection of the State—The king's estate—The consent of the taxpayers always necessary—The growth of parliamentary power—Customs on a large scale impossible—Graduated income taxes—The assessment of Tandridge in 1600—The subsidy and its frequency in war times—Taxes on towns—Tallages—The income taxes of 1435 and 1450—The houses of Lancaster and York—Grants by the Commons, origin of the custom—The grants of 1453 and 1503—The growth of the Commons—Cecil's book of rates—The ship money.

THE history of English taxation in early times is totally unlike anything in modern experience. It was exceptional, not regular, was the hardest task which the monarch and his advisers could undergo, and frequently provoked the bitterest resentments and outbreaks. At the same time, the annals of parliamentary finance are full of the strangest precedents, of procedure which would be thought impossible now, of Acts which modern traditions would call violent invasions of property, of sacrifices willingly made by certain classes, which these classes have at least been long unused to, of expedients which, unluckily for the financier, have entirely passed away, as human societies have grown more alike, or as special advantages, once entirely local, have been diffused over the world. Of course, the economical principles which regulate or interpret taxation were the same then as now, and these principles should be before us.

The famous canons of taxation which Adam Smith borrowed from Turgot, are four in number. Taxation should be equal, on

which presently. It should be certain, not capricious; should be taken at a time when it is most conveniently paid; and should be collected as economically as possible. It is clear that the last three canons are only subordinate forms of the first. An uncertain tax is plainly unequal. If a tax is levied on A from which he cannot escape, and the same tax on B from which he can escape, it is uncertain or capricious. For example, a succession duty levied on the natural heirs of a man who is not rich, cannot be evaded, for the present owner cannot sacrifice as long as he lives his maintenance from his property. But a succession duty levied on a man who is very rich may be evaded, for he may make, and often does make, a *donatio inter vivos*, and may still leave ample means for his own wants. Again, a tax on property is always certain, a tax on incomes is always uncertain. Instances could be multiplied without taking one's examples from mere rapine, such as Adam Smith probably had before his mind when he framed his second canon. Of course where this kind of uncertainty prevails, society has degenerated into brigandage.

Again, inconvenient times of payment are an element of inequality. When in the old epoch of the customs duties, the full tax was paid on the imported article when it reached the port, and the article was, it may be of necessary, but of uncertain demand, the dealer had to recover his outlay on the tax, and the purchaser had to pay for the delay of the market. Without giving a decision here on the merits of indirect as opposed to direct taxation, it is obvious that to intervene the shortest possible time between the levy of the tax by the dealer, and its payment by the purchaser or consumer, is a benefit, and therefore its reverse is an injury. But injuries are always unequal. To make the taxpayer contribute more than a sufficient cost for collection is certain to be an inequality, for even the most righteous schemes of taxation will press more heavily on some individuals than others, and an expensive collection augments the burden.

If the last three canons of taxation are only illustrations of the first, it is obviously on the criticism of the first canon that a clear view of the subject can be obtained. But the language of Adam Smith, like the language of Turgot, is exceedingly, perhaps inevitably, ambiguous. It is the misfortune of political economy, a

misfortune which seems special to it, that no ordinary language supplies it with a sufficiently correct nomenclature, and that definitions of words, apparently plain enough, are essential in order to a true interpretation and conception of the ideas which they are intended to convey. Thus the four cardinal words in this science or philosophy—production, distribution, exchange, consumption—popular and obvious as they seem, require careful limitation, if one would obviate contradiction.

The words in Smith's canon are as follows: "The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state." And Smith goes on to compare the place of the contributories to that of the joint tenants in a great estate, and I cannot but think obscures rather than explains his meaning. For it is plain that, if any of these tenants receives no more than is necessary for his bare maintenance, he cannot, without perishing, contribute anything. Now such a state of things, as I shall show when I come to deal with pauperism, has been artificially brought about in English economical history. It may be that in the distribution of the joint products, he has been violently or fraudulently deprived of a portion of that which is justly due to him, but it is clear that he cannot contribute.

It has always seemed to me that the critical word in the above canon is "enjoy." To have used the word "receive" would be open to the fatal objection which I have just referred to. You cannot tax what a man must spend without destroying his industry or him, and by "must spend," I mean the quantity which is absolutely essential to his labour or his life, and from which no deductions can be made. In order to be taxed, every one must have something beyond this bare margin. But what a person need not spend, he can save or enjoy. I should certainly prefer, instead of enjoy, to see the expression "can save" in the definition, for I am sure it would have relieved the ambiguity of the canon, and, which is more important, have made clear some important fallacies in the practice of finance, which one may despair of seeing corrected in practice, but which should be constantly exposed and refuted. Besides, a man may enjoy, in the mere physical sense, that which he is obliged to spend,

and, perhaps, the less he has which he must spend, the keener is his enjoyment in spending it. The bread of a labouring man is sweet, but it may be absolutely necessary for his life.

I have referred to these facts because they are of necessary relation to all systems of taxation, early and recent, though so great is the power of administrations in our time, and so slight is the check which can be put on them, that resentment at expenditure or anger at improvident taxation are not found to be checks, while gross and palpable unfairness in the imposition of taxes provokes little comment beyond impotent indignation. There is no tax so unfair as the English income tax. It adds to the sense of unfairness when one knows that half of it is imposed in order to relieve landowners of liabilities and expenditure without which their property would have no value at all, which, till recent times, have always been paid by them; while in the assessments of their own mansions to rates, income tax, and succession duty, they are most iniquitously exempt.

The aggregate of taxation, except that which is levied for local purposes, is considered, however appropriated, as a grant to the Crown. This is a tradition from the earliest times, when the grant to the king was supplementary to the ordinary revenue from the king's estate. For it is in the interpretation of what the king's estate was, that not a little of the social history of our forefathers is contained. It was because he did not live on his estate, and satisfy the high duties of his office from the proceeds of that estate, that discontent was openly expressed; that in many cases discontent grew into insurrection, and to the deposition of kings, so that the English, from their constant and loudly expressed dislike to this form of misgovernment, so unintelligible to foreigners, got the name of the disloyal nation. The feeling was not extinct till after the Revolution, when a check was put on William III.'s grants, and Davenant wrote on the doctrine of Resumptions.

The king's estate was the great mass of property, scattered over England, which went by the name of *terra regis*, of ancient demesne, an estate described and valued in Domesday. The English people, including Norman baron, franklin, and burgher, expected that, except in times of extraordinary pressure, this estate, with its numerous incidents, should suffice for the adequate maintenance of the king's

dignity, of his own forces or guards, unless their service was due by tenure, of his household, of his judges, of the officials connected with the exchequer, of, in short, the whole machinery of civil government. No doubt, because the clergy were the only literary or educated class, or at least nearly so, the officials were generally drawn from the clerical order, but as the king was the principal patron of benefices, and had a commanding influence in election to the higher dignities of the Church, the convenience of selecting officials from the clergy, and of rewarding them with preferment, was obvious and economical. Besides the profits of his estates, which the king cultivated by his bailiffs, just as the nobles and the corporations did, the king had divers other casual advantages, as aids, reliefs, escheats, and forfeitures—the character of which can easily be gathered from ordinary books on the practice of early English law. Besides this, the king had small customs on exports and imports, fee farm rents from the towns which were directly subordinated to him, and as soon as the courts of law were developed from the machinery of the exchequer, fees of courts, and fines on offenders. From this revenue the king was supposed to guarantee the peace, to protect the narrow seas, and to provide for such other charges as were the duties of his dignity.

But he expected and obtained, on extraordinary occasions, extraordinary or exceptional assistance from his people. He claimed, beyond the obligation imposed on all free men of serving in the militia at their own charges, the personal attendance of all his tenants in chivalry for a definite time, a service which was early commuted for a money payment when the service was foreign. This commutation, which is said to have been suggested by Becket, had most important results. The concession of it was the origin of that remarkable English army, which did such exploits on foreign militias in the fourteenth and fifteenth centuries, and was undoubtedly the reminiscence on which Cromwell founded and developed his New Model. It contained also, by implication and in course of time, the principle of parliamentary grants, for it is obvious, that if the king could at his will determine the occasions on which his tenants should ransom their personal service, he could speedily have been able to perpetuate a discretionary tax on all his subjects.

The king appears to have exercised this discretion without res-

traint on his own demesnes, and the towns which were in his own hand, or, in the language of the time, could tallage them. But even here it is plain that a limit had to be put on extortion; and that the patience of the burghers could not with safety be too sorely tried. It was part of the theory of that relation of ranks and classes, which is called still, for want of a better phrase, the feudal system, that while duties were reciprocal, dues were fixed. As soon as ever contemporary economic history can be constructed from contemporaneous documents, we find that all liabilities, from those of the serf to those of the noble, were fixed and definite; that they were registered in instruments which had authority, and could not safely be strained. The type of these enrolled liabilities was Domesday, from which we are told, in the laws of the time, the serfs of the last quarter of the fourteenth century deduced legal arguments in favour of their own freedom.

The duty of the dependant owner appears to have been practically unlimited in a case of great emergency. All the chroniclers of Richard I.'s reign bear testimony to the crushing weight which the country had to endure when the king was ransomed from his German captivity. Nor, throughout its history, did the people or the Parliament refuse to bear charges for vindicating the honour, enforcing the rights, maintaining the estates, or protecting the person of the king.

I have not space or inclination to go through those obscure hints which are given us as to the restraint of arbitrary taxation during the times of the early Plantagenet kings. They are collected and commented on, with more or less ingenuity and accuracy, by constitutional antiquaries, whose conclusions as to the meaning of the facts or hints which they find are derived from evidence of very various value. In my opinion the consent of the taxpayer to extraordinary grants had to be obtained at all times, and the framers of the Great Charter were not putting new limitations on the power of the Crown when they drew up the memorable clauses in that ancient instrument, but were simply affirming what was customary or notorious. I am satisfied and convinced that discretionary taxation by the king was utterly alien to the genius of such institutions as were established by the Teutonic settlers of Saxon England, and were merely changed in name by the Norman adventurers. I am

persuaded that a more or less formal appeal, but generally an effective appeal, was made to popular consent before and after the days of the Great Charters of John and Henry.

Of course the most characteristic and significant of these appeals was after the unlucky, the fatuous attempt to procure the kingdom of Sicily for Henry's second son, Edmond. This brings out what must have been the practice, the occasional convention of taxpayers through their proctors, representatives, or agents, for the purpose of making and assessing grants. Substituted service, guarantees, vicarious responsibility, were of the essence of early English social life. The principle of suretyship or transferred liability was present in every village. The jury of compurgators is one illustration, and of the most significant kind. The liability of a host for his stranger guests was another. The system of giving vicarious security for debts is a third. The old law of collective attornment is a fourth. The representative theory was at the bottom of much in village life, and must have been familiar. We may be sure that the early custom of appointing numerous assessors for the award of parliamentary grants was in succession from practices antecedent to the formal and regular summons of these assemblies, which in their particular form were characteristic of the constitutional history of England.

The experiment of Simon de Montfort, in 1258, has always appeared to me to be an attempt on the part of this remarkable man to commit by their proxies or representatives whatever English sympathizers he could get in support of his policy. He must have known that the alliance which he had formed was a rope of sand, united solely by indignation at existing discontents, and not entirely trustworthy for that. The dissent and revolt of those who were associated with him, and the rapid change in his position, from apparently overwhelming strength to hopeless weakness and defeat in detail, must have been in part anticipated by the shrewd and sagacious head of the Barons' War. It would have seemed that henceforward the very name of a representative assembly would have been odious to royal ears, and perhaps the period of over thirty years which elapsed between the summons of De Montfort's Parliament and the first recorded of Edward may be due to this dislike.

Edward was far too sagacious a person, however, to be affected by

names. He was engaged in a great project; one which, so far as part of his purposes is concerned, was frustrated—the complete subjugation of Wales and Scotland. The former he may be said to have effected, in the latter he failed. Of course his purpose was to annex Scotland south of the Tay, or perhaps east of the line now traversed by the Caledonian canal. It has always seemed to me that the frequency with which he styled himself, or allowed himself to be styled, Edward III. was intended to indicate that he conceived himself heir to the pretensions of the Anglo-Saxon kings. He saw that, in the great necessity which he had for extraordinary grants, that it was desirable that there should be a fair and searching assessment of taxable property when these grants were made, and that a formal assent, with a careful appointment of assessors, would obviate discontent. His plan was a novel one. The chattels of every one, free and serf, were assessed; generously, I am convinced, for I have compared valuations with actual prices, the record of these valuations existing in the public archives to a considerable extent, and when they are complete being a virtual register of lay householders. It was a subordinate, but not an unimportant part in the new system that the representatives were encouraged to present petitions, and to assent to the legislative designs of the sovereign. That Edward cared much less for the assent of his parliaments than he did for their usefulness as assessors is, to my mind, proved very conclusively by the expedient which he used to make the clergy submit to him, when they refused him grants and appealed to the Bull *Clericis laicos*, which they had procured from Boniface VIII. Never was victory more complete.

Nothing is more remarkable than the progress of the power which Parliament assumed between the first summons of the House of Commons in 1291, and the Statute of York thirty years later. But the result was inevitable. The occasions on which grants were demanded were criticised, petitions were presented, grievances were discussed, and redress claimed, and finally the statute to which I have referred, enacted that no valid Act of the legislature could be affirmed, except with the consent of the two Houses. The Statute of York was, to be sure, announced at the instance of the king, who wished to declare on authority that the sentence on the Despensers was illegal. But the form was of great constitutional

importance, and its significance is suggested by the universal transcription of it in the legal handy-books of the period, several of which I have examined.

Now, by the necessity of things, nearly all ancient taxation was direct. It would have been impossible, had the trade of the country been far greater than it was, to have collected customs of any significant amount on exports and imports, even if the principle of the staple towns, on which I have something to say hereafter, had been recognized. Southern England, then the most settled and best cultivated part of the island, swarms with natural harbours; harbours safe and accessible to the light craft of the time. Any attempt to levy solid duties would have been defeated. Centuries after the time of the first Edward, when the population was at least double the number that it was at the end of the thirteenth century, it was admitted that heavy duties were impossible. In the arithmetic of the customs, said Swift, two and two do not make four. In the eighteenth century the costs of collecting indirect taxation in Scotland were in excess of the product collected, for every Scotchman who could smuggled or connived at smuggling. The relations of Dirk Hatteraick and Ellangowan in Scott's novel are historical, as most of Scott's pictures of local life during the times of his memory and his experience are. The pious and patriotic Scotchman, who identified the loss of claret with the loss of the Scottish Parliament, felt that the best way to denounce the "sad and sorrowful union," as well as the most agreeable and economical, was to defraud the revenue of Great Britain. I am half a Scot myself, and can realize the pleasure derived from the combination of patriotism and good business. In the nineteenth century, when the fiscal system of England was designed to protect and foster home industries, smuggling was an organization, with its own capital and its own warehouses—its operations being protected by the sympathy of the gentry and the farmers. I was brought up in a Hampshire village, which in my childhood was familiar with and shared in the successes of the contraband trade. A wiser system of finance in England has generally improved the smuggler off. But I very much doubt whether he is extinct in remote parts of the United Kingdom.

Now direct taxation is always irritating, and is always more

unequal than indirect. It exacts equal ransom from unequal means. Two persons with the same amount of property are unequally taxed, if the one has a wide margin over the necessary charges of his household and the other a narrow one. In modern England this unfairness is characteristic of all direct taxation. One man lays out £100,000 on a house, surrounds it with a park, and accumulates amenities about it. It is quite certain that under the Act of William IV., the assessment Act, he will neither in local taxation as an occupier, or in income tax as an owner, or in house duty as a householder, or in succession duty as a devisor, pay more than a quarter per cent. of its annual value to local and imperial taxation; while another man, who has laid out £1000 on his house, will have to pay in proportion twenty times as much on his occupancy and ownership. And then good easy people are astonished at socialist talk, and at projects for the appropriation of the unearned increment, and at doubts—freely enough expressed—as to whether the machinery of Parliament and the Constitution are not employed, under the well-known economical fact, that the laws which regulate the distribution of wealth are of human institution only—to make the rich richer, and the poor poorer.

To do them justice, our ancestors in England were free from these sordid and dishonest practices. They recognized that a graduated property tax was just and right, even in the Upper House; and they acted on the conviction, as I shall take occasion to show. In the poll tax which was levied in 1377, the Duke of Lancaster was rated at 520 times the payment of the peasant. In 1435 and 1450, a graduated income tax was levied at the rate of 2½ per cent. on small incomes, of 10 per cent. on large. And the same principle regulated local taxation a century and a half later. In March, 1600—I am referring to the original MS. preserved in the Bodleian library (Rawlinson Papers, C. 642)—a committee of the inhabitants of Tandridge, in Surrey, a village near the borders of Kent, met to survey and assess the parish for a rate for the relief of the poor, for maimed soldiers, for the Surrey prisons and hospital, and for a composition in lieu of purveyance. The unit is a penny per acre, the acreage of the parish being returned at 2,391. Now the justices of the peace agree and rule that the rate should be paid only once a year by occupants under ten acres, not more than twice by

occupants under thirty acres, and that all further charges, if required, should be borne by those who have over thirty acres—in this case, fourteen occupiers out of fifty-five. But the magistrates add this significant clause: "Provided always that our intent and meaning is that those who, be owners and men of ability and have little occupying, shall be charged according to their ability by the justices' discretion towards the relief of the poor, notwithstanding the said rates aforesaid." It is a common practice with country gentlemen to demand that rich men with a small occupancy should be rated on their means. Let the country gentlemen begin with an honest rating of their own mansions and parks, as the country gentlemen of 1600 did.

The distrust felt at extraordinary grants was therefore very keen, when the proposal was made at a time of no particular emergency. Hence the public looked on royal favourites with great dislike, because they knew that the impoverishment of the Crown would be a plea for grants. This explains the disfavour with which, in Henry III.'s reign, the people, nobles, burghers, and peasants alike looked on the aggrandisement of his half-brothers and his wife's relations by the king. There was mixed with this feeling a little of the dislike which Englishmen have felt to such foreigners as get a footing in England, and presume to meddle with its public business, either by the front or back stairs. So the English hated Gaveston and the Despensers in Edward II.'s time, though the latter belonged to the ranks of the Norman English. So in the days of Edward's great-grandson the people rose against De Vere, and, later on, against the obscurer favourites which Richard honoured. The extreme favour which was shown to the Poles and Beauforts had a good deal to do with the feeling which led to the deposition of the house of Lancaster. The riches of the Seymours and the Dudleys roused even the Lollards of Norfolk against the Reformation, for they were collected from public plunder. Buckingham was the beginning of that political opposition to Charles, which ended with the tragedy of Whitehall; and I am convinced that if the second Charles had lived much longer, he would, like his brother, have been driven out of England. The gravest error in policy which William committed was his incomprehensible fondness—I speak the opinion of the time—for Bentinck and Keppel, and the enor-

mous grants which were heaped on the former, making him, from the status of an inferior Dutch noble, one of the richest men in England. It was in order to give effect to the public feeling entertained about these scandals, that Davenant tried to revive the old doctrine of Resumptions.

The theory that the Crown could not be permitted to impoverish the king's estate was universally entertained through the Middle Ages, and far down into modern history. The statutory restraint, it is true, was enacted when the Crown had little left to give, and Parliament, by appropriating the civil list, and leaving the sovereign a moderate allowance for the privy purse, intended that it should give nothing. The principle of the Revolution was that the Crown should be, even for the private expenditure of the sovereign, entirely dependent on Parliament. This principle was formally abandoned in 1850; on which occasion Lord Brougham made a remarkable protest, in which the constitutional theory was very forcibly stated, and the inferences from a violation of it were very plainly predicted.

Edward I. saw very clearly that arbitrary taxation, even if it were possible, was less likely to be fruitful than taxation by consent. His maxim, it is said, was that what concerned all should be shared by all; and he certainly intended to tax all, for, as I have said, his taxing-bills amount to a census of families. But when the grants were agreed to, there intervened that inveterate determination or custom of the English to grant only a fixed quantity and distribute it rateably. It is said that a subsidy, as the parliamentary grant came to be called, was originally £100,000. In Elizabeth's time it had sunk to £50,000 or less. The fact is, remissions were made, additions could not be made. Some of these remissions appear to be personal, for petitions were constantly made to the Crown praying for exemptions; the general answer to such petitions being, it appears, a reference to an inquisition, technically called *ad quod damnum*—the question being to what extent would the revenue of the Crown suffer by such a concession. In the fifteenth century, too, a custom grew up of remitting the operation of the subsidy in the case of certain towns or villages which, for a more or less permanent reason, were incapacitated from contributing. So it seems that the Universities of Oxford and Cam-

bridge, and the college sites therein, with the two ancient schools of Winchester and Eton, were exempt from the local assessment, though it does not appear that their estates were.

During the long wars of succession between England and France, continued, except in the reigns of Richard II. and Henry IV. for a hundred years, these parliamentary grants were incessant. Even during the reign of Henry IV., when there were only civil disturbances to deal with, the king was constantly appealing to Parliament for assistance, and was constantly constrained in consequence, to listen to very unwelcome counsel. Many of these are to be found in the rolls of Parliament. But for the fourteenth century, I am sure the rolls of Parliament are defective. There are parliaments, of whose proceedings no record is preserved. There are grants of taxes, for which no existing document gives authority. I have found them, however, among its items of expenditure duly entered in the bailiff's account, and such an entry is conclusive as to the fact, especially when the document adds that it was a grant to the king. The memory of the employer or lord was certainly to be trusted at the annual audit.

Now all these taxes were property taxes. The assessment was made by numerous commissioners, in order that the valuation might be taken at as simultaneous a time as possible. The farmer's stock and crops were not taxed, but what had been stored and was for sale became liable, his corn, for instance, and wool in the barn. The landowner's rent and value was taxed. The stock-in-trade of the dealer, never, I suspect, any great matter, was taxed, as were also the household goods of the poorest as well as the richest. It appears that personal apparel was not valued. I have examined many of these assessments, and I speak from memory, but confidently, when I say that the valuation was from 30 to 40 per cent. below the value of the goods appraised. It would have, I think, been dangerous to have exacted the tax from the full value.

The taxes levied on the towns were peculiar. They had been held in a certain sense to be the property of the king, or under his immediate lordship, or to have stood in the same relation to some secular or ecclesiastical chief. For example, the town of Oxford was under the Crown, the town of Bury was under the great Abbot

of St. Edmund. These personages granted charters, or confirmed privileges for a sum of money down, and for an annual rent or farm, which went by the name of the *firma burgi*, and was like other charges, fixed and unalterable. Hence the grant of the fee-farm rent of a town was a common benefaction of king or lord. The fee-farm rent of Oxford was in early times constituted a gift to the almshouses of St. Bartholomew in Cowley Marsh. Edward II. transferred it to Oriel College, with the lands and house of the bedesmen, on condition that the fellows should maintain these mendicants. The fee-farm rent of Scarborough was granted by Edward III. to the King's Hall of Cambridge, a foundation now fused into Trinity College as part of its endowment. And in the same way licenses to found guilds in towns, especially in London, were granted for a consideration. Privileges of all sorts, the right to manage their own affairs, to appoint their own judges, to be lords over their own manor, were bought, and often re-bought, on confirmation. One of our colleges here, Magdalene, paid a considerable sum on the accession of Henry VIII. for a renewal or confirmation of its charter. In short, there is no ancient right of special jurisprudence, or property, or license, which has not in time past, we may be sure, been paid for, the times considered, handsomely.

But beyond this annual, or occasional, or recurrent liability, the towns in early times were liable to what were called tallages. That the feudal superior had the power to claim a contribution from the towns dependent on him, as often as he pleased, or to what extent he pleased, is not to be believed, for it would be equivalent to the surrender of all the townsfolks' goods. But that application was made for an exceptional but fixed contribution from time to time, which the town had some discretion in refusing or evading, is certain. At last, in an indirect way, at the conclusion of the thirteenth century, Edward formally renounced the claim of tallage, or was reputed to have done so, and though, I believe, antiquaries have found traces of the usage at a later time, the last attempt being in 1332, it became settled custom that such grants could be made by Parliament only. Ten years before, in 1322, the last scutage was levied. In point of fact the free will of the grantor was always a presumption, and sometimes a reality. Thus

in 1255 the Londoners refused to submit to a tallage, and though they afterwards yielded, the resistance had a serious meaning, as the king learnt at Lewes.

Just as in country districts, villages, hundreds, and shires, the assessment was made by commissioners appointed in the grant, who, as I have found occasionally, were bribed to show consideration to the contributories, so in towns the local authorities distributed the assessment or tallage. On the ground that this assessment was levied unfairly on the poorer citizens, Fitzozbert or Long Beard in Richard the First's reign appears to have headed a party and resisted the authorities. He lost his life. But, on the whole, I conceive that the taxation was equitable. I should have certainly found some record of dissatisfaction had it not been just, as I conclude from the almost total silence of the accounts up to the great change in the value of money, that the ancient right of purveyance and pre-emption was not used harshly and dishonestly by the king's officers.

The long war with France induced the king's officials to bethink themselves of other sources of revenue, besides the ordinary subsidies. But as I have already stated, unless the places of export and import were strictly defined, as they ultimately were by the staple towns, it was impossible to collect any certain or regular revenue from articles of merchandise. Hence the first efforts in the direction of taxation on purely English products were rather in the nature of the excise than a customs duty. Such, for example, was the tax of 40s. a sack on wool in 1297, and the levy of nearly 21,000 sacks in 1341, the proportion of which, down to quarters of pounds of the article, was distributed by Parliament over the several counties, and as I know from the records of estates on which no sheep were kept, was payable in money at a fixed rate per sack. Such were the poll taxes which began in 1377, and were continued till after the Revolution.

But after the establishment of Calais as the staple town for the sale of wool, or at least as the port of delivery, the financiers of the fifteenth century began to discover that this article could become a fruitful source of occasional revenue. The English people, and with reason, believed, on grounds which I have stated in an earlier lecture, that the foreign consumer would pay the tax.

Besides, they were under an impression, probably a premature impression, that the export duty would materially assist the home manufacture of woollen goods. Hence over and over again, during the second war of succession with France, taxes of 100 per cent. are laid on wool and wool-fells, and borne without difficulty, while it was soon found that exported hides would only bear a slight duty. The English had a practical monopoly of wool, but no such advantage in hides and leather.

In the same epoch, very remarkable income taxes are levied on those who possessed fixed sources of personal revenue, the legislature never dreaming of putting such a tax on precarious incomes. The first of these, as far as the rolls of Parliament instruct us, was in 1435. The immediate occasion of the impost is to provide for the king's debts, which had increased to an enormous amount (the king was about fourteen years old) and represent the plunder which went on during his minority. The tax was graduated, 6d. or 2½ per cent. on incomes from fixed sources between £5 and £100 a year; 8d. or 3·33 per cent. on incomes between £100 and £400 a year, and 2s. or 10 per cent. on all incomes in excess of £400 a year. In 1450, when the French possessions were practically lost, another income tax was imposed in which the taxable unit was taken lower. Between 20s. and £20 of income, the rate is a 2½ per cent.; between £20 and £200, 5 per cent.; and on all incomes above £200 a year, 10 per cent. In both cases, the excess of income over £400 and £200 is only chargeable to the higher rate. These taxes are not indeed without precedent. In 1382, the "landowners" put a tax on themselves only on the plea "of the poverty of the country;" and in 1404 a special tax of 5 per cent. was granted by the lords temporal, for themselves, their ladies, and others who had over 500 marks a year. In the reign of Henry VIII., income taxes levied on earnings were imposed. These were disappointing, for the taxes yielded less than a third of what was expected, and in the next year, when the tax was reimposed, it was even more unfruitful. I have found no further attempt to impose a general income tax till the time of the younger Pitt.

It is clear that the financiers of the fifteenth century consciously, but by a just instinct, had adopted that principle in practice, which

Turgot and Adam Smith formulated in the first of the received canons of taxation. There was an apology for Pitt's income tax, in the desperate straits to which this person was reduced in 1799. In his plan the tax of 10 per cent. was levied on incomes of £200 a year and upwards and varying rates on incomes below £200 up to £60. I cannot but think that he had in his mind Tresham's budget of 1450. Addington, who repealed Pitt's income tax during the short peace of Amiens, re-imposed it within a year, and did away with the graduated character of it. It was abolished impatiently at the end of the war, with ignorant impatience, as the financiers who liked the impost said. In 1842 it was reimposed by Peel, and as a condition to those fiscal reforms, which have in themselves enormously increased the revenue, and has continued ever since. At present, as I pointed out in a motion on direct taxation, which I carried by a substantial majority on March 23, 1886, nearly half the receipts of the income tax are appropriated to relieve landowners from the ancient and traditional liabilities which were chargeable directly or indirectly on their estates, the outlay on which is essential, in order that these estates should have any economical value whatever. The contribution of these taxes in relief of landowners is about as just as it would be to levy a tax from the public in order to manure or drain a landowner's fields.

Peel's plea for reimposing this detestable and intrinsically iniquitous tax, as formulated by Mr. Gladstone, was to the effect that the remission of taxation conceded in 1842 and onwards was a saving to the taxpayer, and should therefore be met with a corresponding sacrifice on the part of those whose spending income was increased by the remissions. But, in the first place, Peel's principal remissions, omitting a host of grotesque customs duties which produced next to nothing, were of excises on domestic manufactures—the effect of which was exceedingly injurious to workmen and employers, but the remission of which was an almost unappreciable benefit to consumers. Besides, the customs and excise on articles generally consumed was for a long time hardly reduced, was even heightened on some so-called luxuries, and the rapid increase of revenue, while it made up for all anticipated loss on the remission, is a sufficient answer to the plea on which the tax was imposed. To have permanently justified it, it was necessary

to show that it really was no bar to the increase of income, and there is cumulative and unfortunately increasing evidence that no such proof can be alleged. It is no doubt a particularly easy expedient in the hands of a stupid financier, who is able, without intelligence or even thought, to oppress with ease the most helpless class in the country, those who live on precarious incomes, and have no opportunity whatever, as traders have, of transferring the tax from themselves to others, their customers.

The house of York made application to Parliament for very few grants. The malignant sycophants, who wrote under the Tudor sovereigns, tried to blacken Edward's character, and shallow historians, who repeat commonplaces, have made Edward rapacious, sensual, and cruel. I can only say that the rolls of Parliament, during his reign, are full of petitions from Lancastrian nobles and gentry, praying for the removal of their attainders, and that the prayer is always granted, though not a few of these suppliants deserted and made war on him in 1470–1. It is true that he invented a new impost, and perhaps a disagreeable one, in the extension, I can hardly say the invention, of benevolences. No doubt, though these were nominally loans, they were virtually gifts, which the fashion of the age, and the fashion of two centuries later, did not make it sordid for the king and his ministers to follow. Benevolences were really special income taxes on wealthy persons, and the principle of them was exactly followed in the earliest poor laws, till it was found that free giving was less productive than compulsion. As I have said already, the fifteenth century was familiar with the principle of graduated property taxes. Richard III. abandoned the practice of benevolences. Henry VII. revived the practice, and by 11 Henry VII. cap. 10 made the promise a recoverable liability.

The origin of the custom, now part of settled constitutional usage, under which money grants originate in the House of Commons only, a practice which has been adopted in all civilized communities, even when the Upper House is elective, is exceedingly obscure. It was not finally settled in England till the time of the Pensionary Parliament, and then was the result of a drawn battle between the Lords and Commons, under which the Lords retained their appellate jurisdiction, and gave judgments which

excited the wonder and contempt of the lawyers, who refused to report, or be bound by these precedents, and the Commons were admitted *sub silentio* to have the sole right of originating and altering money bills, though the Lords, a very questionable usurpation, claimed the right of rejecting them. I will venture to put before you my interpretation of the custom. It seems to me to be the inevitable outcome of the constitution of the two Houses. It is almost needless to say that the circumstances do not apply to modern legislative assemblies, between which and the two English houses, there is only an external resemblance.

The old House of Lords, I speak of that which sat before the Reformation, and even for nearly a century after that event, was a very shifting and uncertain body. In theory, it was the king's council, his advisers, whose presence he could claim at his pleasure as their duty, whose absence or neglect he could and did construe as disaffection, or even rebellion. So intrinsic was this doctrine to the constitution of the Lords, that Henry VIII., who had his own reasons for compelling the attendances of all whom he wished to keep in hand, invented the system of proxies, which was originally a guarantee of each by some of his own order, temporal peers by temporal, spiritual by spiritual peers. Then the summons to sit was issued irregularly and capriciously. In the Plantagenet period, the composition of no two sessions is alike, and glad enough was a peer who escaped a writ of summons. The spiritual peers too far exceeded the possible temporal peers, and they were taxed in a different house, and on different principles. It was only till the time of Charles I. that the peers claimed a writ of summons as of right, or rather, in the cases of Arundel and Bristol, the liberation of two of their number from prison. Charles, who had no mind to quarrel with both houses at once, tacitly conceded their claim to a writ. Now in this assembly the king was always supposed to be present, and very often actually was. Could so incongruous, shifting, incompetent an assembly, where two-thirds of the sitting members could have no judgment in the taxing of laymen, and all would find the discussion of the king's necessities intolerable in his presence, undertake money bills? And if they did, with what colour could the consent of the tax-payer be alleged for their schemes?

The Commons, on the other hand, were from the first summoned to make grants. They were the delegates of the towns and counties who sent them, were instructed by their constituents before they went, were instructed by their constituents while they sat. As they were representative of their constituents, so their elected Speaker was representative of them. He it was who drew up the budgets, to use a modern phrase, and announced the grants. His address to the Crown on his election, in which he deprecates offence, and as the mouthpiece of the Commons, begs for the most favourable construction of his words and acts, is a ceremonial survival, now grotesque and out of place, of a period when those words meant a good deal. Besides they alone, who were commissioned to give or withhold, could make a binding promise. Of course, if the Lords resolved, of their own motion, to levy a tax on their own Order, as they did in 1404, who could say them nay? I imagine that even now, if the Lords resolved on paying a triple income tax, which is very unlikely, and paid it, which is still more improbable, the House of Commons would hardly interpose its constitutional veto. Grants originated in the House of Commons because it is inconceivable that they could have originated anywhere else. The confirmation of Parliament of grants by Convocation, and the admitted illegality of the grant without assent of Parliament, is, I am sure, a disguised usurpation, for which a very plausible but not very agreeable reason was found, though not always expressed.

There are two taxes of curious significance, exceedingly interesting for a reason which I shall give in my next lecture, but presenting features on which I may make a brief comment here, for I am dealing, as you will remember, with early taxation only. These are the special grant in 1453, never indeed paid for reasons which will be seen, and demanded under similar conditions which were never satisfied in 1472; and the special grant of 1503, which Henry was not likely to forego, and indeed was calculated with scrupulous anxiety, for he got, no doubt, to his great delight, a few pounds more than was given him.

In 1450, Guienne was lost, Cade's rebellion broke out, and the Parliament which was sitting at Coventry was dispersed in disorder. In 1452, it seemed that Guienne could be recovered, for the Gascons,

irritated at arbitrary taxation, had revolted, and old Shrewsbury was dispatched with a force to aid them. The Commons caught at the chance, and gave by vote a force of 20,000 archers (the king's advisers accepting 13,000 only) to be paid by a levy on each county, the contingent of each county being settled by Parliament, with wages of sixpence a day, the full day's pay of an artisan. The grant was made in vain, for, before it could be raised, Shrewsbury and his son were defeated and slain before Châtillon, and the war was suddenly at an end. This tax was to be levied on the supposed capacity of all the counties and some of the towns, all the counties except Chester being rated. In 1472, Edward had resolved to invade France, the protection and assistance given to Margaret being the plea, and Parliament renewed the grant of nineteen years before. Now this tax for the levy and support of an army was undoubtedly inforced on all the lay population.

The tax of 1503 was a still more marked departure from ancient usage. In this year Henry, who neglected no means of raising money, determined on reviving two ancient aids, those payable by feudal custom by all tenants in knight service on the occasion of the knighting of the king's eldest son, and the marriage of the king's eldest daughter. Margaret, to be sure, had been married to James IV., of Scotland, some time before, and Arthur was recently dead. No king's eldest son had been knighted during his father's lifetime since the time of the Black Prince, more than a century and a half ago, and Henry IV., whose eldest daughter married the Duke of Bavaria, made no claim on that occasion. But the bereaved father determined to console himself by taxing his subjects. Now the only persons liable to this aid were the military tenants. With the consent of Parliament it was imposed on all, tenants in chivalry, socagers, and copyholders alike, and the king who asked for £30,000, got £1,006 4s. 7d., more than was promised him.

With the growth of English trade the customs began to increase. They were treated, though an ancient source of royal revenue, as a parliamentary grant, and were always given for the sovereign's life in his first Parliament. Elizabeth put out a new book of rates, in which the percentages were levied on the new values or prices which characterized the greater part of her reign. The new book of rates which James put out at Cecil's instigation, or with his con-

nivance, varied the amount levied as well as readjusted them to prices. With this action began the quarrel, so well known to historians, which ended at Whitehall nearly forty years afterwards. It was a singular House, that of Cecil in the seventeenth century. The first Lord Salisbury instigated the war between king and Parliament; the next was a regicide in fact, for he sat in the Lords on the memorable 30th of January; the third was a Papist, and abetted some of the worst acts and purposes of James II., was committed to the Tower and only saved by the clemency of William, after the Revolution. The elder branch became and remained obscure.

Ship money was levied on all the counties for five years, beginning with 1636. The assessment was laboriously equitable, whatever may be said about the legality of the tax, about which I presume all historians, even those of the modern or apologetic school, are agreed. It is well known that the impost was due to a suggestion of Attorney-General Noy, who, fortunately for himself, a renegade and tool, died before the tax was actually put into operation. It is said that Noy discovered precedents in the Tower records. Of course maritime towns and counties were bound to the defence of the sea. The privileges of the Cinque Ports were based on this service. Mercantile vessels could be pressed for the service of war; Edward III. made such a requisition before the victory of Sluys and the invasion of France. But it was generally believed that the extension of the tax to the inland counties was an after-thought, for which no precedent could be alleged. But I have seen traces of the practice in the fourteenth century. I have found a few examples where estates in the inland counties have been taxed *pro warda maris*, and this impost can hardly be distinguished, except by the systematic adoption of it, from Noy's famous expedient.

The great struggle of 1642 had to be waged at first with the old finance. Parliament had from the beginning an enormous advantage. London, which had more than half of the available wealth of the country, that which could be drawn on for war, was resolutely and undisguisedly on the side of Parliament, and at first the supplies came almost exclusively from London. Against this, the plate of the malignants (the roundheads in derision called the proceeds thimble money) was of little avail. But for some time only the seven associated eastern counties were unreservedly on the side of

Parliament, though Charles could hardly be said to have had a single county unanimously on his side. The urgency of a new finance was manifest. The records of the war of independence in Holland supplied a precedent and a pretext, and from this repertory Parliament borrowed the excise. It was searching, general, and lucrative. The method consisted in levying a tax on the purchaser at the time of his buying any excisable article, and making the vendor responsible for collecting it. It was, in short, a wide octroi duty, levied at all times and places. The king and the Cavaliers denounced it as an unheard-of tyranny, and speedily adopted it themselves wherever they could collect it. It was denounced at the Restoration, and made hereditary in order to enable the great land-owners to emancipate their estates from feudal dues at the expense of the general public.

With the excise comes the epoch of modern finance. Some of the old expedients continued up to the Revolution and even after it. In one case the principle of the old taxation was continued. The land tax of our own day is paid on the valuation of near two centuries ago. But the equity of this valuation is very often adversely criticized, and a revision of it is frequently demanded.

VII.

THE DISTRIBUTION OF WEALTH IN ENGLAND AT DIFFERENT EPOCHS.

The importance of this subject in following the progress of the nation in wealth and population—Modern estimates of local wealth—Self-government in the village—The magnitude of the churches, and the true inference from the fact—The richest and poorest counties—Assessments in 1341, 1375, 1453, 1503—The wealth of Norfolk and Oxfordshire—The relative wealth of the towns—Assessments in the seventeenth century—The valuations of 1660 and 1672—The population of England and Wales—Homes and hearths in 1690—The progress of Northern England.

THERE is hardly any topic more interesting to the student of the economic history of England, than that of the distribution of its wealth at different epochs in its political and social life. There are indeed few questions which are more obscure, none in which positive information on which the student can rely is more scanty and broken. I have been engaged in the search after matter of this kind for a good deal over a quarter of a century, and though I can, in what I have collected, throw a considerable amount of light on certain epochs in history, there are long intervals of extreme obscurity, during which I have vainly sought in printed volumes and in manuscripts for the requisite evidence. For example, I have found nothing trustworthy on which I can depend during the long and eventful period which begins with the reign of Henry VIII. and concludes with the events which immediately preceded the civil war of 1642. I have a strong distaste, which I wish was more general among historians, for those vague declarations as to social conditions

which one reads of among contemporary historians, from monks like Matthew Paris, to historians like Clarendon, who were, after all, unable to supply one with any evidence on which to test their statements. Clarendon, for example, speaks of the growing economical prosperity which intervened during the eleven years in which all parliamentary action was suspended. I am convinced from the comparison which I have been able to make between wages, rents, and prices, that it was a period of excessive misery among the mass of the people and the tenants, a time in which a few might have become rich, while the many were crushed down into hopeless and almost permanent indigence, an age in which the sufferings of the English nation were greater than they ever were, except during the time of the great Continental war.

If we could arrive at precise information about the distribution of wealth in England at different epochs of history, we should be informed as to how those industries which make wealth are developed, and the extent to which homebred or imported intelligence was able to avail itself of the opportunities which the natural products of the country offered, of the advantages which the climate afforded, and of the skill with which the English people were able to utilize the results of their agriculture, and the wealth of their minerals. We should be able to define the localities of industry, and interpret the ease or difficulty with which manufactures spread from their first home into other parts of the island. We should know, in part at least, what were the hindrances to the development of what in our modern experience has been so abundantly exhibited, and should, for example, be able to learn what was the efficiency of government for internal police and for external defence; and in particular be able to trace the effects of legislation on the industry which it professedly strove to foster, and the material prosperity which it was certainly anxious to promote. And lastly, if we knew the distribution of wealth, we should be able to make a reasonable estimate as to the amount of population in England at different periods of its history, and even to conclude as to its distribution over the country. I shall indeed, in the course of this lecture, exhibit and comment on such evidence as I have been able to discover, and I shall, I trust, be able to show some substantial results on the topic which I have taken for this day's lecture.

Even at the present time, when statistical information is so abundant as to be overwhelming by its magnitude, it is by no means easy to expound the present distribution of wealth. We have decennial returns, from the commencement of the present century, of the population contained in the United Kingdom. But these returns, even when tabulated, are of little use in determining the relative prosperity or decay of particular districts. We should generally conclude, that if population is lessening in any locality, the relative importance of the district was declining, or if the number of the inhabitants was increasing, that its industrial activity was increasing also. But, unfortunately, even this test is an uncertain. Districts may have a congested, and thereupon an impoverished, population, where a diminishing return may imply a real progress. An increasing population may not necessarily imply an improving social condition, or the growth of a race which is to be successful in the economical competition of the world. Near our own shores we have had an experience of a race which grew in numbers indeed, but has sunk in misery; how caused, this is not the place or time to inquire. We may have population increase, and industry be arrested, or at least carried on under apparently unfavourable conditions. The investigation of such social and economical problems as are before us, even when the facts are, to all appearances supplied, is full of difficulty, full of controversy, is often made more obscure by prejudice and passion.

The two most trustworthy elements in the calculation of the question—in what manner is wealth distributed in England at present—are the rateable value of property, and the income tax returns when digested and formulated. But neither of these aids can be safely relied on. The principles on which property is rated are neither satisfactory nor uniform. The legislature has conferred all final authority in rating, even in the case of property in cities and towns on the county magistrates, and the grossest partiality has followed. Vast mansions are valued at a nominal yearly rent, on the plea that such mansions have little or no letting value, the test suggested by the Rating Act of William IV., and therefore these valuations, as far as they go, are no test. Then in some places, all property is valued at close upon its gross rental, and in some other places at much less than its gross rental. Some kinds of property

pay an indirect rent, because the lessor of the property has a monopoly of supply to it, and therefore can obtain a far greater profit from the occupant than his rent suggests. Such kinds of property again disturb one's estimates as to the distribution of wealth, because for rating purposes every effort is made to undervalue them.

Again, the income tax returns, when digested into the several counties, give us in modern times some idea as to how wealth is distributed in England. But setting aside the obvious anomalies of this impost, particularly those of the farmer's schedule, the return of income, if it be taxed at the place of receipt, when the place of receipt is not the same as that in which the income is earned, is misleading. A man derives a large profit from a factory, or from productive works in one county, and receives his profits in another. The distribution by counties gives an erroneous idea as to the distribution of productive industry. This ambiguity is heightened in the case of those localities where the spending class is more numerous than the productive class, as is the case with London and many other towns : still more markedly, where people who have ceased to be producers, or never have been, and are to a great extent, not even traders, but live on income. The population of Yorkshire or Lancashire probably represents a larger production of wealth than that of Middlesex or Surrey does, and yet in the interpretation of the problem before us, as to the distribution of wealth in England, appears to denote a lower average of industry than the district in which income accumulated from savings is spent. It is exceedingly difficult then, from the statistician's point of view, to decide from any figures set before one, how to interpret the distribution of English wealth, even in our own day.

The difficulty was less in antiquity, but, unfortunately, we are not in possession of information, except as I shall show inferentially. There is indeed one ancient document, not quite exhaustive, but for all, as far as it goes, copious and accurate, in which an account of English society is given from the point of view which I am at present considering. Domesday purports to give a complete statement, for the region which it surveys, of the property which it registers. It is intended to state with minuteness what were the resources of every lordship, parish, and manor, the owners and inhabitants, with

the civil status of all those whom it enumerates and describes. The survey is not only particular, but unique. I do not remember that its parallel exists in the archives of any country, and it was the first and last effort of the kind in England. It is the more interesting and remarkable, because it contrasts England at the end of the eleventh century, with England in the middle of the same century to the no small advantage of the latter, in what seemed to be the good old times, those of Edward the Confessor. But Domesday Book has never been analysed from the statistician's point of view, and especially from that before me, the distribution of wealth in England during those wild archaic times.

Of course, when the elements of society were far fewer, and the relations of the people to each other were far more direct, the solution of the problem would be, in the presence of the requisite information, far more easy than it is now. The circle in which the peasants and burghers lived was narrow. In his parish or manor the former was at home among his comrades, who lived under a system of reciprocal responsibility, and a sufficiently active administration of customary law. Everywhere else he was a stranger, except for his occasional participation in the action of the hundred and the County Court. There was on the boundaries of nearly every village a tract of no-man's land, sometimes a tract of great extent, in which landless men lived. The traditions of outlaws living in the forest and maintaining themselves by poaching and plunder, amenable if they were captured, to an infinitely more severe law than that which prevailed in the settled villages, and from whose depredations the villagers were secure, are not only presented to us in ballads, but in sober narratives. Such, for example, is the story told us by Matthew Paris of the robbers of Alton, in Hampshire, who carried on their depredations extensively on the tract of forest extending through the middle of Hampshire to Southampton,—raids Henry the Third found it no way easy to put down, in which many of his own household were associated. The road from Southampton was the principal highway by which French merchants transmitted their goods, and I think it highly probable that the ancient settlements on the Hampshire rivers, though they did not, and by their customary law could not, harbour the malefactors, were very indifferent to their doings.

Any one who has studied, even superficially, the records of Manor

Courts in the fourteenth century, when the ancient jurisdiction of the Court leet with its grand and petty jury was in full vigour, will see how effective and how full of reciprocal checks the system was. As the king appeared in his own courts of law by his deputy only, so the lord of the manor did not sit in judgment himself, but by his steward or seneschal. Before this personage, offenders were presented, for the steward could take no official notice of local offences, except the offender were presented. If the offence was very grave, and the court had the high jurisdiction a jury was empanelled to try the offence. I printed myself, many years ago, an example of a trial for a capital offence, in the manor of Holywell, the conviction of the offender, the sentence and its execution, as late as 1337. In this case the felon is described as a vagabond, and without chattels of his own. As he was caught red-hand in the commission of the theft for which he was executed, the injured party recovered his property. When the offence was proved, the steward settled the penalty, the fines being part of the lord's dues. Now if the official were too severe, the jurors of the village were discouraged from presenting offenders, and the lord's revenue suffered. If he were too lax, which was not likely, as he had, on his lord's behalf, a pecuniary interest in the penalties, the discipline of the manor suffered. On the whole, I believe that the justice of the old Manor Court was more effective and more satisfactory than that which superseded it, and in order to coerce the labourer in the matter of wages was made very effective, the justice room of the magistrate.

In these villages, as I have already stated, the principal employment of the people was agriculture. There were, I make no doubt, in nearly all villages, some persons who either added another calling to that of husbandman, though few, I think, were without land which they tilled. Such were especially the miller and the common carrier, the latter being frequently mentioned as well as the former in the record of manorial discipline, the former generally presented for abusing his position, the latter for negligence or fraud as a bailee. I take it, too, that the spinning-wheel was found in most homesteads high and low, and the hand-loom in many. The clothing of these rustics was, as a rule, homespun. This is manifest from the invariable assortment of wool into ordinary merchantable wool, and locks, the latter being sold at cheap rates for domestic

manufacture. In early times, too, it was customary for the husbandman to sow small plots of hemp and flax. In the reign of Henry VIII., when there seemed a likelihood of this kind of agriculture going out of fashion, it was enforced by penalties. But besides this domestic manufacture, spread it would seem over the whole island, there were special manufacturers of linen and woollen cloth. The original home of this was Norfolk, a county which had early, continuous, and close relations with Flanders. Not a few of these Flemings emigrated to Norfolk and settled there, the English kings encouraging them, in the view of their skill as weavers. The Norfolk weaving was carried on all over the county, in villages which grew into towns, though they never obtained the advantages of incorporation. Indeed it appears that the Norwich guilds exercised a sort of jurisdiction over all Norfolk weaving, wherever it was settled. I have no doubt that the settlement of the textile industries in Norfolk was due to the geographical position in which it stood to Flanders. It was not otherwise well suited to the weaving of woollen goods, for the climate is the driest of England, and successful woollen weaving needs a moist atmosphere and an equable temperature. But it is certain that the density of the population was, for the time, great in Norfolk. There is still a memory that towns like Aylsham and Cromer were far larger and more populous than they now are, that they owed their population to the weaving trade, and their waste to the ravages of the great plague of 1349. The great churches of Norfolk were often pointed to as a proof, in an ill-informed age, that population in mediæval England must have been far greater than was generally supposed. But, in fact, the church of the parish was, at least as far as the nave was concerned, the parish hall, where meetings were held, and often where valuable agricultural produce, such as wool, was stored. The idea that a church was a sacred place, in which after Divine service was over, no business was to be transacted, is not older than the movement which Laud instigated. Here in Oxford, St. Mary's Church was till the time of that prelate, the convocation house of the University, in which academical meetings were held, decrees conferred, lectures given, disputations carried on, and indeed all the secular business of the University was transacted.

The English midland counties, the eastern counties, and one of

the southern, Kent, were the richest parts of England. They contain the largest amount of natural pasture and of easily worked arable land. The western counties, the counties on the Welsh marches, and the northern were the poorest, and of these, as a rule, and invariably in the earlier times, Devon and Cornwall, Yorkshire, especially the North and West Ridings, and particularly Lancashire, Westmoreland, Northumberland, and Cumberland. They were naturally backward and remained backward, the poverty of the district being aggravated by the incessant wars on the Scottish, and for a while on the Welsh, border. It is true that York was a very considerable city, occasionally taking second rank after London. But the rest of England, north of the Humber, was backward, scantily peopled, and insecure. It contained rich and well-garrisoned monasteries, and fortified castles. But the towns were very small. Manchester and Liverpool were really no bigger than fair-sized villages. The West Riding of Yorkshire was little else besides barren moors on the hills, and sluggish morasses in the valleys. In order to check marauders, short and sharp justice was done, of which the Halifax Maiden is a specimen. The practices of those rude northern men were distasteful to their southern countrymen, for when, after Wakefield battle, Margaret, in the early part of the year 1461, led her army from the north into the South of England, she could not keep them from pillaging, and the excesses of these freebooters rapidly brought about the deposition of the house of Lancaster. As late as the end of the seventeenth century, it is said that the northern counties were overlightly taxed, under the new system of finance which the government of the Revolution, the war of English succession, the public debt, and the responsibility of Parliament made necessary.

The principal, perhaps the only, source from which one may gather information as to the distribution of wealth in England is the assessments which have been made of the several counties at different periods of English history, when Parliament accorded a special tax. Direct taxes, especially during war, and under the names of tenths and fifteenths were frequently granted. But the tax was a fixed quantity, which was not altered, except that sometimes a remission was granted to certain towns and villages which had suffered from some great calamity, or

had fallen into permanent decay. Hence, however accurate the first imposition of the tax was, and however just its original distribution, it is no more, as time goes on, significant of the condition of England from our present point of view, than the Land Tax of 1693, which has similarly remained unaltered, is of the distributed wealth of modern England. The occasions on which assessments are given, which do indicate such a distribution, are comparatively few; and after long search, continued for years, I have been unable to find a valuation for the latter part of the sixteenth and the first quarter of the seventeenth century, a period in which great economical changes occurred in England, in the dissolution of the monasteries and the consequent changes of tenure which followed, and in the influx of bullion from the New World. I have however found eleven assessments of the whole or nearly the whole country, the majority of them having been taken in the seventeenth century. What I have found are exceedingly suggestive. I will state in detail what were the circumstances under which the grant was conceded, and the assessment made.

In 1341, a few years before the Great Plague produced such serious effects on Europe, and in particular on England, our Edward III., who had formulated his claim to the French throne, against the house of Valois, applied to his parliament for an extraordinary grant, and Parliament granted him a subsidy in wool, distributing the tax up to quarters of pounds, over the several counties, two excepted, Durham and Chester, which were under a special administration. Four cities or towns are separately assessed, London, Newcastle-on-Tyne, Bristol, and York, and their quotas are in the order which I have given. From numerous entries in accounts of the time, I find that the payment was not necessarily made in kind, but was constantly paid in money, the roll of Parliament from which I have extracted my facts, being silent as to the value to be assigned to the sack. I have taken the average price of wool at the time, £4 the sack, and shown what was the sum of money under this hypothesis at which the counties are severally assessed. This enables me, taking the present average of the counties, to indicate how many acres in each county go to a pound sterling of taxation, and I have employed the same process in all the other assessments.

In 1375, when the Great Plague had induced all the social and

economical effects which were derived from it, when the machinery which Wiklif had devised was in full operation, and the peasants were perfecting that organization which was to exhibit its formidable power in the revolt of 1381; Edward, now sinking into premature decay, and having lost nearly all his conquests, and even his hereditary possessions in Guienne, appealed to his Parliament for an extraordinary grant. Parliament gave him a fixed sum of money, and, as before, assessed its contribution on every one of the counties, and on five cities and towns, London, Bristol, York, Kingston-on-Hill, and Bath.

In 1453, after the loss of all those English possessions in France, which had been gained by the second war of succession, the Gascons had revolted, and pledged themselves to restore the English king's authority in Aquitaine. The old Earl of Shrewsbury and his son were sent to assist them, and an appeal was then made to Parliament. The Commons determined on granting a considerable army of English archers, and send it to Talbot's assistance. They agreed to pay these archers sixpence a day for six months, and again distributed the number of archers among the English counties. On this occasion they assessed Durham, and ten cities or towns—London, York, Norwich, Bristol, Coventry, Newcastle-on-Tyne, Hull, Lincoln, Southampton, and Nottingham. The force was never raised, and the tax was never paid, for Talbot's expedition came to ruin almost before the grant was even made. Nineteen years later, the Commons made the same offer to Edward IV., but on conditions which also were never fulfilled.

In 1503 Henry VII. claimed from his Parliament the payment of the ancient aid for knighting his eldest son, and marrying his eldest daughter. This aid was really leviable only on the king's tenants-in-chief; but it had not been claimed for more than a century and a half, and I have not found that it was claimed after 1503, during the period in which this feudal liability continued. Henry claimed it from the whole nation, and a fourth assessment was made. On this occasion seventeen cities or towns were separately assessed—London, Bristol, York, Lincoln, Gloucester, Norwich, Shrewsbury, Oxford, Salisbury, Coventry, Hull, Canterbury, Southampton, Nottingham, Worcester, Southwark, and Bath. It is probable that in this assessment all the towns which were deemed considerable enough to be

specially rated were taken, and that in this list we practically have all the larger towns. On other occasions it seems that those only were assessed which were what is called counties of towns, that is, towns which had a considerable area of country included in their bounds, who had more extensive jurisdiction than other corporations possessed, and to whom the justices of assize had a special commission.

Now these four assessments taken before the Dissolution, and the fall in the value of money, indicate, during the space of 163 years, when considerable social changes had taken place, what was the relative wealth, according to the judgment of persons interested in acting fairly, of the several English counties and some few cities and towns. Of course it does not follow that the wealth of a county was materially lessened because it goes down in the list. It may be that the resources of some other county have been more extensively developed during the interval. Again there are occassional hints given us as to the falling off in the contingent which the several localities paid, due to temporary, perhaps to permanent, causes. I see no reason, then, why we should not entirely rely on these estimates, or doubt either the good faith or capacity of those who made the valuations. It will be expedient to deal generally with these assessments, and then to point out what particular or noteworthy facts there are in each.

Of course the assessment of Middlesex with London is greatly in excess of that imposed on any other county. Without London, Middlesex does not occupy a very high place, and London up to the middle of the sixteenth century was almost entirely confined within its ancient walls, where it had a considerable number of gardens and open spaces. Indeed, a very large part of the City estate of our day is derived from spaces now built over, of which the City authorities possessed the freehold; the most considerable space which the City possesses to the west of London having been a grant made to them for establishing reservoirs, which occupied the site which lies just west of St. James's Street. The population of London was certainly under 50,000 persons, but the people who lived in London, and carried on trade and manufactures there, were far more wealthy than the merchants and craftsmen of other cities. Without London, Middlesex ranges from the third to the ninth.

In the first assessment, Norfolk has the second place, and is separated by a considerable interval from the next county, which is that of Oxford. But in the second, third, and fourth Oxford is second, though the interval between the two counties is not considerable. Now, beyond question, the supremacy of Norfolk was due to her local manufactures, in which the county remained superior to any other English county during the period before me. Norfolk is not, agriculturally speaking, a rich county. In 1860, under Schedule A of the income tax it stood twenty-fifth out of thirty-seven counties, those, namely, which were valued under the assessment of 1341. In our day, its ancient industry has almost entirely migrated. At the same date Oxford was seventeenth, and if we exclude the two manufacturing and trading counties from the comparison, the seventh, and if we add Kent, which is greatly suburban, and not a little manufacturing and trading, sixth.

The explanation of the position occupied by Oxford is not difficult. In the first place, it had but little waste land within its area, compared with many other counties. In the next, it has a considerable amount of fertile arable land, some of its corn land being of remarkable excellence. But the true explanation of its early agricultural wealth is in the large amount of natural pasture it possesses in the northern and north-western part of the county from the city of Oxford onwards. Now pasture in the Middle Ages, and indeed down to the time when winter roots and artificial grasses were generally cultivated, bore a very high relative rent. In the period before us this rent was between eight and twelve to one compared with arable. There is no reason to believe that the hay crops produced in the wide stretches of pasture on the Upper Thames, the Evenlode, the Windrush, and other streams of North-west Oxfordshire were less five hundred years ago than they are now, and I can vouch for it, that the demand for pasture, in economical language, was far more urgent than it is in recent times. The next five counties are generally Bedford, Kent, Berks, Rutland, and Cambridge. But sometimes Kent falls out of the series, and the place is taken by Hunts.

In the first assessment Lancashire is the poorest English county, afterwards Cumberland occupies that place, and Lancashire gets up only above it and Northumberland. The assessment of the West

Riding of York is also very low. The valuation of Oxfordshire is about ten times as high, acre for acre, as the three poor counties are, and its assessment is nearly double that of the whole West Riding of York, rather more than half the area of the whole of that great county. The low assessment of Stafford shows how little the mineral resources of that county were known in early times. Devonshire, too, is one of the poorest counties. The centres of modern English opulence were then wild barren regions, inhabited by a rude race. The Mersey was a silent estuary, the Irwell a mountain stream. The hills and valleys of the West Riding, now active with a thousand industries, had a little trade in cloth at Bradford and Leeds, and a rude manufacture of steel weapons at Sheffield. For the greater part of that which is produced there now, and travels over the known world, the England of the fourteenth and fifteenth centuries depended on the Baltic provinces, Flanders, and Spain.

In 1341, the contribution of London to the wool tax was less than a fourth of that at which Norfolk was assessed. In 1453 it contributed more than Norfolk to the charge of the archers. But in the first half of the fifteenth century the city of London made remarkable progress. The "Libel of English Policy" is proof as to how its trade had grown, the relics, still surviving from the Great Fire, of the City Companies' archives, show how considerable had become, relatively speaking, the wealth of the London traders. Most of these people had, it is true, risen from comparative poverty to wealth. But Walworth and Whittington in the fourteenth, the Chicheles and Cannyngs in the fifteenth, are illustrations of the rapidity with which successful trade earned wealth in those early times. In 1453 the contribution of London is three times that of Oxfordshire. In 1503 the contingent of Oxfordshire is nearly twice as much as that of London. But in this year great part of London was burned to the ground, a fact which shows why the falling off took place and that the assessment was equitable. London and Norfolk, too, were very severely visited by the sweating sickness. Bristol was the third city in 1841, the second in 1375, the fourth in 1453, and the second again in 1503, while Norwich falls from the third place in 1453 to the sixth in 1503. In the last year Gloucester is the fifth in order, But there is no doubt that these ports of the Avon and Severn were

early and actively engaged in the traffic with Spain and Portugal, if they did not venture on following up Cabot's discoveries of 1497, he having sailed from Bristol. But it should be remembered that the cloth and linen manufacture was of the county, and not of the city.

Between 1503 and 1636 I have been unable to find a single assessment. I greatly regret the lack of information, and I despair of any discovery in future. Now the facts which would have to be considered with the assessments, were any such forthcoming, are the dissolution of the monasteries, the decay of the towns, the stint of agriculture, the extension of sheep farming, the growth of the native woollen manufacture, the debasement and degradation of the currency, the wars of religion, the prostration of Flanders, the immigration of the Flemish weavers, and the rise and consolidation of the Dutch Republic. In the later part of the time occurs the most disastrous epoch of the Thirty Years' War, and the utter impoverishment of Germany. Now some of these foreign and domestic events are admitted to have greatly affected the distribution of wealth in England, and all must have done so, though no information is given us. Among local events, the insurrection of Ket in Norfolk had, we are told, the most disastrous effects on that county's prosperity, though I believe that already it had been discovered that the eastern counties were not, by reason of their climate, the best district in England in which to produce textile fabrics. Even in the fifteenth century cloth-weaving on a considerable scale was pursued in small towns and villages. Fastolfe bought cloth for years together for his soldiers at Castle Combe, Dorset. Bishop Fitzjames, warden of Merton at the end of the century, bought for his fellows and himself at Norton Mandeville in Essex.

The ship money valuation of 1636 was said to have been studiously equitable, and to have been made the basis of similar assessments in later times. Charles and his advisers were not willing to add injustice to illegality, though it must be admitted that some of the assessments were not a little puzzling. Norfolk, which, 133 years earlier, had occupied the third place, was sunk to the twenty-fifth; Oxford, which was formerly second to Middlesex, is now seventeenth. Cambridge, which was always among the first eight, is now twenty-third. The first eight are now Middlesex, Herts, Beds,

Bucks, Northhants, Berks, Leicester, and Hunts, of which only three were in the first rank before; Middlesex increasing rather than diminishing its contingent. The reason is to be found, I believe, in the departure of manufactures from Norfolk, and owing to the exalted price of wheat, the great importance of arable farming over pasture. The poorest county is Cumberland, then Lancashire, then Westmoreland, next Durham with Northumberland. Middlesex is assessed in amount at 141 times per acre more than Cumberland, and nearly as much over Lancashire.

The next assessment is the distribution of £400,000 over the counties and towns of England and Wales (no Welsh town is separately assessed) for the purpose of suppressing the Irish rebellion. The vote is taken in 1641. I do not pretend to account for the extraordinary items in this assessment. Devon is, it seems, most unfairly treated, being rated in the sixth place among the contributory counties. Norfolk, which five years before was the twenty-fifth, is now the sixth; Kent, formerly the fourteenth, is here the fourth; Suffolk, previously tenth, is now third; and Surrey, once eighteenth, is now second. On the other hand, Rutland goes from the eleventh place to the twenty-fourth; North Hants, from the fifth to the twenty-sixth; Leicester, from the seventh to the twenty-eighth. The poorer counties remain in nearly the same order, only Lancashire rises from the thirty-ninth to the thirty-fifth place. I cannot but think that this was a hasty, and therefore a capricious, assessment. I do not think it was designedly unfair, for Parliament put heavy burdens on some of the counties which were strongly on their side.

Similar to this is the assessment of March 25, 1649. This was a levy of £90,000 a month for six months, for the purpose of paying the forces. It was admitted to be the best valuation which could be made under the circumstances, but that it should last for six months only, during which time a searching and careful valuation would be made. This removes some of the inequalities of the assessment made eight years before. Devon is put in the twelfth place; Essex raised from the ninth to the fourth; Cambridge, from the tenth to the sixth; Surrey, from the second to the tenth; Sussex goes from the twenty-third to the ninth place. This last change is due, I think, to the fact, that at this time the Sussex iron

works were at the height of their activity and prosperity. But the furnaces soon exhausted the wood, and though iron was manufactured in the county up to the beginning of the eighteenth century, the industry was a declining one.

On December 25, 1649, Parliament published its new assessment. This, as I have said, was taken with great care, and appears to have been generally followed in 1672. In this assessment Suffolk still holds the second place, though its assessment is a little more than a tenth of that put upon Middlesex, the third place being that of Surrey. The other five are Herts, Kent, Essex, Bedford, and Rutland. It appears that, partly owing to the fact that the eastern and home counties were not adversely affected by the war, which was now practically over, partly because the relations between England and the Continent, especially Holland, were for a time increasingly with the eastern counties; partly because there was a revival of the woollen industry in Essex, Eastern England was found to have greater resources than before. Norfolk is ninth, and is followed by Cambridge. But Sussex sinks from the third to the twenty-fourth place. It should be added that the difference of assessment per acre is very slight in the first fifteen after Middlesex. The relation of the poorer counties suffers scarcely any change. Altogether the valuation appears to be scrupulously fair. The towns under this new valuation are in the following order—London, Norwich, Southwark, a proof that London wealth was flowing into Surrey, Bristol, Gloucester (the trade of the Severn towns was growing), Coventry, Chester, Southampton, Hull, Haverfordwest, Newcastle-on-Tyne, and Poole. The Northumbrian town had suffered severely during the occupation of the Scots. For a time its coal trade was almost suspended.

In 1657 an assessment of £6,000 a month was levied on Scotland, £9,000 a month on Ireland, these countries being added to England by the Act of 1654, and being entitled to send representatives to Westminster. Every burgh in Scotland is assessed; from Edinburgh at £334 12s. a month to New Galloway with 10s. In Ireland only one city, Dublin, is separately assessed. If this assessment be a just one, which there is no reason to doubt, Dublin was the second city in the British Islands. It is rated at more than twice the amount at which Edinburgh is put, and Edinburgh is

more than three times as wealthy as Dundee, the second Scottish town, Glasgow being the third.

On Nov. 8, 1660, Parliament recognized the impossibility of reviving the old feudal liabilities, but they were in a difficulty as to how to provide for the deficiency in the royal revenue. No one seems to have been struck with the obvious equity of distributing the reputed income of the Crown from these sources, £100,000, over the estates which were liable to it. At last, as is well known, landlords emancipated their estates by the hereditary excise, *i.e.*, at the cost of consumers in towns, for the excise only applied to the public brewer. In the interval, however, they projected a plan of distributing it over all real estate in the form of a land tax, and made a valuation which was levied on the ship money assessment, and indeed was almost a reproduction of that project. But the scheme was dropped, because it was manifest that they whose estates had never been liable to the impost, viz., the socagers and copyholders, would not tamely submit to what at that time would have been a tax of about 4½d. in the pound, and it was not expedient at that crisis to make any representatives of the landed interest, even those who had collected their estates by the fortune of war in Oliver's time, dissatisfied with the Restoration. There was a great deal of cautious steering to be done in the fours years which followed the re-establishment of monarchy, and, as we all know, Clarendon was sacrificed because he was prudent, and Charles was selfish.

Though the assessment of 1660 is professedly founded on that of 1636, it differs from it in some important particulars, and therefore seems to be almost an independent valuation. The second county is Suffolk, as in 1649; the third is Bedfordshire, the fourth Kent, the next Hertfordshire, the sixth Essex, the seventh Rutland, the eighth Sussex. But of these Kent is fourteenth in 1636, Essex fifteenth, Rutland eleventh, Sussex twenty-ninth. Between the second and seventh, there is not to be seen a very marked difference; or, at least, not one which is serious, in short, it is about the difference between the second and seventh in 1636, close upon 20 per cent. The contingent of Middlesex is again not quite so high as in previous valuations. Perhaps it was felt too absurd to rate the City of London strictly to a feudal obligation.

In 1672, by vote of February 4th, a million and a quarter was

granted to Charles to assist him in the utterly unprovoked and nefarious war which he waged on the Dutch. After he had got the grant, he stole the goldsmith's money. The tax, in accordance with the tradition of the Commonwealth period, was raised by monthly contributions on the counties, including Durham and Cheshire, and on nine cities and towns. In this assessment, Middlesex, apart from London, is the largest contributor in proportion to its acreage, a proof that London had spread far beyond the City walls. Next comes Suffolk, but Surrey is close upon it. The next five are Herts, Kent, Bedford, Essex, and Somerset. Middlesex, apart from London, is assessed at three times the amount per acre of the nearest county. The contribution of the City of London, despite the plague and the fire, is considerably above any other county, for the contingent of Yorkshire, the largest in area, though in the rate per acre it is near the bottom, is £1,600 less than that of London. Bristol is now the second city in the kingdom, for it has got possession of the plantation trade, but Norwich is not far behind it. Exeter, Worcester, Gloucester, Haverfordwest, Lichfield, and Poole are also separately assessed.

Here again there are considerable changes. Surrey is third, the place it had in 1649. Somerset, which was fourteenth in 1649, is eighth now, a change which is, I make no doubt, due to the spread of the cloth industry in the west, and especially in this county. Essex was sixth, and now seventh, being but little behind the county which precedes it. The baize industry had become an important manufacture at Colchester. Norfolk occupies the twelfth instead of the ninth place. Generally, however, it seems that the advantages which were secured for the eastern counties by the fact that they hardly suffered in the civil wars still remain. The associated counties still remain the most wealthy. The poorer counties, as far as the assessment goes, are very little changed, but Wales is getting relatively poorer, or which is the same thing, the other counties are gradually making head. Though their place is nearly the same the contribution of the poorest among them is increasing.

These facts are brought out still more plainly in the last assessment which I have to deal, that of the 4s. in the pound land tax, as granted by Parliament. This was to produce nearly two millions, of which Middlesex and London contributed nearly a

sixth. This tax, though granted by the authority of Parliament, was not assessed by the commissioners appointed in Parliament, and the distribution of the sum was left to the local authorities. It is therefore said, and with some colour for the statement, that those who favoured the Revolution put their contribution at a true valuation, those who affected Jacobite and nonjuring sympathies put theirs at a low estimate. The tax was unaltered in amount till, nearly a hundred years after its first imposition, it was made perpetual by the younger Pitt, and the basis of a financial operation. In the original return the cities and towns are included in the schedule printed in Pitt's Act, for the valuations are given *in extenso*, and I remember that the valuation of the city of Oxford, then strongly Whiggish was, in comparison with other towns, remarkably high; and that of the colleges, which were undoubtedly Jacobite, though not markedly nonjuring, as this manner of expressing their convictions would have involved pecuniary losses, was as markedly low. The university and colleges of this ancient city have been very faithful to reactionary principles, and perfectly willing to profit by their occasional ascendency, but they have been exceedingly unwilling to make any sacrifice on behalf of them, when such principles have been under a cloud. When there were hopes that the Stuarts would be restored, half the beneficiaries, ecclesiastical and academical, were in correspondence with St. Germain, but they took every oath required by the usurping powers, satisfied their consciences, and kept their preferments. Atterbury and Jane, Smalridge and the rest, were no doubt anxious not to deprive the local world of letters of their presence.

In the assessment of 1693 Surrey takes the second place, and at a considerable interval above Hertford, the third. Oxford, which was rated fifteenth in 1672, is eighth in 1693. Bucks is the fourth, Bedford the fifth, Berks the sixth, and Essex the seventh. Somerset has gone from the eighth place to the thirteenth, Kent from the fifth to the ninth. Suffolk was second in 1672, and is tenth now. Other changes, equally startling, are to be found, and a survey of the facts suggests that the old charge of partiality is made out. On the whole, however, there is a greater approach to equal rating. The discrepancy between the proportion to the acre in the midland and northern counties is not so marked. Salop, for instance, is thirty-

second, York thirty-third. But the rate per acre in Suffolk is not double that of Shropshire, and not treble that of York. In 1672 the contribution of York, then thirty-second, is a good deal less than a third of the Suffolk tax by the acre.

Many years ago I stated it as my opinion, and gave my reasons, that the population of England and Wales, from the beginning of recorded economical history to the end of the sixteenth century, was never in excess of two and a half millions, and was often less. At the end of the seventeenth century it was from five to five and a half millions. I will proceed to point out to you how these figures are arrived at.

Every logician and every economist will allow that if you arrive, from different premises or data, at the same conclusion, it is cumulative testimony, and the probability of your conclusion being correct is as high as any evidence of fact can make it. Now I arrived at my conclusion as to the population of England and Wales during this long period by three processes. The first was derived from the rate of production. The average production of wheat from cultivated land was eight bushels an acre, and I came to the conclusion that the possible average wheat-growing acreage of the country was three millions. Now I knew that a quarter of wheat every year for every person, especially at a time when other vegetable products fit for human food were unknown, was a fair allowance. Then deducting one-sixth for seed, I got my two and a half millions, as the maximum population, with a high probability, as the allowance for seed is rather short, that two and a quarter is the more correct figure. Next I took the figures in the poll tax of 1377. The tax-paying population can be calculated at a little above one and a half millions. Now adding a third for the children, for the tax is exigible on persons above fourteen only, and making a liberal allowance for ecclesiastics and mendicants, no less than a little over 162,000, they being also exempt, you again get two and a half millions. In the third place, I compared an actual census of a certain district in Kent, taken in the sixteenth century, with the census of the same district in 1861, and found that it was almost exactly a sixth of the later number. The district contained no large towns then and contains none now. Again, I found that one-sixth of the population of 1861 gave me, by comparison with the total population of England, exactly the same

result for the whole, viz., two and a half millions. I was a good deal criticised when I made my calculations by the first method. But long experience has taught me that no time is so entirely lost as that consumed in controversy with disputants who have no facts, but only convictions.

Now at the end of the seventeenth century there are similar kinds of indirect evidence to guide us. The wheat-growing area is extended, for the price was very high, so high as to stimulate agricultural production to the utmost. The produce is now said to be thirteen bushels, but it was no longer exclusively the food of the people, for rye, barley, and oats were occasionally substituted for it. I inferred that, making proper deductions for seed, the soil would, though with an inferior diet, maintain five millions. Next, we have a return under the hearth tax of the number of houses and hearths in the several English counties and in Wales, in 1690. Allowing a little more than four to a family this gives a little over five millions. An estimate of the various religious sects gives under five and a quarter millions. And in recent times a calculation by an actuary of the possible population, from baptisms, marriages, and burials, gives under five and a quarter millions. Here, again, the evidence is cumulative, and I think conclusive.

Two other facts may be briefly commented on in conclusion. I have referred to the hearth books of 1690. This return gave the number of houses in each county and the number of hearths in each county; for certain houses, rented at no more than 20s. a year, were exempt from the tax. Now the most sparsely-peopled counties are, as might be expected, Westmoreland and Cumberland; the most densely Middlesex and Surrey. In the first two the acreage to each house is 70·55 and 63·66 acres. In Middlesex and Surrey the same analysis gives 1·619 acres and 11·79 acres. It is easy to see, then, why Middlesex yielded so much to taxation on an assessment of property. But I was exceedingly struck when I worked out the figures at the comparative density of the northern population as far as houses go, and the meanness of the buildings as far as hearths go. The population of Durham and Northumberland, taking the facts of the acres to the house, is denser than that of Dorset, Lincolnshire, Sussex, and Hampshire; the proportion of hearths to the house is a good deal less than that of any other county. There are

more houses in Lancashire, taking the same proportion, than in Berkshire, Cambridge, Cheshire, Derby, Devon, Essex, Hunts, Notts, Rutland, and several others. And the same facts are visible with certain other northern counties, though in all it is plain that the standard of comfort was much lower. For instance, there are twice as many hearths to a house in Devon and Dorset than there are in Durham.

The growth of population must have therefore been most rapid in the north during the seventeenth century. Two causes contributed to this: the pacification of the Scottish border and the growth of textile industries in the north, if indeed one can separate the causes. On the latter of these I shall have to comment in a later lecture.

The other point to which I may make a very brief reference—for this, too, will be the subject of another lecture—is the incidence of the poor rate in the several counties at the end of Charles II.'s reign. A return of this impost is given by contemporary writers. Of course it is highest to the acreage in Middlesex, being nearly £1 to every three acres. It is high in the old manufacturing county of Norfolk. It is high in some of those counties which had most peace during the civil war. But it is disproportionately low in the northern counties, and in those which lie on the line of the Parliamentary conflict with Charles I. I conclude that much of the population during the troubles migrated to the more peaceful and settled districts. There is no doubt that the inhabitants of the north were more penurious, more habituated to low wages, and to a lower standard of living, more given to bye-industries. It was no doubt in order to check this migration that the law of parochial settlement was enacted. In course of time the exigencies of a growing manufacture led to the practical repeal of this law of settlement in the manufacturing districts, and the growing industries of the north relieved, a century later, the congested population of those southern counties which were now falling behind in the distribution of wealth and population.

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VIII.

THE HISTORY OF AGRICULTURAL RENTS IN ENGLAND.

The discussion as to the origin of rent—The "indestructible qualities" of the soil—Selden and tithes—Interest, wages, and rent—The landowners and labour in history—Civilization and government—Early agriculture in England—The rent of meadow-land—Rentals—The landlord's duties—The New College (Oxford) house property in the fifteenth century—Landlord cultivation and its effects—Competition rents, late in coming—The law of distress, competitive and famine rents—The seventeenth century rents—Bye-industries—The landowners of the eighteenth century—Arthur Young's comments—Lord Lovell's agriculture—The rise of rents—Wool and stock prices—The colleges of Oxford and Cambridge.

Nothing has exercised the ingenuity of economists more than the analysis of rent has. The position of rent and its relation to industry and taxation were problems which occupied the attention of the physiocrats; of the teachers (in so far as he was taught by any one) of our Adam Smith, and very curious and wild conclusions were arrived at by some of those excellent thinkers. Smith gave his own account of rent, and a slip which he made in his analysis, under the circumstances a somewhat pardonable one for a man who lived in the days of corn laws and bounties, that rent enters into the price of commodities instead of being a product of them, and of another exceedingly important factor, which the critics unaccountably overlooked, was duly commented on. The theory of Smith was amended by Ricardo, and his definition of the origin and increment of rent received, for very sufficient reasons, a most thankful acceptance. The merits of Ricardo in making or announcing his discovery were challenged

by MacCulloch, who divided the original honours between a Mr. West and a Mr. Anderson and, with excusable patriotism, claimed priority for the Scotchman. The doctrine of Ricardo, with many riders, such as the law of diminishing returns, the margin of cultivation, the land that pays no rent, and the like, has been accepted, and forms the staple of most dissertations on political economy. I am constrained to conclude that there is little credit to be got for the reputed discovery; that it is partly a truism, partly a fallacy, and that its acceptance as a sufficient analysis of rent is one of the peculiar hindrances which obstruct the way when we have to solve a present difficulty of no common magnitude. British agriculture has fallen during the last eight years on evil days. Its decline, and with it the decline of the home trade, is a most formidable fact. Its restoration, in some form or other, is a matter of urgent interest. But nothing tends to retard that restoration more than false notions as to the nature of rent.

In dealing with this controversy, and in dealing with it in my own way, under the light of economical history, but with constant reference to the demonstrable, almost axiomatic, principles of economic science, I can claim some special advantages. I am the only person who has examined rents historically. I have studied the history of the same estates in some cases for more than six centuries, estates the "indestructible powers" of which, to use Ricardo's expression, have not varied during that long period, the rents of which, however, compared with any other value, which is measurable by money, have been subjected to considerable, to astonishing changes. I can state, with perfect certainty, what this land produced in corn six centuries ago, and I can also state what it produced at different periods between that remote starting-point and the present time. I know that while the value of its corn produce has risen in money units or symbols about eight times since my investigation began, the rent, in the same units or symbols has risen eighty times. I may believe a great deal in "the indestructible powers of the soil," though I should be very credulous if I held that the fertility of any soil was indestructible, as I think every practical agriculturist would be, too. But I am sure that something else is wanting besides these powers to account for so striking an elevation. I find, too, that while so remarkable

a price has been paid for the license of using arable land, nothing near so disproportionate a rise of price is discernible in the rent of of natural pasture, which never has been, and never could be, under arable crops, and which therefore approaches the indestructible more nearly than any land which is under the plough. I shall try in the course of this lecture to point out the circumstances which have brought about the change. Mr. Henry George has accepted Ricardo's theory, and inferred from it to the confiscation of all rent by the State. I repudiate Ricardo's theory, and dissent from Mr. George's conclusions, for reasons which I hope to give hereafter. But it is not a little remarkable that a theory which assigns a providential origin of rent should be pressed into the service of the theorist who wishes to annul it; while the inference which I draw from the facts of the case, and in which I give the historical events which have developed it, is that it would be not only a blunder and an injustice, but an amazing folly, to accept Mr. George's conclusion. There is a parallel to my position. The clergy in the time of James I., perhaps some of the clergy in the days of Victoria, believed in the Divine origin of tithes. Selden believed that the origin was human, and proved his point. The clergy were very angry, and got Selden put into prison for his pains, a contingency which is not entirely remote, if one presses too strongly the truly conventional origin of rent in our day. But when, a few years afterwards, the Divine right of the clergy was repudiated for a time, and the tithes seemed likely to go with the Divine right, the clergy gladly embraced the inferior title which Selden proved was theirs. The moral can be easily gathered. I am no more an enemy of rent than I am of any other natural result. But I decline to give it a transcendental authority or to imagine that, like every other part of the theory which economists call the distribution of wealth, it is other than a human institution, recognized because, within proper limits and under intelligible conditions, it has a human utility.

Economists are perfectly correct in saying that the common product of capital, labour, and land is distributed among the three several agents or partners as interest, wages, and rent. By wages I mean, as I have previously explained, the labour of the capitalist as well as the labour of the workman, for no logical distinction

can be drawn between the wages of superintendence and the wages of manual labour; for both to be effective, imply what physiologists call nervous and muscular waste. The order in which the distribution is effected is that labour is paid first. The payment of labour is essential to industrial life, and both interest and capital will be lost if the necessary claims of labour are not met, while rent could not accrue. In this partnership, the economist says, except these abide in the ship you cannot be saved. Labour paid, I do not say satisfied, interest is paid, and this being presumably a contract quantity, little need be said about it. Last comes rent. In common language, interest on capital appears to be paid first. That it is not is proved by the fact that no one would be silly enough to lend on a security which brings in no revenue, unless it was clear that the advent of the revenue is very near. For the sake of brevity, I will call interest A, wages B, and rent C; and I must remind you that the laws which govern the distribution of wealth are mainly of human institution.

It is a common-place in practical politics that they who own the land of a country make its laws. The statement, of course, is at best a strong tendency. In a country like our own, where tradition and habit, to say nothing of positive institutions, have long deferred to the judgment of landowners, the common-place has been, till recently, an admitted verity. There are symptoms that the sentiment is losing its force, but no one who has the smallest knowledge of social history in England can doubt that it was once overwhelmingly strong. Now it is in human nature that when, in the distribution of wealth, human institutions accord extraordinary authority to the recipients of rent, they will use their advantages to the full, and be indignant with those who dispute the justice of these advantages. I will venture on illustrating my position from my own case. I have very strong opinions on the relations of landlord and tenant in Ireland, and have expressed them, I trust with moderation, before a more august assembly than that which is hearing me to-day. But I will candidly own that, if I possessed a reputed £30,000 a year in Irish rents, I should find it exceedingly hard to reconcile my opinions with my interests. In the absence of passion and self-interest, says the English moralist, men are disposed to be just towards each other.

In the course of English economical history C has striven, and with no little success, to use the force of law in order to better himself at the expense of B. In a former lecture I gave you an elaborate, almost an exhaustive, account of the various labour statutes. These were attempts to make the laws of human institution available for an unequal distribution of wealth. I shall have to point out in the course of this lecture how contemporary writers accuse C of extending the same operation over B in another capacity, *i.e.*, as a tenant farmer. I should exhaust the time at my disposal if I were to show you how C has contrived to mulct B all round, especially in local taxation and in the transference of local taxation to imperial taxes. I shall have to show you how, during the seventeenth century, when C was very much in the ascendency, he did a good many things which have been very severely criticised since, and that I have discovered other practices of his with the same object. He did not, for the reasons which I have given, that interest is a contract price, succeed quite so well with A. But usury laws and the equity of redemption in a mortgage, when it is foreclosed by non-payment of interest, are illustrations of the same inclinations. It was because he noticed such facts as these that Adam Smith called rent a tax, and because he saw that the avowed object of many laws existing in his time was to raise the rent of land through the machinery of prices, that he considered, and not without colour of reason, that rent entered into prices.

A country is not civilized or safe unless it accepts and obeys a central administration, whose first business it is to aggregate all the force which is necessary for the protection of society from external and internal foes. England for a long time after the Conquest needed such a central authority. In their efforts to consolidate France, the French kings were always thwarted by their nobles and aided by their other subjects. Even the American Republic finds itself constrained to strengthen the Federal administration at the expense of State rights. But there is always a danger that the forces of government, the action of Parliaments, the power of law, may be made more injurious to a community than foreign and domestic foes are. Ancient civilization was wholly destroyed by the administration of the Roman Republic.

and Empire. Bad Governments ruined Spain; bad Governments nearly ruined Italy. It may be well feared that even now many European Governments are doing the work of Frankenstein, creating monsters whom they cannot control. The reason has been that Governments have used their powers, which they call the Constitution, not as a public trust, to be faithfully executed for the public good, but as agents for their own gain. We in England have had copious and continuous experience of this breach of trust. The people of Ireland have had no other experience. The historian of social life, who knows that effects do not cease when the causes are removed, is therefore engaged in seeking out past causes for present distresses, and may be seem to shallow persons to be needlessly indignant with bygone misdeeds, and to be unduly alarmed, when he urges that you cannot trust human nature to legislate from the point of view of its own interests.

Now the capital fact in the history of rent is that agriculture, however rude the industry may be, can always produce more than is necessary for the husbandman's maintenance and that of his family. I find that in early English agriculture, as in modern, a workman to twenty acres is a liberal allowance of labour. Give the labourer five persons to his family, and assign a third of the land to the supply of human food, the other two-thirds to fodder and the maintenance of cattle, and let the produce be a quarter to an acre, and he will grow seven quarters of food for the consumption of five persons. But five quarters are sufficient for them. The remaining two over and above will supply seed and rent. I leave out, for the sake of simplicity, the same set of facts for the remaining two-thirds. Now, historically, it was on this overplus that the ancient lord laid his hands, and called it rent, and Adam Smith was again justified in calling rent a tax.

An ideal state of society is one in which there is no rent at all, in which land is so fertile and so abundant in its produce that the price which the produce commands would be only sufficient to pay interest, recoup outlay and secure wages. Rent is of no interest whatever to any one but the landowner. If it were extinguished by natural causes, no one but he need lament. But this state of things never exists. If the ownership of land remains in private hands, and it would be an evil time should it cease to be in private

hands, the inexorable law which limits profits to an average on the calling would develop rent. On the hypothesis that capital and skill are ready for agriculture, people will pay for an agricultural advantage which secures profits above the average. Even if agricultural land were indefinite in quantity and indefinite in fertility, some would be in an economical sense more fertile than other land; say by proximity to the market only, and the lessened charge of freight. So far Ricardo is right, but thus much was known in the days of the Egyptian and Babylonian kings. Rent is not sacred, but it is natural. Friction is not sacred, but it is natural. One would be glad to see friction reduced to a minimum, but it would remain a very appreciable quantity. And if in the economy of human society, the cost of production and the cost of freight are so diminished, that we are a little nearer the ideal state than we were twenty years ago, it would be as rational for us to mourn as it would be to persist in going by a canal or a high road when a railway is ready for our use. I may be sorry for the man who has put his capital into a canal, or has lent his money to road trustees, when the tolls cease to pay the interest, but only in the way that I am sorry for any one who has suffered reverses of fortune. But if the two parties alleged that the canal and road were sacred, and that I must use them and pay for them, my compassion soon gives way to resentment.

Of course I do not mean to imply that English land will not hereafter pay a rent, that the corn fields of Western America and Northern India have rendered its cultivation unprofitable and impossible; but I am sure that the present, or rather the traditionary system of landlord and tenant has broken down, and that a new departure must be sought. English agriculture has faced in time past far more formidable difficulties than it has to face now, and has overcome them. But I am entirely convinced that if landowners, and they who counsel landowners, do not take the pains to understand the situation, and prepare themselves for the future, with fresh knowledge, a new policy, and a new departure, the outlook as time goes on, will be progressively more gloomy. Nor will any return to agricultural protection, an entirely hopeless wish on the part of some politicians and their dupes, relieve the state of things which is now induced on husbandry.

From the earliest period of recorded agriculture, by which I mean of such accounts as give us an insight into the occupation of land till some time after the middle of the sixteenth century, *i.e.*, for fully three centuries, the rent of agricultural land remains unaltered at from 6d. to 8d. an acre. This is the rate paid by tenants on lease, by socagers or free agricultural occupiers, with fixity of tenure, and invariable rents under a superior lord and serfs, whom the pedantry of the lawbooks described as holding at the will of the lord; whom the records of Manor Courts show to have had a permanent holding, though with certain disagreeable and precarious incidents. I shall take occasion to show in a future lecture how unchangeable the families were in a manor or parish, what significant economical consequences flowed from this fact, and in particular how it checked the development of certain tendencies for centuries. It seriously affected also the creation of competitive rents, and suggested to the inhabitants of a parish, that while it was not easy to import a stranger into the number of those who lived on the manor, it was in the last degree improper for one occupier to overbid another, and that the traditionary rent was as much as the landowner had a right to expect. In course of time one of the ways in which the landowner tried to raise rents in the face of rising prices was by the fines on admission or renewal. There is evidence, too, that they strove at the beginning of the seventeenth century to exact increasing fines from their free and customary tenants, to take advantage of any neglect or default in order to raise the old rents against the freeholders, and to greatly increase the dues on copyholders when they succeeded to their holdings, or made a conveyance by surrender.

The rent of meadow land was far higher. Many years ago, I collected the rents paid for those parts of Holywell parish, in Oxford, which lie near the Cherwell, *i.e.*, the low lying ground which extends from the northern extremity of the university park to the boundary of Magdalene College, on the west bank of the Cherwell, for twenty-four years, between 1295 and 1388. The practice was to let the first cutting for the making of hay, and to make the aftermath or rowens, called rewannum in the accounts, the occasional subject of a second letting. The maximum price which I have registered of the first letting is 9s., the maximum of the second

2s. 8d. an acre, generally it may be taken at 6s. for the first, 1s. 6d. for the second, or 7s. 6d. an acre for meadow land all the year through. Similar cases have been discovered in the fifteenth and sixteenth centuries. The explanation is easy. Natural pasture was let at far higher rates than arable, partly because there was no cost of cultivation, or a trifling cost, and partly because winter forage was so scarce. In the seventeenth century the rent of arable land varied from 3s. 6d. to 6s. an acre. I have here, and can show you, three illustrations of what I have said. This volume is a list of all the rents paid on the Coke estate at Holkham, between 1629, when the great Chief Justice retired early from active political and forensic life, and 1706, when the estates were in the hands of one of his descendants. During the whole of this period there is very little change in the rent, which from some twenty large holdings which I have taken is a little under 6s. an acre. This volume has been lent me by the present Lord Leicester.

The second of these rentals was procured for me by Lord John Manners. It contains the rentals of the Belvoir estate up to 1692, and afterwards. The land comprised in this rental is very well known to me. The average rent is 3s. 6d. before 1692, and about 3s. 10d. for a time after 1692. The noble family of Manners has been traditionally indulgent to their tenants, and the lettings on the Belvoir estates are very low, though the quality of the land is good. The third is a rental of certain lands possessed by Pierrepont, Earl of Kingston, in 1689. This rental comes from the Pepys Papers in the Rawlinson Collection. I do not know why Pepys had the list. This Earl of Kingston died in 1690, and was succeeded by his brother, who afterwards became Marquis of Dorchester and Duke of Kingston. The rental of this estate is apparently very high, but a considerable part of it, more than half, is pasture and meadow, which still bore a relatively high price to arable. Only two small tenancies are entirely arable, and in these, including a house in each case, the rent is 6s. 8d. an acre. On the whole, I believe that fairly good arable land was about 4s. 6d. an acre during the seventeenth century, and that there was a special reason, to which I shall presently refer, for the high rate of the Coke lettings.

From the very earliest times in English life, rural and urban,

the landowner or house-owner, being the ground landlord, effected all permanent improvements and did all repairs. The buildings had been originally erected at his expense, and were maintained by him after he ceased to cultivate the land himself, and procured tenants, first on a stock and land lease, then on an ordinary tenancy for years or at will. In letting agricultural land, the landowner of the fifteenth century even insured his tenant against extraordinary losses. Thus New College let one of its estates in Wilts, and covenanted to indemnify its tenant in case more than 10 per cent. of his sheep died in the course of the year, for the whole excess. The risk was not slight. In two consecutive years, 1447 and 1448, the college paid for 73 and 116 sheep on this single farm. In 1500, Magdalene College, which pursued the same system, paid for no less than 607 sheep to its tenants. The liabilities of the landowner were by tradition very heavy, and he was expected to make them good. The law of clerical dilapidations is a survival of a custom or practice which was once universal. Even in later times, this liability of the landowner to do repairs and effect all permanent improvements was so characteristic of English tenancies that they are distinguished as being under the English system. A totally different practice prevailed till recently in Scotland, and still prevails in Ireland, where it is the almost invariable rule that all buildings and permanent improvements have been effected at the instance of the tenant, a practice which has given rise to the recognition by Parliament of a joint ownership between landlord and tenant in Ireland, under the name of tenant right.

This English tradition is curiously illustrated from the records of house property in towns during the fifteenth century. New College possessed in 1453, house property to the annual value of £58 1s. 1d., from which fixed charges amounting to £12 11s 7d., and payable to divers persons, chiefly ecclesiastics, were deducted. Its net income would therefore appear to be £45 9s. 6d. But the expenditure on the tenements is very large. Every repair is paid for, even to signs for inns, the well buckets and rope, and latchets and locks for doors. What with these expenses, and with void tenements, the college only gets £3 5s. clear for the year. The possession of house property in towns during the fifteenth century, and for more than two and a half centuries afterwards,

was very unlike what it is at the present time, when town rents have been singularly swollen.

But before I deal with the further rise in rents, it is well to refer briefly to the system of agriculture in England to the end of the seventeenth century. I have already dwelt on it, but I must remind you here of a few particulars. The economist who deals with facts is constantly constrained to cite his facts, to repeat his facts, because they serve to illustrate various results in the economy of society.

You will remember that for a long time, certainly for a century, perhaps for longer, the landowner was also a cultivator, owning a considerable capital, interested in the adequate cultivation of the soil, and, being possessed of property which might easily be stolen, convinced that it was necessary to keep the peace. I am sure that for the latter result, the existing machinery was effective. In the very numerous accounts, many thousands, that I have read, it is very rarely indeed that any loss by theft is recorded, any dread of possible theft expressed, even in times of famine. The education of the English people in the principle of respect for property was very effective. It is true that everybody had property, and therefore everybody was interested against thieves and pilferers, and in respect for personal rights. I believe that the custom adopted by landowners of cultivating their own estates grew up during the long, peaceful, prosperous reign of Henry III., and the complaints against his government, the criticism on his policy, and, in the end, the armed resistance to it and him arose from the fact that England made great material progress during the first sixty years of the thirteenth century. To this Matthew Paris, one of the few chroniclers who is able to interpret social phenomena, bears witness.

The agriculture of the time was rude, and the produce scanty. But the best agriculture was undoubtedly that of the landowners, and their bailiffs. They could show the smaller tenants all they knew, and in their way could make experiments. Now one of the most costly of these experiments was their marling of land. It was a costly process, for the expense was constantly equal to the fee simple of the land, as I know from the charges incurred in the undertaking. Marl is an earth partly calcareous, partly argillaceous

which is of great service to stiff and to thin soils, breaking the one and giving substance to the other. "It mends any kind of land," says a writer on husbandry in the early sixteenth century. It is curious that when the new agriculture of the eighteenth century was adopted, the most enterprising of the landowners revived the policy of the thirteenth and fourteenth. I am disposed to believe also that these ancient landowning agriculturists sometimes strove to improve the breed of sheep, a matter of supreme importance when wool was so dear, produce was so accurately estimated, and local breeds were of such various value. This is, I think, proved by the high prices, prices beyond parallel, occasionally given for rams. When landlord cultivation ceased, marling was abandoned, it was too costly for the risk, and sheep-breeding suffered at least some deterioration. I have already explained the cause why landlord cultivation was abandoned, and the stock and land lease adopted. The social results which followed were many and various.

There is no trace of competition rents during the whole of the fifteenth century, nor do I think that they come into practical existence during the sixteenth. There is evidence however that eviction or famine rents, or compulsory exaltations of rent under the threat of eviction, or by colour of law, were practised in the sixteenth century. Fitzherbert, who wrote in the early part of Henry VIII's. reign, and Latimer, who preached his sermons towards the end of it, and up to the middle of the century, speak, the one on the peril which the improving husbandman fears from a rapacious landlord; the other on the contrast between the tenure of his own father's holding, and that of the occupier who has succeeded him, and is being ruinously rackrented. The complaints of the husbandman in Stafford's pamphlet published in the last quarter of the same century, suggest a similar grievance. But in all cases, the complaint is that the tenant is overcharged by the landowner, or made to pay rent on his own improvements. This could only be operative under threat of eviction and loss, and though in the simple husbandry of the times eviction had no such serious meaning as it now has, it was still seen, apart from competition, to be a powerful means of extorting rent. I do not doubt, too, that the Act of 1576, under which the universities

and colleges, with the two historic schools of Winchester and Eton, were empowered or rather constrained, to take a third of their rents in kind, or in kind turned into money, was intended to assist their corporations to procure, in an indirect way, some of the advantages of a competitive rent.

No one, who knows anything about early economical history, can doubt that rent was originally, and for centuries, a tax, imposed by the strong on the weak, in consideration of a real or pretended protection of the tenant. The invariable and fixed character of the tax seems to me to prove this, and the fact that no attempt was made to alter the fixed rent, except by open or disguised violence or fraud is to me conclusive. Nay, the terms on which precarious or terminable holdings were granted appears to me to be strong collateral evidence, for I do not find that the rent per acre varied very much from the old customary rates. Indeed it could not well be, for at the end of the sixteenth century, I inferred from prices that land would bear but a slight increase of rent, and, after making my calculations, I found that I was almost exactly correct, by the register of rent actually paid for the holding, whose possible rent I was estimating.

And here I may observe that the remedy of the landlord, for an overdue rent, by distress, was very imperfect. By the law, the rent issued out of the tenure, and upon this tenure only could the landowner distrain. Hence, if he lost count of the tenure (an easy thing under the system of open fields, where each occupier had in succession only a few persons, as I showed you in the Gamlingay survey), he could not venture on distraint for fear of trespass. I have constantly found in the fifteenth century accounts, that rents, though recorded for near a century, are declared to be irrecoverable, because the bailiff did not know on what land to distrain. Hence the law of distress, to the ultimate injury of the agriculturist, was supplemented, by the action of debt and the action of covenant being grafted on them, and the insidious principle that rent is a secured debt, avoidable by no length of time was retained in connection with these new methods of recovery. Now there is no doubt that of late years, the difficulties of the farmer were seriously enhanced by the law of distress, which by giving priority to the landlord's claim,

his principal creditor, weakened his credit elsewhere, and notably with the country bankers, who began in a declining or unprosperous market to be alarmed about their security.

No human skill can draw the line between a competitive and a famine rent. In theory, a competitive rent is one in which the farmer is not only perfectly free to occupy or leave alone, but is able to extricate his capital from his holding as readily as he can transfer a balance from one banker to another, or his savings from one public security to another. Unfortunately most political economists, misled by their abstract method and habitual disregard for facts, treat the movements of capital as all equally fluid or nearly so. A competitive rent, in the economical sense of the word, only exists for a moment, even under the most favourable times. Undoubtedly at the moment of the contract for occupancy, the intending tenant may seem to be entirely able to take it or leave it alone. I say may seem, for it is perhaps necessary for him to continue his calling, because to abandon it is to abandon the means of a livelihood, and he is therefore no more a free agent in the contract than a purchaser is in a besieged and straitened town. But the moment that he has agreed to the contract, and entered on his occupancy, his freedom ceases. He cannot, without serious loss, extricate himself from his holding, for no man can withdraw intact agricultural capital from a farm. I set down the loss at 10 per cent., but my friend, Sir James Caird, who is certainly better informed as to the economical position of the British farmer than any man whom I ever met, says that it should be at least 15. Now it is on this certainty that rapacious landowners and their mischief-making agents have screwed up rents, and reduced agriculture to its present distressful condition, a condition from which as yet I see no escape. Let me put the facts in a concrete form. A man has taken a farm of five hundred acres, at £500 a year, and brings on it, the quantity necessary for first-class husbandry, a capital of £5,000, or one-third of its selling value at the best of times. Now let us imagine that his landlord determines to raise his rent to 22s. 6d. an acre, and gives him notice to agree to this or quit. His loss by migration will be at least £500, or according to Sir James Caird £750 at least, and the better agriculturist he is, the surer is his loss. This he knows,

and if it had been the habit of a farmer to keep accounts, he would have seen the meaning of the alternative, for I am assuming that the sums I named are the maxima from which agricultural profit can be expected. But as he does not he argues thus: "If I go I shall lose from £500 to £750 down; if I stay at the increased rent I shall have to pay £62 10s. more. I'll risk it, prices may improve, I can save a bit one way or the other, and make both ends meet." Had he kept accounts he could at once have seen that he is losing his capital as surely as if he had quitted his holding.

No just landlord ever exacts a strictly competitive rent from his tenant, and recent experience proves that no wise landlord will exact what no just landlord will. It is the business of a landowner to learn what rent land will bear, how to adjust it to the market, and it is no excuse to allege that foolish tenants have offered him rents which they could not possibly pay. A sensible banker, if a borrower offers him 15 per cent. for a loan, could have no better reason than the offer for declining the advance without a moment's hesitation.

The rents of the seventeenth century, small as they seem to us, began with competition rents which rapidly slid into famine rents, by which I mean rents which leave the occupiers with a bare maintenance, without the power of either improving or saving. The earliest writer on husbandry in the seventeenth century admits the fact of competition rents, defends the lord's action in taking what is offered him, and treats the farmer's remonstrances with ill-disguised contempt. One would think in reading this author's arguments, that one was hearing the mischievous chatter of the modern surveyor. The agricultural writers of the seventeenth century point out in vain how lucrative is the new agriculture of Holland and Flanders, how easy it is to follow it, how deplorably backward in all that makes his art is the English husbandman, and then passionately denounce the ill-judged rapacity of the landlord. Their rents to be sure were poor enough, but as the position of the tenant was precarious; they were more than the cultivator could bear, and an absolute bar to agricultural progress. At the end of the century, Gregory King, who makes an estimate of incomes which is, I am persuaded, on the whole correct, while he credits a bishop

with the largest power of saving out of his official income, viz., £400 a year from £1,800, assigns the least capacity of saving to the farmer, for he credits him with a saving power of only 25s. a year out of an income of £42 10s.

There was, however, in some parts of England, notably in the eastern counties, in the west and north, a bye-industry of sufficient importance as to make the tenant-farmer comparatively indifferent to accretions of rent. This was the linen and woollen industry, carried on, I am persuaded, in most farmhouses in certain districts of England, the products being collected and purchased by travelling agents. Such, almost if not quite within living memory, were the woollen, particularly the flannel, industry of some parts of Lancashire and Yorkshire. Such was a generation ago the universal practice of Ulster, and I have recently been told by those who can well remember the universality of the practice, that the small farmers of Northern Ireland were comparatively indifferent to the magnitude of their rents, out of all proportion as I know to the value of their holdings, if their spinning-wheels and looms produced enough to pay the spring and autumn gale. When, however, the larger manufactories extinguished in part (for the industry is still carried on) domestic weaving, the rent to which the peasant was indifferent became a famine rent, and absolutely unbearable.

Every civilized community in Europe has found it necessary in one way or other to regulate the relations of landlord and tenant, and to save the latter from the capricious and ruinous rapacity of the former. In France it was effected at the Revolution, and with terrible suddenness in the autumn of 1789. In Germany, Stein and Hardenberg saw that a change was imperative after the humiliation of Jena. In Holland it was a later reform, as it was in Scandinavia. In Denmark, which forty years ago was as miserable and as turbulent as Ireland, it was the benevolent work of Bishop Monrad, the enlightened minister who had to bear the brunt of the scandalously unjust Schleswig-Holstein War. In Russia, it was the work of the late emperor. . I do not say that in every case, the reform was done in the best way, but I am assured that the reform had to be done.

In the early part of the eighteenth century, the rent of agricul-

tural land, according to Jethro Tull, one of the earliest advocates, from the evidence of his own practice and experience of the new agriculture, was on an average of 7s. an acre. At the beginning of the last quarter, according to Arthur Young, who traversed the greater part of England, it was a little below 10s. The rise was the work of the landowners, was entirely deserved, and is most instructive. The average price of wheat during the seventeenth century was 41s. a quarter. It was a good deal less in the first half of the eighteenth, and rents were doubled. Other agricultural prices were not higher, some were as people would say now-a-days ruinously low, for wool was only 3d. a pound for a considerable period, *i.e.*, at a less nominal price that it often was in the fourteenth and fifteenth centuries. The rise in rent during the eighteenth century proves that rent depends in a slight degree on the natural powers of the soil, and to a limited extent, these natural powers being easily exhaustible, and a great deal on the acquired capacity of the cultivator—this cause of rent depending on the general diffusion of agricultural skill. In short, to use a logical expression, which is, I doubt not, familiar to most of you, what in Ricardo's definition of rent is made objective; to those who know anything whatever of the history of agriculture, is subjective.

I do not imagine that the singular and all-but universal passion for practical agriculture, which seems to have taken possession of the country gentlemen of England during the eighteenth century, had in view the improvement of the tenants' experience. "The farming tribe," says Arthur Young, when writing about the later manifestations of the fashion, "is made up of all ranks, from a duke to an apprentice." In some classes of society, as I well remember, the passion for farming had not passed away in my youth. It was, I make no doubt, an intelligent appreciation of the profit which might be made of the new agriculture. It is not unlikely that the country gentleman, seeing how rapidly the new aristocracy of trade was growing in wealth and influence, determined to see whether they could rival the men whom they despised and disliked. The English aristocracy of the eighteenth century was peculiarly infected with the pride of rank. I have been amused at one scheme of the Lords. They planned the foundation of an academy for their own order, to be established by Act of Parlia-

ment, and maintained at the public expense, but closed to any but the noble, and twice referred the scheme to a select committee. Now there was very little to be got out of Walpole, and still less out of Newcastle. So they very wisely and usefully betook themselves to agriculture. "There have been," says Young, "more experiments, more discoveries, and more general good sense displayed within these ten years in agricultural pursuits than in a hundred preceding years." He might, had he taken in the second quarter of the eighteenth century, have said, with perfect accuracy, than in all recorded history. "And," he adds, "if this noble spirit continues, we shall soon see husbandry in perfection, and built upon as just and philosophical principles"—his comparison is whimsical enough for his time—"as the art of medicine."

It is invidious and unfair, when one comments on the singularly useful career of the English landowners during the eighteenth century to dwell exclusively on the view of their personal interest. That they intended to better themselves is probable, but they did the highest public service, in throwing themselves with such enthusiasm into that noble art which possesses such peculiar attractions to those who have prudently practised it. Least of all would I complain that their gains were large, and that they took pride in the business on which they entered with such zeal. Lord Lovell, whose farming-book I have in my hand, lent me by his public-spirited descendant and heir, the present Lord Leicester, was one of the earliest and certainly one of the most comprehensive of the new "farming tribe." He grew corn, he was the butcher of the neighbourhood, and did not disdain to supply his noble neighbours and take their money. He is the maltster, the brick-burner, the lime-burner to the district. He superintends the whole farm, checks all the accounts, examines every item, and after making a reasonable deduction from his profits for his rent, paying his workmen liberally for the time, and making considerable and expensive improvements on the estate, by marling a portion of it, declares a profit of over 36 per cent. on his first year's expenditure.

We may be sure that there was a good deal of talk in North Norfolk about the noble lord's experiments. The gossip of the time is not recorded, but we may be certain that the men of the old school shook their heads, imagined that Lord Lovell had gone

crazy, spoke of the turnip-fields as his folly, and wondered what he thought could be got by the new-fangled grasses. And we may be sure that the bailiff who, when the scheme was first begun, wagged his head with the wisest of the farmers, but perhaps held his peace when the year's profit was declared, bragged of the work that had been done, and took some of the credit to himself. For you may have noticed that the incredulous are generally the first to welcome success, and to deny that they ever suffered from incredulity. The commonest of all fabulists is the man that tells you that he all along believed matters would come right, though your ears may still be deafened by his lugubrious predictions of failure.

The farmers saw and slowly followed the new system. It is true that fifty years later, there was much slovenliness in practice, and, above all things, as Arthur Young complains, "one cannot get the farmers to keep accounts." I have often thought how delighted this excellent and judicious person would have been could he have seen, inspected, and have read a bailiff's account of the fourteenth century, with its exhaustive recital of particulars and careful balancing of receipt and expenditure. Of course the rise of rents, though by no means considerable at first, ensued, and most justly. No men had more fairly earned the bettering of their improved position than the English landowners had earned theirs in the eighteenth century.

There were still serious impediments to the new agriculture. The custom of open fields, on which it was impossible to practise it, was general, and the enclosure of such fields, by which I do not mean the appropriation of the common lands, was exceedingly costly, dilatory, and uncertain. Many of these enclosures were effected, however, in the eighteenth century. Others, infinitely less excusable, were the work of the nineteenth, the plea being the increase of arable culture, an argument as germane as that of the man who picks your pocket on the plea that he can make a more profitable use of your money than you can. I have myself seen common fields in Warwickshire, but I presume that the system is now completely extinct, though I believe lammas lands, in which there was private property in the soil from Lady Day to Michaelmas, and general property for the other six months of the year, subsist.

The rents of 3s. 6d. an acre in 1692 rose to 36s. 8d. in 1854. Agriculture was still progressive, the cost of materials was greatly reduced, while the cost of production (in agriculture the proportion of cost to the market value of the produce) was greatly diminished, the price of products being exceedingly high, and the rate of wages being disgracefully and dishonestly low. Hardly a year passed without the trial of some new experiment. I well remember an old acquaintance, who came out of Wiltshire into Hampshire, a sheep drover, who had saved a little money, and hired a small farm, with a good deal of down in his holding. He ploughed the downs, burnt the turf, manured the ground well, sowed turnips and oats successively, knowing that chalk is a sponge which holds and gives back all it receives, kept accounts, made a fortune, and died a wealthy banker and landowner.

There are one or two points in this history of rent, which I will employ the rest of my time in commenting on. I have mentioned more than once that the price of wool was exceedingly high in the Middle Ages. But there is no trace of a rise in rent being consequent on a rise in the price of wool, though wool is eminently an agricultural produce. But the operation of those laws which determine rent is far less operative over that capital of the farmer which can be transferred with little loss from one locality to another than it is over that which, from necessity, must be committed to the soil. Diffused skill in cattle-breeding and sheep-raising can be far less easily mulcted by rent agencies than diffused skill in growing crops. The principal lever in the elevation of rents has been the loss consequent upon dispossession. This is the real "unearned increment." No doubt, to let a man hold land at much less rent than the land will bear, as Arthur Young constantly complains, is to encourage indolence; and among the indirect benefits which have come from rackrenting, as an offset to its fatal injuries is, that up to a certain point it calls forth energy, forethought, and thrift. Of course it may bring discontent and despair. But within a certain limit it equalizes unequal opportunities. But, on the other hand, cattle- and sheep-raising are matters of personal rather than of general skill, and it is clear that in the Middle Ages, as sometimes in our time, the operation was exceedingly hazardous. In the absence of winter roots, and the stint of hay, a dry summer followed by a

hard winter would have had very serious effects on the sheep master. In the same way, the rent of land, let to so capricious and risky a produce as the hop is, bears no proportion to the occasional gains, and the invariable hopes of the hop grower.

I thought that I could have detected the rent of land through the reserved rents and fines of the colleges in Oxford and Cambridge, and in the estates of Winchester and Eton Colleges. But after much pains taken, I found that my research was disappointing. These corporations for a long time were in great peril. Had Henry lived longer, he would have devoured them. The bishops of Elizabeth's reign were plundered by her nobles, with the Queen's connivance. The Cecils took no little ransom from the see of Peterborough. Exeter was reduced from a rich to a poor bishopric by the western nobility. Every one knows the story of Hatton and the Bishop of Ely, and Elizabeth's threats. At last the Queen, perhaps at the instance of Parliament, came to the rescue of the prelates and passed the disabling statute.

The Colleges had much reason to be alarmed. Though I do not find that they lost their estates, they became exceedingly poor after the Reformation and the rise in prices. I can hardly see a change in their revenue when everything became trebled in price. The fact is these corporations leased their lands on very beneficial terms to great men. Cecil and Derby took estates at one half their annual value from King's College. Similar leases were granted by the Oxford corporations. The Crown came to the rescue with the Act of 1576, the Reserved Corn Rents Act, and the Colleges began to exact fines on renewals, at first timidly and always ignorantly. They were put to great straits as time went on to find out what their property was worth, and to fine accordingly, though under the mark when they did know. They never got its value, and the lessees made great profits from the difference between their own rents and that of the under-tenants.

Arable rents have risen, in the course of the last two and three quarter centuries, in many cases, eighty times, while wheat has risen eight times. Pasture has risen about ten times. Now if there be such a thing as the indestructible powers of the soil, it is more characteristic of pasture, which cannot profitably be ploughed up, than of anything else. But the cause of the first elevation, as I

hope I have now sufficiently pointed out, is diffused agricultural skill, and competition for business profits. This is not indeed the cause of all rent, for, as I have said, there is a famine rent, under which the landowner by familiar processes takes from the cultivator of the soil all but a bare subsistence. During the seventeenth century the English farmer had experience of a famine rent. For the last eight years, it has been renewed. The Irish farmer, who is in nine cases out of ten a labourer paid in land, has had no other experience than that of a famine rent. The Nemesis has come in both countries, and even the nineteen years lease, which the Duke of Argyll thinks the quintessence of human wisdom, gilded by the most perfect justice, is discredited. When will people learn that high prices do not make high rents, that folly may destroy what it can never recover, and that the best way to extinguish all human interest in rent is to deny that it is a matter of human institution, while it is the result of an intelligence possessed by the occupier and not by the landowner, except under peculiar circumstances, and is in no sense divine or providential?

One of the ways in which the owners of land have striven to maintain artificial rents has been, first, by starving the peasant, next by putting the cost of his necessary maintenance on other people. I have already described to you how this system was developed. It has been most disastrous to those who devised and carried it out. I don't know whether the farmer and landowner will ever find out that low wages do not mean cheap labour; but it is a common-place even with economists of the stupid school, and a truth which they have been able to grasp, for they learnt so much from Adam Smith. But that their misery was to be an ever-increasing cause of rent, was left for the genius of a London stockbroker to enunciate, for the economists and country gentlemen to accept, and to be refuted by facts. More than twenty years ago I pointed out the nature of the problem and its inevitable solution. I suffered the ordinary fate of those who are more far-sighted than the people among whom they live—no great feat here. I might perhaps, if time permitted, discuss with you what must be the rent of the future, for that of the past is vanishing, and for reasons which you might gather, and probably will, from what I have said. Or I might fortify myself with the example of a great man of my youth, the late Sir

Robert Peel, and decline to commit myself to a prediction and a remedy till I am called in. This, however, is perfectly certain—the landowners of the eighteenth century made the British farmer the best agriculturist in the world; the landowners of the nineteenth have beggared him.

IX.

METALLIC CURRENCIES.

Early English money—The mark and the pound—Changes in the weight of the penny—Silver produced in England—The King's Exchanger—The ratios of silver and gold—Causes affecting these ratios—Bimetallism—Gresham's Law—Payments made by weight not by tale—Reasons proving this—The debasement by Henry VIII. —The foreign exchanges—The recoinage in 1696—The suspension of cash payments—Seigniorages on coins—The efficiency of the currency—Currency kept for two objects, internal and foreign trade.

The subject on which I am to lecture to-day is rather technical. It can only be understood when some figures are mastered, and there are some figures, as I shall show in the course of what I have to say, which would be wholly deceptive, if they were not explained away. The right apprehension of what the English currency was is absolutely essential towards the interpretation of money values in the economical history of England, and the interpretation of that economical history gives meaning and vitality to constitutional and political events, transforming them from disconnected and unrelated annals into a cohesive and continuous vitality. I hope that the laborious antiquaries who dig out what they call the facts of the English constitution, and edit the opinions which they discover, will take no offence at what I say. Their work has a high value, because it is the collection of materials, and without materials, no man, except a metaphysician, can build. But there is really nothing constructive in constitutional and political history. The proof lies in the fact that the

most ingenious theories are liable to destructive criticism, even when propounded by men of real genius.

Those Teutonic nations which were never brought under the direct influence of the Roman administration had a unit of money which they called the mark. Those parts of Western Europe which were brought under the direct administration of Rome had a unit which they called the pound, livre, lire. Sometimes, as in England, the two systems were used in calculations, and in early times quantities were expressed in marks almost as frequently as they were in pounds. From a very early date the mark was reckoned at two-thirds of the pound. Neither the pound or the mark was ever coined. They were simply money of account. Moreover, the only currency employed in circulation for a long time was silver, and in many countries silver remained the only currency till very recently. In some communities, gold has been substituted for silver. In some, paper has taken the place of silver. In England, the pound of silver, called the Tower or Saxon pound, contained 5,400 grains. In 1527, Henry VIII. substituted the Troy for the Tower pound, containing 5,760 grains. The penny then contained 22½ grains of the older, 24 grains of the later pound. The fineness of the standard was, in theory, 11·1 pure silver and ·9 alloy; and the king's officers at the exchequer took care that the money paid should be up to the standard of fineness, as we learn from that very ancient financial treatise "The Dialogue on the Exchequer," first printed by Madox.

Nobody knows in what nation or in what place, the capital invention of the coin was made—whether it was in Greece, or Sicily, or Italy, where, by the way, the ancient currency was copper, a metal more frequently found native in a pure state than any, excepting gold. We know that there were countries far advanced in civilization which had no coins. There were none in Egypt, in Assyria, in Babylonia, in the old Phœnician colonies; for coins are sure to be lost now and then, and are exceedingly indestructible. None have been found in the ruins of these countries, and yet it appears, from recent research, that Babylonia had an elaborate system of banking, and all the machinery of transferring balances from one account to another. In the same way, though

there is a small currency in China, there is no silver coinage; for it is said that Mexican dollars, which serve, or did serve, to liquidate balances, are melted into ingots when they get into the native merchants' hands, these ingots being stamped with the trade mark of the merchant who casts and re-issues them. Such, probably, were the means by which exchanges were made in early times, and among those nations which never adopted a money currency. Some measure of value is needful for business of a rudimentary kind, but we see, from the example of these ancient peoples, that great progress can be made without coined money.

I need not trouble you with the common-places which you will find in all books on political economy, as to the motives which have induced nations to adopt the use of gold and silver coins. The economists have interpreted these functions with great precision and clearness. It is not wonderful that they have, for many of them who have written on the subject have been engaged in what is called the money market, or have been familiar with those who have been so engaged. I have thought it my duty to speak with exceeding plainness about the Ricardian theory of rent, because I hold it to be so exceedingly incorrect, and so transcendently mischievous, since it encourages men to hope for impossibilities. But on money and banking, on currency questions generally, and especially on the most abstruse of them, Ricardo's authority is of the highest character. Here he was in his element, for he was an exceedingly acute stock-jobber, in the days when a prosperous stock-jobber was almost a strategist, as you may learn, if you like, from biographies about successful people in this calling. Rude and comparatively savage races imitated currencies. I know nothing more ingenious and more conclusive than the manner in which Mr. Evans, the numismatologist, has traced the British gold coinage, which is tolerably abundant in collections, to the imitation of a Macedonian stater of one of the later Temenid kings.

If you take up books in which the English currency is treated, you will find the following statement of facts. The original standard of weight in the silver penny may be taken at 3. In 1299, Edward I. reduced it to 2·871; in 1344 Edward III. reduced it to 2·622, in 1346 to 2·589, and in 1353 to 2·325. In 1412,

Henry IV. lessened it to 1·937; and in 1464 Edward IV. to 1·55. In 1527, Henry VIII. brought it down to 1·378, and in 1543 to 1·168. In 1560, after the restoration of the currency by Elizabeth, it is at 1·033, and in 1601, she brought it to exactly one-third of the weight it stood at 303 years before. I am obliged to supply you with these details because they are essential to my criticism on the inference which is drawn from them. In one particular they are exact. The proportionate weights of what is called the silver penny correspond to these registered mutations. I have, long ago, put this fact to the test, by weighing clean and unworn coins in chemical scales. I hope that I shall be able to prove to you that I threw away my time and trouble.

Now silver, up to the great change in money values, was produced largely in England. The commonest ore in which silver is found is galena, the native suphuret of lead, in which ore it is said to be always present, though some is even now too poor to bear the cost of refining, and much must have been then, when the refiners' art was rude. In the various works which I have read on the early trade of England, and in the statistics regulating that trade, I have never met with imports of lead. I have no doubt that England supplied France, and not a little of Western Europe with this metal, which was comparatively cheap, and greatly used for church roofing. The greater part of the silver of Western Europe was also, I believe, derived from England, despite the restraints put by statute on its exportation. If there be any truth in the constantly recurring story about the enormous and incessant exactions of Papal avarice in England, not a little of it went to Rome and Avignon, and then again to Rome. If we give credit to the complaints, for even the monks, generally friendly to the Pope, make them, the overflow of money to the Pope's court, in the palmy days, was annually equal to the royal revenue. But the English did not become impoverished by the efflux. Lead, the ore of silver, falls in price during the fifteenth century, and there is no reason to believe that the art of metallurgy was improved, and at that time, it was rather dangerous to have a scientific reputation, for experiment was liable to be confounded with sorcery, the most deadly charge that could be made against any one.

For reasons which are explained elsewhere, the Government of England made strenuous efforts to prevent the exportation of silver, and I am quite sure that the payments made to the Pope and his court, turned public feeling against the supremacy of the Roman Pontiff, and hastened the breach of the sixteenth century. Perhaps, had the Pope been acquainted with monetary science, in so far as it is understood by every one now, and had grappled with the economic heresy which treats it as the only wealth, he might have mitigated the feeling. But more than any sovereign of the Middle Ages, the Pope spent wealth.

The opinion of English statesmen was, that in order to secure and retain abundant wealth, it was necessary that on every article exported, a balance in specie should be paid to the English dealer. The Government, therefore, limited the market for certain important English exports to certain towns, called staple towns, of which Calais, for wool, the principal and most valuable of English exports, was the chief. But as the merchants might prefer their own profits to the theory of the administration, a high officer of state, called the King's Exchanger, was appointed, whose duty it was, by himself or deputy, to see that a balance of money was paid on each transaction. The first of these officials was De la Pole, in the time of Edward III., the ancestor of those Earls and Dukes of Suffolk who had so tragic a history in the fifteenth century. This official foolery went on till the time of Charles I., who appointed Rich, Earl of Holland, to the office. But the London merchants, from whom Charles was perpetually borrowing money, resented the absurdity, declared that the patent was illegal, at Selden's instance, and induced Charles to revoke it. I speak of the policy as it deserves, but there are people in our own day, who might know better, who are foolish or dishonest enough to allege that the character of our trade proves that gold and silver are leaving us. In form, the prohibition on the exportation of gold and silver coin continued till 1816. It had a curious effect. People were allowed to export gold in bars, foreign coin, and bullion, the produce of foreign coin, and an oath had to be taken, that exported bars were of this character. People were hired to swear that they were, and sworn-off gold, as it was called, was worth three halfpence an ounce more than other gold was, which

had not been subjected to the ceremony. You will see that three halfpence an ounce was the bullion dealer's payment for perjury.

Of course the operation of the King's Exchanger was nugatory. Very much more bulky things than silver were easily sent out of and into the country, at a time when ships were small, harbours numerous and easy of access, and prevention impossible. The merchant of the fourteenth and fifteenth centuries, and for many a century afterwards, did not want to keep useless money by him, especially when he saw that there was a profit in getting rid of it. So he laughed at the staple and the exchanger with perfect impunity. Had the operation been effectual, it would have heightened prices, because money would have been in excess. But during the time when this machinery was at work, especially in the fifteenth century, prices were falling all round, a fact of which I shall be able to make notable use by and by. It is, however, possible that the prohibition may have been treated as a risk, and have thereupon increased the cost of discounting bills. At any rate, I am convinced that in later times such was the effect of the law.

I have said that silver was for a long time the only currency. There is a story, told by the annalists and repeated by Ruding, that in 1257, Henry III. issued a gold coinage at the rate of 10 to 1, but that the London citizens resented the practice, and that the king took it back at the proportion proclaimed, exchanging it however into silver at a charge of 2½ per cent. But the reality of this issue has been doubted. No specimen has ever been found of the coin, and it is probable that Henry only intended to give currency to some foreign gold coins. In 1262, Henry bought some gold florins and byzants for the purpose of making plate, at from 9 and 10 to 1. Thirty years later, Edward I. purchases a considerable quantity of gold, for the purpose of gilding parts of the crosses which he set up in memory of his queen, Eleanor of Castile. Here the proportion is a little over 12½ to 1. In 1345, Edward III. issued gold coins in the proportion of 13¾ to 1. According to Lord Liverpool, in his "Coins of the Realm" (a work which I have heard was actually composed by Ruding), during the fifteenth and sixteenth centuries the proportion fell to between 10½ and 11·8 to 1.

In the seventeenth the ratio was 15 to 1. At the resumption of cash payments, the rate was recoginzed as 15½ to 1; but silver as a legal tender was demonetized. At the present time it is about 22 to 1.

The ratio of gold to silver, *cæteris paribus*, depends on their use in currency. Many years ago, I was a good deal struck with the rapid rise in the relative value of gold in 1296, over that in 1262. But an examination of Muratori's invaluable antiquities explained it. During the last quarter of the thirteenth century, and through the greater part of the fourteenth, numerous Italian cities adopted a gold currency. Their trade was with the East, where gold currencies were customary. A demand for the metal occurred, and the price of necessity rose. This gold currency was even more general in the fourteenth century. For example, that of Avignon, then the seat of the Popes, was gold, and people who brought silver to the curia, as I have shown, had to pay handsomely on the exchange. I have myself little direct evidence as to the causes which depressed the value of gold in the fifteenth and sixteenth centuries. Of course the relations of Europe with the East were greatly modified as the Eastern empire decayed, and finally fell, and the old roads over Central Asia were effectually blocked.

When the new money came in from the West, the ratio of 15 to 1 was established. The ratio was not free from serious fluctuations, which some of the bimetallists have not sufficiently studied, when they dwell so complacently on its steadiness in some of their publications. At one time gold was found to be overvalued, and silver disappeared; at another silver, and gold disappeared, so that financial operations were resorted to in order to restore the equilibrium. In 1853, M. Chevallier thought that silver would disappear from France, owing to the gold discoveries in Australia and California, and Mr. Cobden translated his book. After the war of 1870, Germany determined on establishing a gold currency, and a few years afterwards Italy followed her example. Instantly commenced a fall in the price of silver, which has continued since. The States of the Latin Union diminished their silver issues at their respective mints, and the fall became more rapid. If Austria and Russia had retired their paper currencies the downward movement might

have been in part, if not in whole, arrested. If China were to adopt a silver currency for her enormous and populous empire, the ratio would be totally altered. There are rumours that such a scheme is contemplated. I will venture on predicting that what I have said would be rapidly fulfilled if the scheme takes effect.

It is impossible to say to what extent a government may regulate its internal currency as long as that currency is unaffected by the foreign exchanges, which treat coin as mere metal, as soon as it becomes what Adam Smith calls the money of the great mercantile republic. It is said that the paper currency of Russia circulates at its nominal value, though in the exchange it is only half the value of the silver rouble, and the silver rouble suffers from its own depreciation. But with the outer world Russia deals in gold only. It claims all its import duties in gold; it makes what foreign purchases it needs in gold. So with India. I have been told that the purchasing power of the rupee is not diminished in the peninsula. But the relations of England to India, as a creditor country, are gold relations. The pensions of its civil and military retired officers are indeed paid in silver, and have to bear the loss of the exchange. But its external debt is a gold-bearing debt.

Some time ago I had an opportunity of talking with Mr. Fremantle, the Master or Deputy-Master of the Mint. I asked him whether, with so prodigious a seignorage on the English silver coins, now over 30 per cent. above their gold value, there was in his opinion any private coining of genuine silver money. He told me that the Mint authorities had naturally had their attention directed to the risk. But they had found no evidence of the practice. The machinery for coining genuine money would be expensive, the manufacture of dies would hardly escape notice, and if these difficulties were surmounted, that of getting rid of any amount worth the risk would arise. The movements of metals, especially of coins, are well known, and any interruption in their ordinary flow would be suspicious. If in our day the alchemist could realize his dream of transmutation, he would find it difficult to get rid of his produce. Let me illustrate what I mean. Perhaps the University Press requires about £200 a week in silver money for wages. The efflux and influx of this silver money is as well known and provided for as a Great Western train. Conceive, for a moment, that the

local operation suddenly ceased, and the Press went on paying wages as usual, no one knowing where it got its silver coin from. The mystery would be soon followed by suspicion, the suspicion would be followed by inquiry, and the Mint would discover the origin of the new process. I am convinced that the authorities of this department would have a quicker scent after such an affair than the Ordnance had after the origin of the flexible bayonets and the fragile swords.

I may, on a future occasion, find it in my power to deal with the question of bimetallism, *i.e.*, of the simultaneous legal tender of two different metallic currencies. The subject is exercising a good deal of ingenuity at present, and though I have not heard that any person of eminence in monetary science or finance, or even in the bullion trade, has declared his adhesion to the theory, it is supported by names respectable enough for consideration. It is due to such persons that the theory should not be put off in an *obiter dictum*. But thus much is certain. It is necessary, before an opinion is formed on the subject, which is entitled to serious discussion; first, that much more should be known of the historical ratios of the two metals than has hitherto been collected; next, that a careful estimate should be formed of what are the real forces of a government, which is invited to give an artificial value to any of its coins; and next, if it be found necessary, as most advocates of bimetallism confess, that there should be not an understanding only, but a binding agreement among civilized countries, as to the limits on the issue of an overvalued currency, what is the machinery by which they expect that the agreement will be enforced. I will not, however, on this occasion, pursue the subject further.

Now reverting to the statements which I made in the early part of this lecture, the gradual degradation of the penny in weight between 1297 and 1600, most people who have dealt with prices imagine that payments are made by tale, and that these prices, in so far as details were known to them, accommodated themselves to the new and degraded coinage, that of course, in accordance with Gresham's law, that an overvalued and an underrated currency never circulate simultaneously in a country, but that the undervalued ones instantly disappear, immediately on the appearance

of the new and degraded coins, the better currency being hoarded or exported. This was Adam Smith's opinion. He thought that during the fifteenth century silver was gradually getting dearer, and that prices, without let or complaint, at once accommodated themselves to the new and lighter coin. Now Smith had scarcely any information on prices. All that had been published in his day was Bishop Fleetwood's "Chronicon Preciosum." Fleetwood had been a fellow of Eton, and in his day was fond of studying finance. He had a reputation, and a fellow of All Souls, who had a private estate of over £5 a year (the limit which the founder allowed to his fellows), and was therefore threatened with a declaration that his fellowship was vacant, consulted Fleetwood as to what should in equity be the interpretation of £5 in Henry the Sixth's time, according to prices in the reign of Anne. Fleetwood answered this case of conscience by collecting what information he could procure, or thought necessary for the contrast, and published his results. For a long time his book was the only authority on the subject, and the Eton wheat and malt prices were frequently referred to in Parliament and by authors, such as Adam Smith, who printed them. The work, as far as the fellow of All Souls was concerned, was published in vain. The fellows, as I learn from Hearne's Diary, rightly declared his place vacant. The discovery was a shock to me, as I had to give up, among the "Worthies of All Souls," what I had imagined was a conscientious worthy. But as for Fleetwood's facts, I can allege that I have printed more information on prices for any one year, than can be found in the whole of Fleetwood's collection.

Now let us take one century, the fifteenth. According to the table which I gave you, in 1412, Henry IV. took a sixth part away from the silver pennies which he issued, as compared with those put into circulation by Edward III. in 1353. In 1464, Edward IV. takes away a fifth of what was contained in the penny of Henry IV., and these are part of a series of changes which at the last date had reduced the penny to almost exactly half of its ancient weight. But no material change of prices takes place in England for the 280 years during which the reductions in weight were made. No change, which is still more remarkable takes place in the years which follow the change.

Between 1410 and 1414 inclusive, prices of corn are singularly uniform, between 1462 and 1467 inclusive, they are nearly as uniform. Twopence are taken out of the shilling on the first occasion, nearly 2½d. on the second, but prices remain low. The prescience which could have made such a reduction and could have foreseen that no effect would have been induced on prices, would be simply miraculous.

But the patience of the people would have been even more remarkable. Not a single complaint is uttered as to these acts of the administration. Henry made the change when he was peculiarly unpopular; Edward, when he had just obtained his kingdom, and had to employ all his energies in baffling the intrigues of a discontented and beaten faction. The purchasing power of money did not, it is true, change for English goods. Neither did it for foreign, on which the exchanges would be certain to operate. But every one who knew anything about it, *i.e.*, all who took money (for it was a period when money scales were part of the furniture of all houses), must have known that within 52 years 4½d. worth of silver had been taken out of every shilling. It was an epoch of fixed rents and of fixed dues. There was hardly an estate from which one or more pensions did not issue. Agricultural rents from tenants at will or on lease were practically fixed. Taxes, tenths and fifteenths, were fixed amounts. It is not credible that the king, his lords, the whole body of landowners, the recipients of fixed incomes rising from land, would have acquiesced without a murmur in an operation which reduced those incomes nearly 40 per cent. The old money too did not disappear. No one says it did, and in the eighteenth century, writers on the exchanges inform us, that coins of the Plantagenet kings often came into their hands.

The English people were by no means patient, especially when their pockets were affected. They hated favourites, who got hold of the king's money, with exceeding bitterness, and when the king was incurably bent on impoverishing himself they were very apt to depose him, and acquiesce in his rapid disappearance. All our early revolutions, I do not see why we should not even include the later, have had a financial or economical reason at the basis of them. The revolt of Tyler, the insurrection of Cade, the rising

of Ket, in the fourteenth, fifteenth, and sixteenth centuries, to say nothing about the Pilgrimage of Grace, can be connected with financial and social discontent. I suspect that the affair of 1688 was quite as much associated with economics as it was with religious discontent. The philosophy of history is far too apt to neglect the former cause. But the philosopher has the excuse of ignorance, and the advantage of imagination.

I felt convinced, then, that the view commonly taken of these successive degradations of the currency was an erroneous one, and could not possibly be accepted. To be true, they who manipulated the mint must have been preternaturally wise, or preternaturally foolish, and though the English race is not naturally quick or inventive, it is not incapable of discovering and avenging a grievance. Now the conclusion which I arrived at, and that many years ago, was that payments were made by weight, and not as now by tale, that whatever was the weight of the pieces issued by the Mint, a man who covenanted to receive or pay a pound of silver, for goods, services, or dues, received 5,400 grains up to 1527, and 5,760 afterwards, and that this system lasted from the earliest records down to the restoration of the currency under Elizabeth. On no other hypothesis could the facts be interpreted, and the question before me was, how could the hypothesis be verified ?

1. The history of general prices entirely agrees with this hypothesis. They are nearly unchanged for 280 years, if the whole space be taken, though they are affected for a time by such events as the great plagues of 1348 and 1361, when the value of an article is mainly due to the labour expended on it. Now, wheat for the first 140 years is 5s. 10¼d. a quarter, *i.e.*, from 1261 to 1400, and 5s. 11¾d. for the next 140 years from 1401 to 1540. On the other hand, certain prices, notably those of foreign produce and foreign goods, decline rather than increase, especially toward the conclusion of the fifteenth century. Now it is certain that there is no traceable economy in the cost of production, and no discoverable reduction in the cost of freight. And again, English wool is rather lowered than heightened in price, though there is no evidence whatever that any foreign country competed against English wool, or indeed could have competed against it.

2. The price of silver plate. This is very extensively purchased. The purchase of plate, in point of fact, was a very common kind of hoarding. The cost of shaping it was low, and the article was readily pledged or sold. The purchase money is constantly expressed in pounds, ounces, and pennyweights, the raw silver or finished goods being plainly weighed in the scale against coins of all sorts and sizes. Now when the coins in 1462 had been reduced, according to the tale theory, to a little over half what they stood at in the earlier ages, Oriel College, in 1493, bought 33¾ ounces of silver plate, some of which was gilt, at 2s. 9½d. an ounce, a price entirely impossible by a tale payment, for the pence and farthing fairly represent the cost of workmanship and gilding. I might multiply evidence of this kind, for I have it in abundance, and it all points to the conclusion which I have arrived at.

3. In 1462 gold was bought at 30s. the ounce, the ratio according to Ruding between the two metals being as 11·2 to 1 at the time. Such a price is intelligible if the estimate is taken by weight, quite inconsistent with the facts if it is taken by tale.

4. We are expressly told that the principal loss of the base money which was put into circulation between 1543 and 1553 inclusive, and remained in circulation for near twenty years, fell on those who lived by wages. The merchant could weigh it and test it, indeed could not carry on his business unless he did, and perhaps gain an advantage by his knowledge. But as the issues were of very various degrees of baseness, the man who received his wages, even by weight, would find that one piece went further than another, owing to its being less alloyed, and that another was almost a dead loss.

5. The record of the restoration by Elizabeth is conclusive. The amount of base money which Henry and his son's guardians put into circulation was 631,950 lbs. in weight. The currency value was £638,115, the difference being no doubt seignorage, or a charge for coining, to defray mint expenses. The amount of silver in it was 244,416 lbs. indicating a debasement of near 60 per cent. But out of this silver Elizabeth coined by tale £733,248. She said she lost by the process, though there seems a balance to her advantage of £95,133. Whether she spoke the literal

truth is a question, which some persons who have studied Elizabeth's utterances might very confidently answer. But she had to refine the wretched stuff, and the separation of copper from silver was in that day by no means an easy business, and we know that the adulteration was copper, from stories of the time. Then there was the charge of coining and the seignorage. It is said that the slag was intractable, and was employed to mend the roads.

6. There is no reason to believe that the Spanish occupation of Mexico and the discovery of Potosi were followed by any notable influx of silver into England. It is only by the foreign exchanges, *i.e.*, by trade, that these exchanges can operate, and in the sixteenth century English trade was exceedingly curtailed. Now the rise in the price of commodities between the date at which the currency was reformed, and the period at which the new silver unquestionably began to modify English prices, is exactly, or almost exactly, the difference between the old or Tower pound with the old prices by weight, and the new prices 2·75 to 1. When the reform was over Elizabeth was evidently aghast at the consequences. She could not afford to make good the fraud committed in her father's and brother's reign. To have done so would have cost her at least six years of her average income, an impossible sacrifice, for in strict justice, the bankruptcy of the exchequer was more thorough than at any period of English history. She did bethink herself of a plan. A proclamation was drafted (or copy of it is in existence in the great collection of her proclamations) reducing the tale value of the new coins 50 per cent. But it was never issued, I presume because she was advised that it was sure to be misinterpreted.

I may seem to have spent too much time and given too many proofs of my hypothesis. But the issue before me is considerable. On the truth of my hypothesis, entirely verified as I think it is, depends the rational interpretation of English prices, and the significance of the first departure from them after 1563. How significant prices are in the economical interpretation of history is, I trust, by this time fully clear to you. It is because currency is practically unchanged in English history, except at one important epoch, that it is possible to construct an intelligible history of

prices in England. In other European countries despotism has played fast and loose with the currency. The pound was the unit in France as well as in England. The late currency of Elizabeth reduced it to a third of its ancient and traditional value. The French livre is, now under the name of the franc, 1-72nd part of its original value. In Scotland, which was a despotism tempered with assassination during the reigns of the earlier Stuarts, it sank to a twentieth. But I think it would have been dangerous had any English monarch played the pranks which John the Good, as they called him, in France did. The English people have been slow to move or to be roused. It is exceedingly difficult to determine when they are roused. But history proves with great frequency how dangerous they are when the unexpected occurs.

The debasement of the currency was only deliberately committed once. The patriot king, after squandering all that he could get hold of, after ruining his people, after pledging himself that if they gave him the monasteries he would ask his Parliaments for no more grants, ordinary and extraordinary, began to debase the currency. Mr. Froude, the apologist of this monster, the type of the philosophic historian, and at present the advocate of the Liberty and Property Defence League, has described this transaction as of the nature of a loan. How obliged coiners and smashers must be to him for so courteous a description of their calling! Most of us are accustomed to consider the coiner of base money as a peculiarly scoundrelly criminal, because the success of his calling depends mainly on his being able to cheat the poor. Except by the magnitude of his crime, Henry is on a level with the meanest of knaves. The crime is heightened by the fact that it is the first duty of a ruler to keep the currency up to standard. Such men as our Henry the Eighth, and such men as Ernest of Saxe Coburg, who was, I believe, the last European sovereign who issued base money, and repudiated it, ought to be gibbeted in history.

At first the increase of debasement was not large. The standard is 11·1 in 12. The issue of 1543 was 10 in 12. In 1545 it became only 6 in 12. In 1546 it was 4 in 12, two-thirds being alloy. In 1549 Somerset, Edward's guardian, put out an issue of 6 in 12, and in 1551 one of 3 in 12. This was virtually the last issue of

base money. The credit of the country was entirely gone, and Gresham, the king's agent at Antwerp, plainly told the Court that such was the fact, formulating at the time that law which I have quoted to you, which is known by his name, that if two currencies of unequal value, but declared by authority to be of equal value, circulate together, the undervalued coin is sure to disappear. Two issues, one nearly up to sterling, the other quite, were coined in 1552 and 1553, not for circulation in England, but for the Antwerp exchange. Mary would have restored the currency, but all her energies were occupied in restoring the old religion. She died, the day of her death being long kept as a holiday, under the decent pretext of its being the date of her sister's accession, and Elizabeth restored the currency. Since that time it has never been debased, though Charles I. was with difficulty restrained from this crime, for which he had, probably from the constitution of his moral nature, a strange hankering, for Charles would have rather cheated his subjects than have oppressed them, for this is the meaning of the defence made for him, that after having packed the court and terrorised the judges, he preferred to proceed by the letter of the law.

Now I have alluded to the effect of the foreign exchanges. When countries trade with each other, it is the obvious interest of merchants to buy as well as to sell, because under such circumstances they make a double profit. But commercial transactions—I am taking them in their very simplest form—rarely exactly balance goods against goods. There is a difference. Now, from early times, these differences have been expressed in bills of exchange, *i.e.*, orders on the person who owes, to pay at a more or less deferred date, whatever difference is due and accepted by him. From very early times it has been found profitable for certain persons to trade in these bills or orders or acceptances, and traders have found it convenient to recognize such intermediaries. If such brokers of bills find it expedient to take money for the bill when due they will do so, but like merchants, they generally find it expedient to take bills against bills, because there is a double profit on the transactions. Now it is by these instruments that money is distributed among different countries which have trade relations, because at times it is more expedient to take money than

to take bills. It is always, for example, expedient to take money from a country which obtains from its own mines a greater supply of the precious metal than it needs for its own domestic use, because such metals are cheaper there than they are in any other place.

Now in early times the operation of the foreign exchanges was very marked in England. Our forefathers had two kinds of produce—the one a monopoly, wool; the other, a most important produce, silver. It is plain that the principal place at which English produce, bills for England and bills on England were negotiated was Antwerp. But after it became dearer to get silver from English mines than elsewhere this trade declined. After the Flemish trading cities were ruined, the trade in wool declined. After the rise in prices occurred, unaccompanied by a rise in wages, profits, and rent, the power of purchasing foreign goods declined. I have no doubt that in Elizabeth's reign the foreign trade of England, and by implication the movements of the currency, were not a fifth what they were a century before. Everybody was distressed who had fixed or quasi-fixed incomes, for the state of rural society in England was such that there was little chance for competitive rents. The Oxford and Cambridge Colleges were terribly distressed. They cut down their chapel services, for all that may be said about Elizabeth's advertisements, to the meanest forms. They ceased to buy books. They abandoned wine for small beer, with occasional draughts of a more generous malt liquor. The varied and more unctuous feasts of two or three generations before were exchanged for plain beef and mutton, with rations of salt fish. The spice box was locked up, except on gaudies. Their diet and life would have rejoiced a protectionist or fair trader, for it was strictly that of Horace's Sabine. But it must be doubted whether the protectionist or fair trader would have been jubilant with their experiences. Some small relief was given to the colleges by the Act of 1576, under which a third of their rents was to be paid in corn, at the best price of the day.

In the seventeenth century prices rapidly rose, and the mint began to coin gold extensively, mainly, I suspect, for foreign trade. Rents at last began to rise, but only as a consequence of prices, *i.e.*, on the principle of Ricardo. Payments were made by tale,

and at last a new trouble came. Towards the end of the century it was found that the dimensions of the coin were shrinking, that the silver money, a very clumsy product of the mint, was worn and clipped. Every day it was getting worse, and for a long time people puzzled themselves with the cause. Some said it was the Jews, and that Oliver the Usurper had, among his many crimes, allowed the Hebrew race to settle in England. Some said it was the goldsmiths, the commercial progenitors of our London private bankers, probably because they made money very fast. All agreed that, whosoever began the mischief, it was continued by starving wretches, who made a trade by selling the clippings. The men were hanged and the women burned by dozens. But these remedies were ineffectual. Half-crowns were clipped into shillings, shillings into sixpences, and sixpences were rapidly becoming spangles, before Parliament, which always will try punishment before it tries remedies, resolved on re-coining and reforming the currency.

There arose a great struggle. An attempt was made to degrade the currency, to put ninepennyworth of silver into a coin and call it a shilling. There were people in that day who thought, as there are people in our time who think, that the name of a shilling would be same as the fact of a shilling. But fortunately, Montague, then Chancellor of the Exchequer, had two invincible allies in the Oxford Locke and the Cambridge Newton, for the two Universities at that time possessed, and to some extent encouraged, men of proved capacity. So the new milled coin, which it was all but impossible to mutilate, was issued in full weight and fineness. It was a costly piece of honesty, for the charge was equal to two years of the ordinary revenue in time of peace. Perhaps had the charge been exactly anticipated, it would have been too much for the virtue of the nation, and the arguments of Locke and Newton. As it was, never was expenditure more wisely incurred. It maintained public faith, and it afforded an invaluable precedent.

Since the re-coinage at the end of the seventeenth century, the country has always kept up the standard of its metallic currency, and has incurred the charge of wear. It has found it possible to do this without so much hanging and burning as was thought expedient in olden days. But it has had to protect itself in an in-

direct way. It first of all made silver a legal tender up to £40 only, and subsequently up to 40s. only. It then very much over-valued silver, making it a token coin for internal circulation only, and, as I have said, for small amounts only. It has done the same with its copper and bronze coinage. This was in 1816. But before that time it had not thought of large payments in copper, and made no provision against them. When Lord Cochrane was degraded and fined £1,000 for an offence of which he was afterwards declared innocent, his admirers subscribed the amount of the fine in penny pieces, took them to the Bank of England, and obtained a note in exchange. With this Lord Cochrane paid the fine, having written an explanation of the facts on the back of the note, and some reflections on the Government of the day. The note was paid into the Bank, and is now preserved as one of the curiosities.

In 1797 the country was engaged in a very costly war. Pitt, who hired the European monarchs in succession, and made very unsuccessful bargains, was draining every sovereign out of the country to pay these people with. The Bank could find no more money, and Pitt determined to establish a forced paper currency by making Bank of England notes a legal tender. The nature and consequences of this action will be treated of in my next lecture. Of course gold was hoarded, and disappeared from ordinary currency, for Gresham's law came into full force. This state of things went on till the war was over, and longer. Then Peel, who had evidently studied the precedent of 1697, determined on restoring the metallic currency. But there were many people then, like the people one hundred and twenty years before, who thought that the name of a sovereign would carry the fact of a sovereign, and wanted to reduce the weight of the pound. It was, I am sure, during the debates on that subject that Peel thought out that famous question of his, which he put in the House of Commons, and with which he so utterly puzzled his audience. The question was, What is a pound? The answer, I am giving you my own, and I don't think a better can be given, is $113_{66}^{1}{}_{5}$ grains of pure gold in a coin. Depend on it, when you hear people talk nonsense, you can often dispose of them by asking them for a definition of the leading words they use.

Almost all nations but ourselves levy a seignorage on gold, *i.e.*, a small charge for coining. Now directly a coin leaves the country of its origin it becomes bullion, a piece of metal, it is true, of accredited weight and fineness, but only a piece of metal. Hence we never see foreign coins circulating in England. In the seventeenth and eighteenth centuries they circulated almost as freely as English gold coins, and ordinary Englishmen knew all about pistoles and gold crowns, moidores and gold ducats. Of course coinage is a manufacture, and the convenience of the product is such that it will bear the cost of manufacture. We might put a charge on the process, but we do not, and there must be an advantage in the practice. As it is, English sovereigns circulate all over Europe, and people are glad to take them, for as the English people pay all the cost of wear, the foreigner can safely take, circulate, and in their legitimate use, wear them down, with the certainty that he will suffer no loss. It is plainly very arguable whether this policy is a wise one, *i.e.*, whether we gain or lose more by our liberality. Certainly, when our gold coin gets worn, and it is terribly worn now, more than half the sovereigns, and more than two-thirds the half-sovereigns, being below the legal weight, people will discuss the seignorage question. But it always ends in the public purse bearing the loss. To be sure we have a great fund for the purpose. There is an enormous profit made on the circulation of the silver and bronze currency, and in my opinion, as I have said elsewhere, the profits on this subsidiary currency ought to be a separate account at the Bank of England, held or invested against the contingency of making good the light gold.

An eminent friend of mine, Mr. Gladstone, once asked me whether I thought currency or love had made most maniacs. I told him that I had often been in a difficulty about his question, and in my mind it could be coupled with a third cause of lunacy, the interpretation of unfilled prophecies. I trust in what I have said to-day that I have not unsettled any of your intellects. At the conclusion of this lecture, I must however say a word or two more about two very significant and important facts: first, the two kinds of currency; and second, the effect of foreign indebtedness on trade and the exchanges.

Every country has two kinds of currency. One of those kinds is of

very large amount, though the amount greatly varies in different countries. It is that which is needed for internal trade, the money which we carry about with us, as we want to use it, that which is employed by traders and manufacturers in their business, and that which is kept by bankers for the purpose of honouring cheques drawn on them, and for the convenience of their customers. No one knows what the amount is, for the issues of the mint are no guide, since the sovereigns may go out of the country; we know in a rough manner, how much the silver and bronze is, but only in a rough manner, because no one knows how much of the silver has been sent back in a more or less worn condition to the mint. But estimates have been made that there is in the United Kingdom one hundred millions of gold in circulation, thirty millions of silver, and ten millions of bronze. The last two, for the reasons I have given, are rough guesses, but the third is based upon a principle.

Economists have got an excellent phrase, "The efficiency of the currency." But like many of their forms, even the best of them, it requires explanation. By the efficiency of the currency is not meant the number of economical operations a piece of money satisfies, that is, the number of times in which it passes from hand to hand, for currency may be efficient without being visible; but the number of transactions which a given quantity of the precious metals will sustain in the aggregate. In England these transactions are very large, larger than, perhaps, in any country. But the quantity of gold needed for them is smaller than in any country of its size. In France it is reckoned that there are three hundred millions sterling of gold in circulation; in Germany as much. But it does not by any means follow that these countries are richer than England.

The other kind of currency is that needed to secure the equilibrium of the foreign exchanges. This is known to a single sovereign, for it is to all intents and purposes in the Bank of England, and an account of it is published every Friday. It is part of what Smith calls the money of the great mercantile republic, and it flows in and out of the country with perfect fluidity, as it is wanted here or elsewhere. If we want to get it, the Bank of England raises the rate of discount. This operation makes it

more profitable to send gold here than to send bills, and the gold comes. Sometimes a country is in great straits for this money. Then it sells securities, of course at a comparative loss, and gets gold for them. It is possible that its securities may be at such a discount, that it cannot negotiate them. In such a case it must wait.

The other point is the effect of foreign indebtedness on trade and the exchanges. England is a prodigious creditor on other countries. The sum which other nations owe English people, by whom I mean the whole United Kingdom, is incredibly large. The interest on these debts is expressed in gold, payable in gold; of course it is paid in goods. But the fact that this indebtedness exists is an enormous strength in the control of the foreign exchanges. What it is on the trade of the country, on its imports, and on the inferences to be drawn from the facts, I shall show you hereafter, I hope. But the right to be paid in gold cannot but be an enormous lever. It must greatly increase the force of a rise in the rate of discount. I have good reason to believe, from conversations and correspondence which I have had with some friends of mine in the Bank parlour, that they are not as yet cognizant of the force which that engine possesses, which is virtually in their hands, as the agents of British trade. To people who study the mechanism of economic operations, who avoid metaphysics, and cling to facts, there constantly arise before their view, novelties in action which are profound and far-reaching. I am sometimes, as an economist, glad that the forms of our constitution make changes slow. One chafes at blunders in practice, one chafes at delays in the remedial process of legislation; but perhaps, on the whole, it is better to be too slow than too fast, even when we are exposing an error, or pointing out the inevitable consequences of a political crime. Of course I refer to economical errors and economical crimes. The history of England supplies us with illustrations in plenty of both.

X.

PAPER CURRENCIES.

Ancient banking—The Jews of Asia Minor—Practices precede the mention of them—The Bank of Venice—The Bank of Genoa—The Bank of Amsterdam—Early English banking—The beginning of the Bank of England—The relations of the Bank to Government—The powers of a Bank over note issues—The Land Bank of 1696—Exchequer Bills—The first hundred years of the Bank—The crisis of 1797—Sir Robert Peel's Act of 1844—The country banks of issue.

It appears, from abundant evidence, that substitutes for money, convertible into money at the discretion of the person who, holding them, was entitled to negotiate them, preceded the invention of coined money. I have used the widest expression possible when I say substitutes for money. In the great and prolonged controversy which has arisen on this subject, and has not perhaps been concluded by any propositions which command universal assent, much debate has arisen as to what substitutes for money are to be accepted as performing equally effective functions in the world of commerce and exchange. The debate or dispute is due in great measure to the views which have been taken as to the State regulation of subsidiary currencies, and to the reasons which have been alleged for such an interference with free action in such matters. If the regulation of all such substitutes is to be assigned to the State, it will be plain to you, in the course of this inquiry, that the action of the State would seriously incommode commerce, while, if the regulation is to be applied to some forms of substitution only, many of the arguments which have been alleged as conclusively proving the necessity of legislative supervision will be invalidated, though some,

in my opinion quite as forcible, will remain unimpaired in their cogency.

I stated in my last lecture that modern research has shown that the Babylonian bankers employed instruments of commerce which were, to all intents and purposes, substituted currencies. The private orations of the great Greek pleaders are full of information as to the existence of bankers in the Greek cities, and of the circulation of bills of exchange between such bankers as were in correspondence with each other, and had understandings, as to the negotiation of such instruments. No doubt then, as now, liabilities were expressed in money, either by weight or tale, and in theory the debtor, on completing the transaction in which he was engaged, was under the obligation in theory to provide at Athens or Ægina, at Corinth, at Carthage, at Tyre, or wherever else he purchased, the coins or bullion in which he expressed his debt. But in practice, and from early times, even times of prehistoric trade, the practice was different. The purchaser had his debtors, to take the simplest form of these transactions, at the city where he had bought, and had previously sold. He transfers his debtor's liability to his creditor. From this it is only a step to transfer a liability in another trading centre, with which that in which he deals has commercial correspondence. When the next step is taken, and particular persons make it their business to bring together these debts, to negotiate them, and to balance them, the chain is complete, and the system under which trade is carried on in our day, and was carried out in the remotest ages of trade, is completed. Delay, risk, trouble are avoided, and you are well aware, I trust, that in every economical operation, they who are engaged in it do their best to avoid to the utmost all unnecessary cost and risk. We may be sure, then, that the use of letters of credit, of bills of exchange, of commercial transfers from account to account, are as old as commercial civilization is, and far transcend in antiquity all surviving records. The origin of the intercourse between Tyre, Carthage, and Cadiz or Gades, is lost to history. But it certainly existed in fact, and in the form which I have sketched. It is not remarkable that the record has been lost. Commercial transactions lose their interest as soon as they are balanced; and, in fact, it is only owing to a peculiarly barbarous tradition, I can hardly call it a principle, of

the English courts of law, which endured to less than two generations ago, that England possesses so extraordinarily large a record of bygone business transactions. I am alluding to the old rules which regulated or defined title by prescription. If economists lay down principles to which they claim assent, they must allege that they come under the rule, *quod semper, quod ubique, quod omnibus.* But the facts which confirm these utterances have to be sought, and are not always easily found.

Cicero's oration in defence of Flaccus, who was accused of extortion in Asia, gives incidentally some hints as to the movements of specie, under the agency, as is obvious, of Jewish bankers or bullion dealers. It appears that Flaccus interfered with their business by prohibiting the exportation of specie from Asia Minor, and that the prosecution laid great weight on the praetor's misconduct. Of course we do not know from the apologist what was the precise action of the praetor, beyond inhibition and confiscation. It is pretty certain that the charge made, that the gold was to be sent to Jerusalem, is an exaggeration, and that Cicero is trying to evade the issue by appealing to Roman contempt for foreign rites. But he, no doubt, states the fact when he alleges that these movements of specie were carried on by the Jews, nearly sixty years before our era, not only in Italy, but in every province of the empire, and that to interfere with these transactions was to provoke powerful enemies, not, I conceive, so much among the Jews, but among those who recognized the advantage of this bullion trade. In the nature of things these transfers must have been assisted by commercial instruments.

The Greeks called a banker, τραπεζίτης; the Romans, argentarius; and there are numerous references in Greek and Latin authors to the trade and customs of these persons. After the conquest of Egypt they were particularly numerous at Alexandria, then the most important commercial city of the Old World, and, it would seem, the centre of such trade with the remoter East as was carried on in those distant times. But with the violent destruction of the old civilization, and the reduction of nearly all Europe to barbarism, the old system is forgotten, and reappears, as might be expected, in Italy, as one discovers in the exceedingly copious records of Muratori. At some later period I hope to explain to you in some

detail what was the position of the Italian city in the early Middle Ages. My information will come principally from the author to whom I have referred. I have little doubt that this commercial system, undoubtedly in a very shrunken form, survived in Southern Italy the incursions of Saracen and Norman, and that it may be possible to trace the commercial law of the remotest ages in the records of those trading cities. But at present I must confine myself to the development of modern banking, *i.e.*, the trade in substituted currencies. You will understand that a substituted currency is one which is made to perform the functions of money for a longer or shorter period. Its agency may be momentary or prolonged. Its conversion into money may be immediate, or be deferred.

Individual enterprise, in matters of business, almost invariably precedes partnership business; partnership business precedes joint-stock enterprise. Joint stock precedes State enterprise. But the beginnings of all enterprise are generally obscure, and almost invariably unrecorded, for, as I said just now, the interest in a commercial transaction expires with its completion. Hence we may be sure that when action like that on which I am commenting attracted the attention of the contemporary annalist, it had long been preparing, and possibly long in action. Besides, a successful process is a trade secret, or a source of personal profit. If, as some persons suggest, perhaps with an imperfect acquaintance with human nature, the State is so successfully manipulated, that competition is proscribed, you may be pretty certain that competition will reappear under the mask of secrecy. I am well aware that men are misled by names, but we economists, and with reason, distrust all names, and, while we are in possession of our wits, refer ourselves to things. Again, as society is rude, violence is a recurrent risk, and success is doubtful, imitation is slow. You will find, especially in monetary science, and particularly in that branch of it which I am handling this morning, that the wisest and most useful conclusions, fortified by abundant experience, are very slowly adopted by other nations than those who have tried and proved them. Had I time, I could point out to you how many instances can be found, in the economical history of nations, in which one State has progressed rapidly, and others have gazed on them with amazement, imagining that

there is something preternatural in their doings; and, again, how many instances there are in which they who know what is best to be done for their fellow-countrymen, appeal in vain to these facts, which cannot be discerned by those who are blinded by the twin forces of ignorance and science. To the votaries of these obstructive forces, secrecy is opposed. You will therefore understand that, when I give you an early date for an economic practice, I give you the date of observation, not that of origin.

With this caution, then, I may say that the State Bank of Venice, the earliest of these modern institutions, was founded in 1171. This was during the time when Pope Alexander III. was engaged in a perpetual quarrel with Barbarossa, and the two Italian factions of Guelfs and Ghibellines were being consolidated. Now Venice, which cared nothing for Pope or Emperor, except in so far as it could get advantage from either, had at this time almost a monopoly of trade with the East. Other nations had fought the Crusades, and founded the kingdom of Jerusalem, but Venice traded with Christian and paynim. The city grew rich and powerful, and you will often find that when people are rich and powerful, their orthodoxy, and even their morals, are not weighed with exceeding scruple. At this time many hard things were said of the Venetians, but everybody, especially those who had need of their services, financial or diplomatic, had dealings with the Venetians. They took all currencies that came to them in course of business, and they secured a profit on all the business they did. I should weary you if I gave you a tithe of the names which belonged to the coins then congregated at Venice. They were more numerous than the nationalities, for the style or effigy of many a forgotten monarch, from Bactria to Mauritania, from the caliphs of Spain to the dukes of Moscow, were in the Venetian treasury.

Venice took, sorted, valued, and discounted them all. An experience of the gain derived from these processes led them to the discovery of giving a ticket to depositors who were waiting for purchases or sales. It is not wise to carry much money about with one, even in these days, it was less wise in those days. Very soon the ticket, really a warrant, implying that the depositor had a right to the coins specified or endorsed on the document given to the depositor, was found to be as good as cash, even better, for it was

a better security. Very soon the Venetian note bore an agio or premium, and a bank of deposit was formed. Very soon the bank, to encourage deposits, gave privileges to its customers, or, which is the same thing, put disabilities on those who were not its customers, as, for example, they declined to permit bills of exchange to be negotiated or discounted, except at their bank, or stayed process against the acceptor of the bill, that is, the person liable, until his bill was protested, that is, the non-fulfilment of his obligation was sworn before a notary public, that is, one of their own licensed officials. The Queen of the Adriatic soon learnt how to give stability to its own institutions, and to suggest instability on those which were not its own. But I need not follow the fortunes of the Bank of Venice.

We get on more solidly chronological ground when we come to the Bank of Genoa, founded in 1407. At this time, the Western world, or rather the potentates of Western Europe, were near on reducing the Pope, who had so long terrified them, to the condition of a nominee, holding office during pleasure, nominally of a general council, really of themselves—for laymen sat in the councils of the early fifteenth century. The scheme failed, for reasons on which I need not dwell here. To some extent the Pope recovered his own, though never to such an extent as to make an anti-pope a practicable expedient. But the power of the kings increased. It was just the time in which a bank on the Western Coast of Italy had good prospects of business, and the Genoese chartered a company for the purpose, gave it immediate privileges, and gradually increased these privileges. At last the Bank of Genoa became an *imperium in imperio*, which made conquests of its own, and negotiated independently with foreign Powers. It existed as a shadow down to the end of the eighteenth century.

The Bank of Genoa was not one of deposit. It did not purport to secure to the depositor the exact moneys which it had put into the Bank, earmarked, so to say, for him. It took his money, gave him an acknowledgment in the shape of a note, which was transferred from hand to hand, pledged its credit that it would repay him on demand, and traded or made acquisitions with its own capital and that of its customers. Through the fifteenth and sixteenth

centuries the Bank of St. George was and remained a very thriving undertaking. The trade with the East through Alexandria was very prosperous during the fifteenth. The Western Mediterranean, to all appearance, became exceedingly rich and powerful during the sixteenth. The gift of Borgia seemed inexhaustible, and when, under a succession by marriage, Philip II. got possession of Portugal, with its vast Indian possessions and their illimitable resources, Philip and the Inquisition seemed destined to dominate in Europe, and become the masters of the human race. To discount the bills of so rich a potentate as Philip seemed to be good business. Spinola told the Genoese it was, and the Bank and the merchants competed for Philip's paper. I know nothing which would interest me more than to discover the rates at which they discounted it. They were probably high, at least Philip said so, when he repudiated his debts in 1596, ruined the Bank, ruined the merchants, and left Spinola as best he could to finish the siege of Ostend. In war, especially in a war which supports itself, everybody but the warrior may be ruined. This unequal arrangement still subsists.

Philip, as we all know, was impoverished, and with him the country which he misgoverned, by his attempt to subjugate the Dutch. The resistance of Holland was infinitely more significant than the resistance of Athens more than 2000 years before. The collapse of Philip was far more complete than the collapse of Xerxes, for it took near fifty years of his and his son's reign, and was of infinite value in training the Hollanders. Towards the very end of the struggle the Dutch determined on establishing a bank. They did not, in 1609, take the precedent of Genoa, for its experiences were not encouraging. They also established a bank of deposit on the model of the old Venetian bank, and shortly afterwards, Hamburg, the only Hanse town which retained its old prosperity, followed the Dutch example. It will be remembered that at this time Amsterdam was the Exchange of Europe, as Venice had been during the time of the Crusades. It rose by its own heroism and strength, and on the ruin of Antwerp: I regret to say that England, which owes more to the Hollanders than it does to any other race, never ceased intriguing till it ruined Holland and the Bank. The process was aided by Dutch unwisdom. The Dutch,

for reasons into which I cannot now enter (though the burgomasters of Amsterdam and its council took oath annually that the treasure was intact, and were confirmed by the evidence of 1672, when the De Witts were murdered, and there was a run on the Bank, but the treasure was found intact), borrowed the capital in the succeeding century for the Dutch East India Company. When the French invaded Holland in 1795, and perhaps expected the reward of patriots in the cellars of the Bank, they were found empty. But Adam Smith, when he wrote his "Wealth of Nations," thought that an account of the Bank of Amsterdam was more interesting than that of the Bank of England, and got Mr. Hope, a Dutchman of Hebrew descent, and ancestor to some distinguished English Churchmen, to give him a "digression" on it.

Private banking preceded, as usual, joint-stock banking in England. In the seventeenth century the wealth of England was centred in London. The goldsmiths, members of the most opulent and enterprising of the City Companies, who had lent much to Charles, became wealthier under the Protectorate than under the Monarchy. Cromwell's government was strong, and strong governments seem to be safe, while safe governments attract the wealth of the timid. Already during Cromwell's reign the project of a Corporation bank was mooted, and the Bank of Amsterdam was the obvious model. But corporations in a republic are much more secure than corporations under a monarchy. During the Protectorate the London Corporation was respectable, and remained respectable for a century or more after the Protectorate. But, as the surrender of the Charters proved, it was not safe. The opponents of the Bank of England were never tired of saying that a public bank and monarchy were incompatible. They certainly were if the monarch was a Stuart. With these people nothing was sacred, nothing safe. In 1638 Charles I. stole the money in the Mint, £204,000. In 1672, Charles II. stole the money in the Exchequer, £1,328,526. The father paid the money back, for he found that it would be unwise to keep it. The son, who, Rochester said, never did a wise thing, neither paid principal nor interest. In such times, and under such kings, it would have been as unsafe to estab-

lish a bank as it would have been to entrust the Exchequer to Falstaff. The only chance for a bank was a revolution. It came in 1688.

No doubt the project of founding a joint-stock bank in London was in every one's mind as soon as the Government was settled, and James was driven from Ireland. But the projectors of the institution might well have hesitated. The business of banking, and that a very lucrative business, was in the hands of wealthy men, who had a common interest in keeping it. The bankers, then called goldsmiths, took the money of such among their customers as wished to find a safe place of deposit—no easy discovery, for after the Restoration London swarmed with footpads and highwaymen—and gave acknowledgments of the deposit in the shape of notes. These notes passed freely from hand to hand, were indeed a favourite instrument of business and trade, as they were portable, were easily traced, and, if they fell into wrong hands, could at least be stopped, and very probably recovered. The goldsmiths soon discovered that they could issue notes, the amount of which was far in excess of the money which they ordinarily held, if the issuer was known to be solvent, and could thus carry on a business by their own credit. This peculiarity of the new system was perfectly well known and recognized at the time, as may be gathered from contemporary pamphlets. But besides the profit derivable from these issues of credit, which fulfilled to the goldsmith and the trader all the functions of money, these persons derived a very great profit from the discount of foreign bills. The exchange between England and Holland was subject to very violent fluctuations, fluctuations which seem incredible to modern experience, as they are without parallel in recent times. But two centuries ago, the chances of exceptional profit, especially in foreign articles, was very great. Within a few months such an article might rise to a price treble that at which it ordinarily stood, and though the trader might be certain that it would not fall below a certain rate, the speculation in a rising market, if the trader had money or credit, was generally safe, and might assure a gigantic profit. With such prospects, the trader might endure complacently such a rate of exchange on his bills as would be ruinous to his modern successor. For example, the chief

supply of saltpetre was from the East Indies. Its price was open to great changes, as the demand of war, or the safe return of the East India ships were announced. It more than doubled in price in a week. Now the trader who knew what ships were afloat might reasonably calculate on his profits for a time, and might, if he were quick, get a monopoly of the market. It was by such bargains that the great fortunes of this period were made.

The exigencies of the Government were the opportunities of those who were projecting the Bank, and Montague, who had ulterior motives in encouraging the projectors, was quite ready for negotiations in 1694. William had determined if possible to rival the victory of La Hogue by a land campaign, and had planned the siege of Namur. But the expenses of the war were great. The country gentlemen had granted the land tax, then a great sacrifice. Montague raised a million by a lottery, and gave a charter to an incorporation of bankers, on consideration of a loan, to be raised within a brief time, of £1,200,000 at 7 per cent. The whole was subscribed in a few days. The new incorporation received deposits and issued notes, in imitation of their rivals, the goldsmiths. They expected to pay their dividends from the interest paid by Government, from the profits of their own issues, acting as money, from the employment within safe lines of their customers' deposits, and from the discount of bills. In short, they strove to get hold of the goldsmiths' business, and they had to expect, and did experience, the goldsmiths' enmity. This is not the occasion on which to deal with the early struggles and rapid success of the Bank of England. I have told the story of its first nine years in a volume recently published, the occasion of which was my discovery of a price list of Bank Stock, printed weekly in Houghton's Collections. The Bodleian Library has a perfect copy of this remarkable periodical. The British Museum, as I found from a recent inquiry, has only an imperfect copy. I suspected that the National Library was, in this particular, not so well off as we are, from the slighting manner in which Macaulay treats Houghton's labours. It would have been of great value to the historian if he had seen the Bodleian copy.

The peculiarity of the government of the Bank of England, from its inception and for many years after its business commenced, was that the management was entirely in the hands of Whigs and Dis-

senters. Sir John Houblon, the first Governor, two of his brothers being in the direction, was the descendant of a Flemish refugee, who had fled to England from Alva's persecution. From the correspondence of Pepys, preserved in our library in the Rawlinson Collection, it is clear that Houblon was a general, but especially a timber merchant, for though Pepys chiefly writes to him about ship stores, he gets him to perform certain commissions, chiefly in dress, for Mrs. Pepys, the lady whom he appears to have treated with great consideration, though he writes of her with much disparagement. Holland, though it grew no timber, was the principal mart for this produce, and like genuine traders, the most patriotic Hollander thought no scorn of selling materials of war to Philip of Spain and Louis of France. They believed, and quite correctly, that they could sell them the goods, and maintain war on a portion of the profits. We did the same by the first Napoleon during the great Continental war, and with the same results. Napoleon put impediments in the way of procuring stores for his own troops, and thereupon secured a higher rate of profit for the English manufacturer and merchant. There are several other names, manifestly of French or Flemish origin, in the first list of directors. Now, though the days of active persecution were past, disabilities were put on Nonconformists, and humiliations were inflicted. In consequence, the London Dissenters became a virtual corporation, which acted with a common purpose, had reciprocal sympathies, and gave mutual aid. Macaulay, you may remember, has shown how much better were the prospects in the professions and in trade of those who stood in with Nonconformity. The Nonconformist minister exercised far more influence than the Anglican divine did, the Nonconformist trader was more sure of help and consideration from his wealthier co-religionists than the shopkeeper did who affected Episcopal ministrations. This is always the result of persecution, when it does not go to extremes. It unites its objects into an organization.

The directors, too, were Whigs, not of the school which made alliances with their opponents in order to keep office, as the Whigs of 1710 did, or maintained a sulky opposition to their old leaders as the Whigs of 1780 did, but downright faithful adherents to the principles of 1688. The critics of the Act of 1694, under which the

Bank of England was first constituted, provided, fortunately for the institution, that the advances that might be made to Government, beyond, as it appears, such ordinary banking facilities as were accorded to all customers, should have the sanction of Parliament, the violation of such a regulation being visited with a heavy fine. Hence the Bank could always plead inability to make large advances by the terms of the Act under which the Bank existed. When, in 1797, Pitt nearly ruined the Bank and its credit by excessive demands on its specie, under the form of advances on public securities already created by parliamentary grants, he strained the principle of the Bank Acts, if he did not violate the letter.

The political relations of the Bank of England to the Government, as soon as ever, under its second charter, it had conferred on it a virtual monopoly of joint-stock banking, were of singular importance in the development of the parliamentary system which was formulated in 1688. There was only the form of a representative assembly; the duly elected members were outnumbered by those returned from the close boroughs. But the Bank of England became the financial agent of the Government, and in no slight degree its financial master. It was, indeed, from time to time, compelled to accept disadvantageous terms, on the renewal of its charter at successive periods, for it overvalued its power of issue, and the advantage which its apparent monopoly gave; but the Bank directors knew that the Government of the day could not break with it, or dispense with its services. The fortunes of the Bank were bound up with the fortunes of the Act of Settlement, and there was no fear that a correspondent of the Stuarts would be found in the Bank parlour. It thus wielded a silent, secret, but most effective authority. Addison illustrated, in one of his cleverest "visions," how the Bank of England was identified with English credit. The Bank negotiated all the loans of the eighteenth century, and was the agency by which the good faith of Government was assured.

From the very first, the Bank possessed and exercised the power of discretionary issue. Its note was not, and never purported to be, a warrant entitling the holder to recover the exact and literal value received, the very same coins which had been deposited, and were originally made the security for the note. It always professed to trade with the customers' money, only engaging to refund to

these customers at their discretion, the cash which had been entrusted to it. It had, of course, to learn within what limits it could use its customers' balances, and more difficult still, to determine the extent to which it could, when required, make advances from these balances on public securities, actual or prospective. Its notes, too, were of large denominations, and were therefore generally employed, if not almost entirely, in mercantile transactions, especially in the transmission of credits, operating as short dated bills of exchange.

Now I have told you that no country ever retains a larger amount of metallic currency than it finds necessary for the transaction of its proper business. The private individual takes money to spend or to hoard or to invest, in some interest or profit-bearing security. If it is spent or invested, it passes away from the individual to those whose interests, say, as traders, is to make money yield as rapid a profit as possible. If it is hoarded, it is withdrawn altogether from circulation, and as long as it remains in this form, it is virtually extinguished as an economical agent. Now what is true of a metallic currency, is true of a substitutive or subsidiary currency. No man keeps more of it than he wants, and society collectively circulates no more than it wants. To keep it needlessly is to incur a superfluous risk to the ordinary holder, to decline the chance of profit to the manufacturer or trader. The ingenuity of modern society is turned in all directions towards making its metallic currency as efficient as possible, and it strives with equal assiduity to make its paper currency as efficient as possible. It follows, therefore, that bankers cannot put more paper money into circulation than the public need. If they make an excess of issue, the excess comes back instantly to themselves, as the parties responsible for the engagement which the note implies. Again, if the community requires more paper currency than the banks are able or willing to give, either by legal restraint or by caution, the community will discover some paper substitute, which it will employ in lieu of notes. Thus, fifty years ago, bills drawn by the Manchester house of Jones Loyd and Co., on the London house of Jones Loyd and Co., performed all the functions of a note currency in Lancashire, and brought no small profit to the ingenious firm, of which the head was the late Lord Overstone.

It is sometimes alleged that paper currency has as effective an influence over prices as a metallic currency is admitted to have. But this is an error. Gold and silver influence prices when they are adopted as co-ordinate currencies in proportion to the cost at which they are acquired, the cost of acquisition being also affected by the cost of their production, when that cost conforms to the ordinary conditions under which industry is carried on. But neither cost of acquisition nor cost of production affect, to any sensible degree, the value of a note. Notes are the representatives, the reputed equivalents of metallic money, and their acceptance and circulation at the full value of what they represent, depends on the conviction that they can be changed into money at the pleasure or convenience of the holder. If they cannot be so converted, and still keep up their full credit, as happened during the first eight or ten years of the Bank restriction of 1797, it is due to the fact that the public knows them to be amply covered, and therefore agrees to use them as currency at their full nominal value. If such an issue is in excess, or is not sufficiently covered, the note is sure to be discounted, as happened during part of the last ten years in which the restriction endured.

But it is said, by virtue of discretionary power of issuing notes, a bank can practically coin money, and so by supplying an excess of money give occasion to wild speculation. This is a confusion between money, paper and metallic, and credit. If a bank could coin metallic money, it could as soon create an excess as it could by issuing notes. It would do nothing by such an act. If the money were in excess it could go out of the country, if the notes were, they would come back to the bank which issued them. No power can make any people take and circulate more money than they want. Of course I do not mean that bankers should be allowed to circulate what paper they please. Every bank which circulates paper, nay, every bank which takes deposits and trades, should be constrained to prove, by an independent audit, that their assets entirely cover their liabilities, and the surplus of assets over liabilities, on the faith of which their customers deal with them, and other than their customers take their notes, should be as accurately expressed and published. The failure of the Greenways' Bank exhibits the difference between a real and sham audit. I

will tell you before I conclude this lecture why a sham audit was permitted under the Act of 1844.

Banks can assist a rash speculation by granting indiscreet credit, though there is less likelihood that they will do so than other traders will, for it is a fundamental rule in banking to deal with easily convertible securities only. Thus a bank will discount a three months bill having known names on it, because the security is short; it will not advance money, if it be wise, on the mortgage of real estate, however ample the security is, because the term is indefinite, or in banker's language, a mortgage is a dead security. But banks may be deceived by fraudulent bills, or may be under the impression that the return will be quick, when it turns out to be delayed, or they may give credit to those whom they believe to be solvent, when they are not so. Credit may then raise prices, but it does so only because it is believed to be money, or to have money behind it. Generally, however, if not universally, the rising market precedes the indiscreet grant of credit, for the prospect of exceptional profit must needs go before the attempt to gain it. I do not deal with the cases in which credit is continued, after it is shown to be undeserved or incautious, where I mean the banker thinks that he can by timely help recover what is in danger. The effort is seldom successful, and is technically called throwing good money after bad. Nor do I deal with fraudulent banking on the part of the banker. This is a crime, though it is not punished always as it deserves to be. I am speaking of business carried on by honourable and prudent men.

Neither note issues nor credits can be based on anything but money, or upon securities convertible into money with the least conceivable delay. Suppose, for example, that a bank has liabilities in the shape of customers' balances, and notes to the extent of a million. It should have one-third of its liabilities ready at hand, in the shape of money, of Bank of England notes, or of deposits similar to those of its customers in the Bank of England or at call. It may have another third in Government stocks, on which it can borrow if it needs, or sell. It may have advanced the residue on commercial bills, which in a strait, are also negotiable though not as speedily or as safely as the securities which I have referred to. It ought, besides, to have its own property and its

own reserves. I have given you only a sketch of what a bank might do with wisdom. But there are occasions on which it might as wisely vary the distribution of its assets, and in the interpretation of these occasions, but always with the knowledge that it must secure itself, the practical judgment of the banker resides. At this stage, I must leave the economical view of the subject, in connection with which are many problems, and return to the historical particulars before me.

The Charter of the Bank of England was issued on July 24, 1694. It began its business about the middle of the August following. During the first two years of its existence, when its charter was incomplete, it was subjected to three very serious strains. These were the state of the currency, the project of the land bank, and the straits to which it was put by unwisely advancing too much of its cash on Government securities. The first of these difficulties was met slowly, and, as far as the Bank was concerned, grudgingly, by the recoinage; the third by an exposure of the Bank's affairs in Parliament, by the evidence afforded by its solvency, and by the wisdom which for a hundred years guarded against the recurrence of the risk. On December 4, 1696, the issues of the Bank were £1,657,996 10s. 6d., and its cash in hand was only £35,664 1s. 10d. It had practically lent this disproportionate sum to Government by anticipating the payment of taxes, an act of incaution which, unless its banking business were to be given up altogether, nothing but prudence could save it from. The second of these causes, the temporary rivalry of the land bank, requires a somewhat longer comment. The land bank is an illustration of the error into which human societies are apt to fall.

If I have made myself at all clear, you will have seen that a paper currency will be accepted and used as money only on the understanding that it may be changed into money at the pleasure of the person who holds it. It may be the case, and it constantly is the case, that the actual amount of paper money in circulation is greatly in excess of the known gold which is held to meet it, though it never in a well-ordered community with a convertible paper currency nearly equals the amount of gold which is actually circulating in the country. If, however, one includes in the paper currency, the cheques and bills and other instruments of credit,

mature and immature, the paper put into circulation in a commercial country is greatly in excess of the gold which is reputed to cover it. But this makes no one uneasy. The extent to which metallic money is made to support other instruments of credit indicates the efficiency of the currency, and the extent to which gold is demanded for notes is a calculable average, more interesting to the bullion dealer and the bill discounter than to the ordinary Englishman, who is satisfied that he can get what he wants in the way of money as he wishes. In short, additions to the stock of gold in domestic circulation are temporary, dependent on easily ascertained causes, and therefore anticipated. But though the power to get gold may not be exercised, the power must be recognized and must be respected.

Now from seeing how great a mass of business may be done with but little metallic money, people begin to conclude that one can do without it at all, and can substitute in the place of it even interest-bearing security, such as a public fund, or a highly desirable kind of property, such as recently was land, for the rent of land from the beginning of the seventeenth to the last quarter of the nineteenth had been regularly rising in amount. "Why not then," persons argue, "issue notes on the security of Consols, or on the land of the country? The security is indisputable, the pledge stable, the basis of the security bears a revenue, while gold, do what we will, yields in itself no revenue, and, as you economists say, eludes all efforts to forcibly detain it. Surely stocks or land are a better security. Do not your own bankers invest their balances in stocks, rather than accumulate barren money?"

To this the answer, and the sufficient answer, is, that people will take and circulate notes because they know that they can get gold for them. For a £5 Bank of England note I can get five sovereigns, when I want to get them. If instead of five sovereigns, I am offered by the bank which issues the note £5 worth of stock, or land, what I receive in exchange is of no use to me unless I sell it, and so take upon my shoulders a second transaction, certainly of a troublesome, possibly of a risky, character. After the example of Master Dumbleton, I like not the security, and no one—unless he were a conscious or unconscious swindler, and Sir John Falstaff, I fear, was intended to represent the former class of

adventurers—would press it on me. As to the land bank of 1696, the scheme possessed every blunder which crazy heads could have invented, and it would not have had currency for a day, had not the country gentlemen and Tories, who hated the Whigs and the Dissenters, imagined that they could get money easily, and ruin the psalm-singing, shivelling, Puritan usurers of Grocer's Hall, which was then the habitation of the Bank of England.

In the darkest hour of the Bank of England, in the spring of 1696, when the Tories were pressing forward the land bank, and were prematurely glorying in the certain success of a swindle, Montague contrived to procure a power to issue on behalf of the Government what were virtually bills of exchange, bearing a fixed rate of interest, and secured upon anticipated revenue, and redeemable at a given date. These are called Exchequer bills, and they remain to this day as a Treasury expedient with which to keep a balance in the Treasury by their circulation. It was, and is, in their capacity of bills of exchange, that they are first-class banking securities. In this manner they perform the functions of currency, render that whose functions they perform more efficient, but do not affect prices.

For a hundred years the Bank of England performed notable functions. I cannot follow them in this lecture, which is only intended to give an outline of the principles on which banking is carried on, and, according to my custom, to illustrate what I have to say by historical parallels. During this century, it became the centre of trade and credit, was to successive Governments a permanent ministry of finance of an invaluable kind, and was an adviser; sometimes an ineffectual adviser of prudent counsels. Of course it made mistakes, but it gained wisdom for the future, and accumulated that prudence, invaluable in public business, which comes from practical experience. As long as the Bank adheres to its traditions, it is of no consequence to know what are the present politics of its directors. It holds a place which is not above party, for party is the eternal struggle between good and evil, but apart from party, because there is no doubt, to use a logical expression, about either its major or minor premises. But the Bank of England is the glory of the Revolution Whigs of the better

school, and not of them only, but of their best type, the London Dissenters of that period.

Close upon a hundred years after its first great crisis came the second. I am referring to the events of February 10, 1797. The Bank had made prodigious loans to Government, for the younger Pitt was straining every nerve to keep up, at the expense of England, the policy which he thought proper to adopt in 1793. I have, to be sure, very strong opinions about that policy. His contemporaries, especially those whom he favoured, called him a heaven-born minister. I am afraid that I must assign his place of origin to a lower region, for it would be a strange heaven in which his policy would be acceptable. Again, Pitt anticipated taxes, which, in that epoch of most atrocious finance, he was imposing, and on the date given, or rather on February 26th, the floating loan to Government was £7,586,445, and the cash in the Bank's hands £1,272,000. We were engaged in subsidising the German princelets. I will not touch here on the policy which was deemed necessary, the suspension of cash payments, the order in Council that the Bank of England be ordered to forbear any cash in payment of its notes. This needs a lecture of its own, to be postponed. At present it is more important that you should learn the principles. We shall have hereafter to criticise the particulars. As the old logicians used to say, we are dealing with the analytics now, we shall have to handle the topics hereafter.

No subject was more hotly debated during the suspension of cash payments, in effect enduring for twenty-two years, than the policy of the Government and the Bank. The latter would and could have resumed cash payments easily during the epoch of suspension, but the Government believed that they had an important engine in the paper currency, which they must keep in their hands. Meanwhile, gold disappeared, was hoarded, held by the Bank and exported. The only circulation was one-pound notes, worn silver and copper. The advocates of an honest currency were thought to be disaffected, as the Wall Street gamblers in American soft money tried to urge that the advocates of good money were. Foiled in this calumny, they got a well-known Oxford professor to lecture in New York on the lofty patriotism which swindled manufacturers and workmen. America is a very free country.

Some of its public men, and with impunity, make free with the ten commandments, and seek for the approval of political economy. When they did me the honour of approaching me, I gave them no compliments. The advocates of an honest currency got the Bullion Committee appointed in 1810. The Committee reported, what Mr. Vansittart—perhaps, after Dashwood, the most absurd Chancellor of the Exchequer who ever filled the office, I do not touch more recent examples—neglected. Lord King insisted on his tenants paying in gold. His son, my late friend Mr. Locke King, told me that he did this because one of his tenants was a Bank director. Then came Vansittart's motion that the bank-note had not fallen in value, but gold had risen, the climax of financial folly; and Lord Stanhope's motion of July, 1811, making it illegal to pay or receive gold at less than its nominal value, the climax of financial injustice. I only touch briefly on that which I hope to treat in detail hereafter.

I must in the same manner, and on this occasion, only deal superficially with the famous Act of 1844. Sir Robert Peel was under the impression, gathered, not unnaturally, from the action of the Bank during the suspension, that bankers could issue excessive numbers of their notes, and thereby stimulate rash speculation. Perhaps they can, under an inconvertible currency; but even here the infallible barometer of the discount to which the note is subjected, leaves even this an arguable question. Now he could deal with the issues of the Bank of England. The London bankers had long since abandoned the issue of notes, and had invented, to the great advantages of commerce, and monetary transactions, the system of cheques. Peel therefore resolved, acting mainly on the advice of Mr. Jones Loyd, afterwards Lord Overstone, Colonel Torrens, and Mr. Norman, to alter the constitution of the Bank of England—Lord Overstone having made the main of his fortune by a process which he now urged should be illegal. He divided the Bank of England. The issue department he refounded on the principle of a bank of deposit, taking away from the directors the power of discretionary issues, and making the number or value of existing bank notes an automatic quantity, partly based on public securities, partly on bullion in the Bank cellars. He left the Bank to carry on its banking business at its

own discretion. He ordered that a weekly balance sheet of the Bank's financial position should be published, and in this, I think, he acted wisely; for all financial knowledge, if the account be not cooked, is of high practical value. He permitted, in case country banks abandoned their business or failed, that the Bank of England should be entitled to add their issues to its own.

The expedient, as a means for checking what Peel deprecated, failed. Within a year or two after his Act, he had to authorise an excess of issue on the authority of the Administration, and get a bill of indemnity for his action. This has happened since, time and again, and the periodical suspension of a law seems to me to be the most serious criticism which can be brought against its efficacy. Of course the ingenuity of finance can always baffle the most peremptory enactments, and in spite of Peel's Act, perhaps in consequence of it, the development of the system of paper substitutes has been rapid and remarkable. But I have not space or time on this occasion to prosecute an inquiry, either into the Act itself or into the remedies which have been suggested for its amendment. I ought, however, here to say, that though I think meanly of Ricardo's theory of rent, conclude that his speculations on value are metaphysical rather than practical, and see great difficulties in accepting his canons on over-production or what were called general gluts, his authority on all matters of monetary science is of the highest. Here, like the Juno of Virgil, he was at home and master.

A few words on the country banks. Peel limited their issues to their average amounts at the date of his Acts, and prohibited new country banks from issuing at all. But he took no steps to secure evidence of their solvency, insisted on no independent audit of their assets and liabilities. The fact is, the country bankers were the social and political despots of the small boroughs, and in Peel's day these small boroughs were the supports of his party. To have affronted the country bankers, to have exacted pledges of integrity from them, would have been to imperil the maintenance of Conservative principles among those who aided the party at Westminster. Whether after its disruption by the adoption of free trade principles in 1846, Peel, had he returned to office, would have amended the Act of 1844, in the direction which I have

indicated, is a problem which his premature death in 1850 has made insoluble. In this direction of monetary reform no successor of Peel has gone, though I have reason to know that changes have been contemplated, and perhaps, too, not in the remote future. Perhaps, also, a recent and flagrant failure will stimulate the reform. It cannot come too soon.

XI.

THE ORIGIN AND PROGRESS OF ENGLISH PAUPERISM.

All economic utility a resultant of cost—The power of human energy over nature indefinite—Present and manifest impossibilities illustrated—The coal famine of 1873—Possibilities of production to the acre—The saving of labour and cost—The recipients of profits—The position of rent—The wisdom of the rent-receiver—The causes why wages were depressed—The magistrates in Quarter Sessions—The Acts for the relief of the poor—The defence of such Acts—Parochial settlement—The close and open parish—The eighteenth century—Arthur Young's comments—The Speenhamland Act—The origin of the New Poor Law, and its effects.

I MAY I trust assume that you know and realize that the production of wealth, *i.e.*, the bestowal of utility on matter, by intelligent labour, is limited only by the laws of nature, by which I mean hindrances of a physical character put upon the process by which those utilities are induced. Some of these hindrances are obvious. To give motion we must incur cost. You cannot put the human machine in motion, or any of those substitutes for human labour which ingenuity has developed, without expenditure, the expenditure of that which has been acquired by previous labour. Even those natural forces which man has pressed into his service, the force of running or falling water, of the winds and the tides, are of no avail, unless man appropriates them by mechanism, which represents the expenditure of previous labour. So again, however much you may diminish its effects, you cannot overcome friction entirely, especially in its most obvious form, the resistance of air to artificial motion. But, on the other hand, though we

know that there are limits to the power of man in the application or adaptation of natural forces, we do not know and cannot tell what those limits are. Every year discoveries are made which set those limits further back, inventions which make that easy and familiar which at an earlier time seemed impracticable and impossible.

Now before I go further with the subject which I am treating to-day, I may say that nothing is more barren, arid, and metaphysical, than the discussion as to which is prior in existence, capital or labour, and the collection of inferences to which you must expect a very easy reply. All capital, like all wealth, is the product of previous labour, and it may be readily conceded that all capital, however rude its form, or simple its kind, must have been a resultant from a previous satisfaction of natural necessities, and from an intelligent consciousness that the labour of creating it would shorten or expedite future labours. But though this is the obvious and logical account of the origin of capital, and may be, to some extent, illustrated from the practice of savage races, to draw a conclusion from it, that economical labour can be considered independently of economical capital, is to confound a primitive cause with a modern effect. If I have made myself at all plain, I have already shown how capital and labour in what we have to consider an organized and progressive society are interlaced, how they are remunerated, and to some extent how far the more influential, and politically more powerful, of the two factors has been able to oppress the other. But to discuss the origin of primeval capital is a logomachy; and to infer, as some have done, that the analysis of its origin is to give a commanding position to the claims of labour, is a sophism, which will hinder instead of helping the true interests and the ultimate improvement of those who are popularly said to work for wages. And similarly, it is easy to exaggerate the functions of capital, and as it is easy so it is a common practice.

I have said that the limit of restraint imposed on human energies by what are known as the laws of nature is constantly being pushed back. But political economists have frequently assumed that the limit has been reached, and that it will be driven back by no new discovery or utilization of force. This disposition

to look on human skill as having exhausted its powers, and therefore to indulge in economical pessimism is frequently found in the works of the most approved writers. Let me take some utterances of Mr. Mill, and in taking these I do not by any means exhaust his sinister predictions. Mr. Mill has accepted, with all its gloomy riders, the doctrine which has been called the law of diminishing returns; he distressed himself with Mr. Jevons' inquiry into the probable exhaustion of the English coal-beds, and the consequences to English industry and English life, when we were at once deprived of motive power and warmth, inferring from it especially, that it was necessary at once to set about clearing away the public debt, since hereafter we should be certainly unable to do so; and in his investigations into population, and the reputed causes of its redundancy, he concluded that the field of foreign supply was very narrow, and would soon be exhausted. Now in these three alarms he confounded a present impossibility, the interpretation of which is subjective, and should be founded on facts, with a manifest impossibility, afforded by the inexpugnable resistance of natural law, which is objective.

Now I will grant that it is a manifest impossibility to grow 800 bushels of corn to an acre of land, or 7½ tons of grain food for man and animals, or, at any rate such a rate of production is inconceivable, the best present average being, say, 1¼ tons or 48 bushels. I can more readily admit that we shall not be able to convey goods and passengers over a railroad at the velocity of a cannon-ball, during the first few seconds of its progress, or that, granted that Mr. Jevons was accurate in his estimate of the coal-fields, of the rate of production, of the rate of consumption, and that he was also right in postulating that no economy in consumption, and no substitution of any other force, was possible, the future exhaustion of coal supply in Great Britain was a calculable problem. I will admit that, when Mr. Mill wrote, the cost of freight by rail and steam vessel was so high per ton mile, that it must have materially curtailed the possibility of supply from distant regions. But in all these cases a present impossibility, as it seemed, was found out to be no manifest impossibility, that it was a subjective, not an objective hindrance, and that the real limit was not rightly taken.

It was, when this acute and excellent person wrote, conceived to be impracticable to reduce haulage charges below a certain cost, and the speed of transit below a certain time rate. That an express train should be able to go easily and safely at the rate of seventy miles an hour or more, that the cost of repairing the permanent way should be reduced to a third in amount, and that material for the rails of the future should be almost indestructible, and that such economies of fuel could be affected that the same force could be elicited, or a superior product attained by a third of the consumption of fuel or less, was not anticipated. No one can blame a writer on such subjects for not foreseeing the results of modern invention and skill; but, on the other hand, no one can praise him for assuming that the present conditions were permanent. The elastic band of which he speaks is far less rigid than he imagined, as time has proved.

The real occurrence of something like a coal famine, shortly after Mr. Jevons' predictions were uttered, and were endorsed by Mr. Mill, seemed to give reality to the forecast. In reality there was a sudden demand for fuel power, owing mainly to the demand which arose for restoring the waste of a peculiarly destructive war between France and Germany, and the consequent stimulus which the void occasioned to the British manufacturer, who then occupied the field of supply. The price of coal rose rapidly, and every one who had property, or thought he had property in coal, hastened to take advantage of it. My friend the late Professor Phillips told me that from 500 to 1000 square miles of new coal-fields were discovered. Nearly double the number of coal-pits were set to work, and the production of the article has never recovered from the inflation. I remember that, three or four years ago, I sat on a committee for sixteen days, listening to the arguments for and against sixteen miles of new railway, which was to pass over one of the Yorkshire coal-fields. Every landowner but one, whose land it was intended to pass over, was favourable to the project, and we passed the Bill, though with some modifications. The Lords, however, threw it out. Now I asked one of the landowners who wished to get the Bill, Mr. James Lowther, why they set so much store by it, seeing that no part of the district was more than 2½ miles from an existing railway; and he told me,

I do not doubt with perfect accuracy, that such was the competition, that the difference of profit and loss on working lay in those 2¼ miles of haulage. I shall show presently to what course part of the fall in price is due. But the facts are an instructive comment on Mr. Jevons' prediction and Mr. Mill's alarm.

There is no doubt a limit in the production of corn to the acre, but no one has discovered what the limit is. It may be that the increase, as the Ricardians say, can only be obtained at a greater relative cost, though I very much doubt whether such a fact has ever been registered. But I am sure that no one has yet discovered what is the maximum producible of particular crops, under favourable conditions. The sewage farm of Croydon is an area of 600 acres, a light and not otherwise fertile gravel. But being irrigated by the drainage, the fertilizing powers of which it completely exhausts, and discharges as pure water, it will grow for ten months in the year an average monthly crop of rye grass at the rate of seven tons to the acre. After a time the sewage is shut off from some portions and oats sown on the land. Of these the land commonly yields a good 100 bushels to the acre. It may be retorted that this produce is exceptional. I will give you an instance in ordinary cultivation. A friend of mine, who had a large London establishment, bought a country seat, with fifty acres of land about it. It was like the Croydon farm, a light gravel, which readily took and gave back what fertility could be bestowed on it. My friend kept a very large quantity of stock. In the autumn of one year I witnessed the preparation of one of his fields. He trenched it, every four feet, with trenches two or three feet deep, filled the trenches with good manure, and levelled the ground. In the spring he sowed the land with rye grass and vetches. The growth was so rank, that when I went to see it as it was being fed by sheep, it almost reached to the top of the hat of a man who was six feet high, and the ground grew more than twenty tons to the acre of green food. He told me that the husbandry paid him well. The same kind of reasoning will apply to Sutton's culture at Reading, and I could give you instances of ordinary farming of a very excellent kind, with similar results.

Similar illustrations may be given about the cost of freight.

I should think that at present, notwithstanding the hindrances which protective regulations have put on international trade, freights by rail or sea do not cost more than a fifth of that at which they stood when Mill wrote. The ship is built more cheaply, sails more safely and more quickly, consumes less coal, requires fewer hands, and is laded or unladen far more rapidly than it was a few years ago. The low cost of freight is alleged by Mr. David Wells, one of the ablest American writers on economical subjects, to be the principal cause in the fall of market prices for heavy goods, no doubt a matter of severe competition to the British farmer, but of infinite interest to the British consumer, and not a little to the manufacturers, to whom cheap material is a benefit of the first importance. Now a diminished cost of freight is a lessened charge, and though profits may seem to fall, chiefly in relation to the estimate made of fixed capital, and the interest which it is calculated to bear, the prices of manufactured goods do not tend to fall in the same proportion that the price of the material falls.

Now these results are brought about by two motives, which are the inevitable outcome of free competition. People have a habit of saying that competition lowers prices. If it does so, in the manner that I am about to describe, the lessening of price is never equal to the lessening of cost, and lowered price may after all mean increased profit. Over and over again people have found that fortunes have been rapidly made because prices have been lowered, while profits have been heightened. These two motives are—(1) The motive to save labour; (2) The motive to save cost. Thus when mechanism is employed in place of labour, labour is saved. When the force needed to bring about a result is lessened, or the time interposed between the process and the profit is shortened, there is a saving of cost. It does not follow that the wages of labour are reduced, because the cost of labour is lessened. On the contrary, it is generally, perhaps invariably, found, that if the efficiency of labour is increased, the wages of labour are bettered; for, first, profits are increased, and there arises a competition for the profit-making agent; and next, efficiency is a kind of fertility, nay, the best kind, perhaps the only kind of fertility, and therefore has to be paid for. It by no means follows

that when competition drives down profits, the wages of skilled labourers are also lessened. Their number cannot be suddenly increased, and when competition is keen, under the conditions of modern manufacture, the demand for their services may be heightened as long as it is a demand.

So again with the saving of cost. All processes of invention, as opposed to the discovery of new powers in substitution of labour, save cost. In Siemens' furnace, for instance, greater efficiency is obtained and with less expenditure of fuel. In Bessemer's process for the manufacture of steel, the material is made to purify itself, by the combustion of injurious admixtures. The substitution of the hot for the cold blast, and a thousand other examples may be given of the saving of cost, and hundreds of people, engaged in engineering and similar callings, are constantly busy in striving to get greater results at less cost. Now it is probable that new machinery and even saving of cost may shorten, even extinguish, employment. Economists cannot get themselves, it seems, out of the pernicious habit of treating all forms of capital and labour as equally mobile, because they always have in their mind balances at a bank, which can be readily transferred, and accountants who can do as well in a merchant's office as at a banker's. Hand-loom weavers were ruined by the power-loom. Domestic industries have been extinguished by manufactures. No doubt railroads injured coach builders, as they did canals and turnpike roads. Nor must we conclude that it is a good thing to dispense exceedingly with human labour, any more than it is with human employments. Perhaps a better rent is got for land as deer forest than for land as occupation ground for cottars. But unless the gains of the individual are to override every other consideration, it is a very arguable question whether the state should permit such a kind of occupancy as drives out man. The defence, and it is generally in the long run, a good defence for invention and substituted forces, is that in a very short time labour is merely displaced, occupation is really increased, and the conveniences of life are multiplied and cheapened. But in a deer forest, only the first of three ends is achieved. I hope that I have sufficiently illustrated my statement, that while Production is limited by law and nature, the limit is not easily discoverable, and the power of adapting the processes of industry to these laws,

is and will remain unknown, and I thought it best, in discussing the subject of English pauperism, to preface what I had to say by a short account of the relations of labour and capital to production; for it is in the earlier stages of invention and improved production in England, delayed in a singular manner in this country, that the worst and the most lamentable exhibitions of English pauperism were made manifest, and at last became intolerable, after having been long scandalous.

Even though they make them too rigid, economists are agreed that the laws of production are laws of nature, those of the distribution of wealth of human institution, wholly or mainly. By distribution is meant that part of the gross product which is received by each of the contributors to the partnership. By saying that the laws of distribution are of human institution only, economists intend, not that products are of necessity arbitrarily assigned to each of the agents, but that the whole product being in the power of man in society, they could be distributed (not indeed to the total exclusion of one among the contributories, for in that case the others would perish) according to the discretion of those forces which are and must exist in order to constitute a society, in such proportions as those who undertake, usurp, or are intrusted with the administration of society may determine. These parties are four—the recipient of interest, the superintendent of labour, the labourers ordinarily so-called, and the recipient of rent. For reasons already stated, the second and third of these are analytically one, though in the distribution of the product, the second may be able to secure great advantages over the third. Again the first and second may merge in the same person. The superintendent of labour may be a capitalist employer, who is indebted to no one for a particle of the capital which he employs in his calling. In general, however, and especially in modern times, a great amount of business is carried on with borrowed capital.

Now in point of fact, if credit is maintained, interest is secured, and seems to be first paid out of profits or products. But it must be paid after labour, whether it be that of the superintendent or workman, is at least kept alive. In short, interest on advances or loans is due to an anticipation that labour will be productive enough, after it has been kept going, to leave enough to satisfy the

lender. This is equally true if the capital is actually borrowed, or introduced into the calling by the superintendent of workmen. If such a satisfaction is not accorded, the loan rapidly passes from the active into the passive form of wealth, is hoarded instead of being lent. If the insecurity of compensation is so great that people who have wealth will not lend it, the disposition to hoard will be intensified, and the reason is that the motive for saving is the provision against emergencies, and that this feeling is stronger and more enduring than saving for the sake of profit on loans. It is a mistake with many economists to say that saving is due to the desire of profit. If people could get no profit or but a small profit or interest, they could still save, perhaps save all the more, for it is found necessary, with prudent people, to save for the sake of security, and we may be sure that people saved and hoarded with the greatest energy, before they could find the people whom they could trust as borrowers ; and similarly, a very low rate of interest stimulates saving.

Now it is generally said that the last of the whole four to be paid is the recipient of rent. And this, when in a society the distribution is effected by competition only, is certainly the case. Rent, it is alleged, cannot arise till the others are satisfied or at least paid. Hence it is said, and with general correctness, that rent does not enter into price, and Adam Smith was adversely criticised for saying that it did, for it was alleged that rent was the result of price. This is true, even in those cases which some economists have been inclined to except, as the rent of factories and shops. Now setting aside the payment made for the building, which is no more really a rent than payment made for the use of machinery or tools is, however great the rent of sites or ground rents may be, we shall be quite safe in assuming, that there is an advantage, technically called a fertility, in particular sites, which induces the person who hires the ground to give more for it than he would for a piece which has less advantage or attraction. Rent is paid for fertility, that is for qualities which enable the occupier to pay more out of his produce than is sufficient to pay interest, wages, and profits.

But though Adam Smith's statement was not economically sound, it was not historically incorrect. Undoubtedly in the

earlier stages of this and other societies, rent was a tax, levied by downright force, either without the pretence of an equivalent, or as the representative of reciprocal advantage, as defence, and payment for administration, or as mere blackmail, the rent receiver, in consideration, refraining from plunder. And this is, I think, the origin of the old law of distress, under which, when the tenant failed to pay his rent, the landlord, or overlord, was entitled to seize his chattels on that part of his holding from which the rent issued. I have often found that rents in old accounts are put under bad debts, because the lord's agent "did not know on what land to distrain."

Hence you will observe that an economic rent might totally disappear, and no one but the former recipient of rent be any the worse, but every one also all the better. Rent is no matter of concern to any one but the landowner, just as any other kind of revenue-bearing property is, which becomes obsolete and unprofitable, as a canal no longer used. If the earth brought forth so abundantly and so readily for those who consumed its products, that the price realized for the sale of agricultural produce was only sufficient to pay th cost of cultivation, of collection, and of exchange, there would be no place for rent. In an ideal state of plenty there would be no economic rent. I say ideal, for in experience even the most fertile countries pay rents. If land were all equally fertile, as long as demand raised the price of farm produce above cost and exchange, there would be rent, though MacCulloch, who was a demented Ricardian, said it would not. But, on the other hand, everything which tends to diminish rent by plenty and cheapness approaches in its degree that ideal condition in which land is so fertile and so abundant that there is no place for rent. Of course they who have hitherto received rent fancy that when it falls or is reduced, the country is going to ruin, but they who buy agricultural produce know better. No doubt, if I were a great recipient of rent, I should find it difficult to reconcile my interests with my convictions; as it is, I can afford to be an entirely dispassionate economist.

You will observe that I do not quarrel with rent. I find no fault with it, and I would not interfere with it, unless under certain circumstances, which I shall, I trust, make plain to you. It is not, however, a sacred right, but the result of certain natural facts, as

natural as labour, waste, and friction are. It comes out of the limitation of human happiness as a doctor's fees do out of the limitation of human health. Still less would I counsel either its confiscation as Mr. George does, or its compulsory purchase as Mr. Mill did. The former policy I think would be an injustice, the latter would be a folly, or, to be more strictly economical, an unwise bargain. If we had bought the English landlords out, more than fifteen years ago, when Mr. Mill was insisting on the unearned increment, every one who knows anything about present English rents, would agree with me in thinking it a most incautious proceeding. It is true that the landowners treated Mr. Mill's proposal as one of confiscation. Their opinions are probably altered now. But they cling to the Ricardian theory that high prices cause high rents, and are still expecting the unearned increment. In my opinion it is as much vanished as the feudal system is. But the reduced cost of freight is not the only cause of their declining prosperity, as I have already shown. And here I may observe that there is one advantage which the condition of a person who is at once owner and cultivator possesses, and yet has escaped the notice of economists, that he is to some extent removed from the risk of one or more of those artificial laws which regulate the distribution of wealth. He is not so much affected by high and low prices as the rent receiver is, for he lives on the labour of his own hands, for the greater part of his expenditure.

Now as I have already told you, interest always tends to diminish as wealth increases, on the presumption that men are honest in their contracts. The reason is that on the desire of accumulation for the sake of safety comes at a subsequent stage a desire of accumulation for the sake of income, the principal remaining intact. Now if laws such as usury laws meddle with the latter and later tendency, they may tend to drive the latter into the former impulse, and so raise the rate of interest, while their object has been to lower it. One great service among many which Bentham did was to point out what usury laws were doing. At last they were abolished. It was seen to be inexpedient in the interest of borrowers, and ultimately in the interest of lenders to regulate the rate of interest by law, to make the laws of human institution meddle with loans. At the same time, it is clear that if money contracts are rigidly en-

forced, a bankruptcy law, to include all debtors, becomes necessary. The usury laws cut down the interest of the loan, the bankruptcy, the principal. But though in my opinion there is no economic difference between a usury and a bankruptcy law, for both are regulations of free contracts, there is a great practical difference. In the usury law the state regulates the contract, by a theoretically rigid rule. In the bankruptcy law equity regulates the contract, and by a variable rule. Besides in the bankruptcy law, the creditor blames himself; under usury laws, the creditor blames the law.

Now it is quite possible for human societies, acting on the rule that the distribution of wealth is of human institution only, to seriously curtail rent. There is already a school, which diligently teaches that rent is a fraud, an extortion, a misappropriation of the wealth which labour has created. It is not improbable, as the real origin of rent becomes better known, that these opinions, however unjust, unfair, destructive, may grow in intensity and work evil; for landowners in England are not conciliatory, claim very unjust privileges, and having made their gain out of the industry of society, strain every effort to further plunder the society to which they owe so much. They talk of the burdens on land, which are light, and should be heavy, for a spontaneous growth of wealth, to the origin and increase of which the fortunate owner has contributed nothing, is a peculiarly just subject of taxation, and not as it is in the United Kingdom, a peculiarly favoured subject of exemption. But except in the protection of some occupiers from outrageous pillage, the state has not used its powers over rent, or the receiver thereof.

It has been found disastrous to meddle in the interest of the rent receiver with interest and profits. With interest it has not meddled directly, though the mortgagor is treated with more consideration than any other debtor is, for he has to bear no such loss as an ordinary debtor does, if his pledge is depreciated, and is assisted by what is called the equity of redemption, in case he makes default in his payments, and his pledge is forfeited. But that form of interest and profit which is anticipated from the employment of farmer's capital is, and long has been, at the mercy of the rent receiver, as I have already shown you, and it is because the profits, interest, and capital of the farmer have been absorbed

by aggressive rents, for some of the consequences of which the farmer is responsible, that the present unfortunate state of agriculture, the present depression of trade, and in particular the serious stagnation of the home market are due. True to their instincts, the landowners are seeking to retrieve the consequences of their own action, and their own selfishness, by demanding further sacrifices from the general public, the relief of themselves from their just liabilities, and the imposition of food taxes on the general public. I have a strong conviction that if they are not wise in time, their latter end will be worse than their present state.

It has been possible and easy for the legislature to employ its powers in the distribution of wealth in the direction of lessening the share of the recipient of wages by positive enactments, and for it to lessen both profits and wages in the interest of rent. It has been possible for the legislature to deceive the recipient of profits so entirely by plausible statements, as to make him an accomplice in the oppression of the workman, and in the end to devote his own energies and powers to the oppression of himself. When forty years ago, the mass of Englishmen threw off the old restrictive laws which were intended to promote the artificial exaltation of rent, they had become alive to the iniquity of the system; now it seems some of the people are apparently being gulled by the sophisms from which their fathers freed themselves. They seem to think too that they can persuade the workmen that artificially high prices, *i.e.*, prices which stint supply, will make better wages, and give more employment. This state of things will lower wages absolutely and relatively, and stint employment.

Now I have told you how, for 200 years and more, the representatives of rent tried to depress wages by force of law, in the interests of rent and failed. So complete was the failure that in 1495, the legislature enacted that scale of wages for which the workmen had contended, and so left them in the possession of the situation. The workman had his trade union and benefit society in the guild to which he belonged, an institution which I shall attempt to describe hereafter. The condition of the country was eminently one of small holdings. In a Surrey village, Tandridge, some of the history of which I shall often refer to, there were, in 1600, forty-nine owners or occupiers, whose average holding is nineteen and a half

acres, and I have no doubt that such holdings continued for more than a century longer. A peasant who has land is in a much better position to make an independent contract for his labour than one who is landless. The landowners and farmers know this. They have contrived to dispossess the peasants of all interest in the soil, and they do their best to keep them landless now. In an earlier lecture I gave you an account of the numerous Acts of legislation by which the landowners in Parliament strove to depress the labourer's condition, but in vain. I am now dealing with the circumstances which secured their success, and followed on it.

Now the circumstances which led to this total rout and subjection of the workmen were, first, the deluge of base money. The amount of this was equal to the average coinage of gold and silver for any seven years during Elizabeth's reign, and was almost certainly equal to any ten years' coinage of her father's reign. When base money is put into circulation by rulers, the heaviest loss, nearly the whole loss, falls on the poor. This is what makes the crime of the smasher so peculiarly infamous. Then came the confiscation of the guild lands, and the loss of all the benefit society's funds, an act of embezzlement of which Somerset was guilty, who added the crime of hypocrisy to that of robbery, for his plea was that the endowments were devoted to superstitious ends. Next comes the inevitable rise in prices. Now if labour was as free as the winds, it cannot made head against heightened prices, a fact which I make no doubt Fair Traders know perfectly well, when they seek to delude working-men with the falsehood that high prices bring high wages. Provisions rose 2¼ times; that is, 16·6 shillings after the change went no further than 6s. did before, and wages remained nearly unchanged. Finally, came the statute 5 Elizabeth cap. 4, under which the labourer's and artizan's wages were fixed by Quarter Sessions assessments, severe penalties being denounced against those who took more or gave more than the justices allowed.

This famous Act, which consummated the degradation of the poor, made pauperism inevitable, and misery universal, was really no new legislation. The Act repealed all the old statutes of labourers, and re-enacted all the provisions of those Acts. It did not provide any new machinery, for the administration of the old laws had been in the hands of the justices for nearly the whole 200

years, and sometimes the right of making the assessment. What it did was to seize the opportunity, when the workmen were helpless, to consolidate all the old statutes, to draw up rigid rules of apprenticeship, so as to make agricultural the residuum of all labour, to enact exhaustive penalties, and to leave no loophole through which workmen could escape, so as to better themselves in the struggle with their employers. The English Statute Book contains many atrocious Acts, most of them with hypocritical preambles. This Act of Elizabeth is, in my judgment, the most infamous of them, for it was levelled against every right of the poor, even of the poor to live, and entirely in the interest of rent.

The magistrates duly met, and issued their schedules of wages. I have discovered thirteen of them, and perhaps, hereafter, more will be found. They invariably prescribe wages which I am sure, from the evidence of prices, would not, even if the peasant had continuous employment, find bread for him and his household. It was inevitable that he should be driven on private or public charity, on the alms of the generous, or on taxes levied for his maintenance on all occupiers. It is some satisfaction to find that, despite these penalties, the wages actually paid were a good deal above the justices' assessments. Employers were more generous than the "little tyrants of the fields." Thus out of seven assessments between 1593 and 1684, the average allowances for eight kinds of labourers and artisans, three of the former and five of the latter, were 3s. 0½d., 3s. 0½d., 4s. 0¼d., 5s. 3d., 7s. 0¼d., 7s. 11¼d., 5s. 3d. a week. The average of wages actually paid was 5s. 4½d., 5s. 2¼d., 5s. 5¼d., 5s. 9d., 7s. 5d., 8s. 1½d., and 8s. 3d. It should be noted that the highest assessments were made during the Commonwealth, and that an attempt was made to reduce wages after the Restoration. The labourers, as far as the will went, were better off under the rule of the saints than they were under that of the sinners.

Legislation for the relief of the poor, at first by voluntary contributions, began with the year 1541. Between this date and 1601 inclusive, when the famous and permanent statute of Elizabeth was enacted, there were twelve Acts of Parliament passed with the distinct object of providing relief against destitution. These Acts, which are a very instructive study for the economical history of England, can be found in the contemporary issues, a complete set

of which is excessively rare—our copy in Bodley being to some extent defective—and in the folio reprint—copies of which, the volumes extending from the earliest times to the conclusion of Anne's reign, were sent by the express authority of Parliament to the college libraries of Oxford and Cambridge. In ordinary collections of these statutes, they are omitted as repealed or obsolete.

Now it was at first believed that private benevolence would fill up the void in wages which bad government had made. But private benevolence can never grapple with a national calamity, even if it is very active. When, moreover, the head of the state is rapacious, lying, extravagant, reckless, and dishonest, ordinary human nature, especially when it is severely pinched by the exhibition of these vices on a gigantic scale, is more apt to loyally imitate them than to remedy the mischiefs which they have ocasioned. Still it is possible that Henry and his son's guardians fancied that private charity would fill the void. The "Supplication of the Beggars" calculates that the alms given to the begging friars amounted to £45,333 6s. 8d. annually, and if people would give so much to the professors and teachers of a creed which the king had dispossessed and proscribed, surely they would give as much to misery and poverty. But it has been constantly found that men will give to what they believe to be a religion far more freely than they will to what they know to be want, and perhaps with reason; for it is very difficult to distinguish between want and fraud, between real distress and simulated poverty. It is certain that the anticipation was disappointed.

These statutes were of various character. At first they only claimed voluntary gifts, collections in churches, made at first in Midsummer, afterwards more prudently postponed to Christmas. Very soon the appeal for voluntary aid was followed by exhortations to the richer folk to give of their abundance. Soon the caitiff who would not give was to be delated to the bishop, who was to exhort him. In Mary's reign, obstinate covetousness thus reported was, it seems, to be considered a suspicion of heresy, and inquiries were to be made. Very soon compulsion followed. The rich but covetous man, who remained obdurate, was to be sent to gaol, and an assessment levied on his goods. Finally, a general assessment was ordered.

I have been fortunate enough to recover, and have printed one

of these assessments. It is a rate levied on the parish of Tandridge, for the relief of the poor and of maimed soldiers, besides other objects, such as the maintenance of prisons and hospitals. The unit of assessment is a penny an acre, and the justices direct that only one rate a year shall be levied on owners and occupiers of under ten acres, twice a year on those above ten and below thirty, all additional assessments, if required, being paid by those who had over thirty acres. The system was therefore one of graduated taxation. But the rate provides that if the occupier has little land, but a good house, he shall not be exempted from a tax which is not to be too heavy on the poorer tenants.

The fact that laws for the relief of the poor were enacted after the Dissolution of the monasteries has led some writers to connect them with this event. Others have pointed out, perhaps to relieve the Reformation from these odious features, that poverty, for which the state was anxious, existed before this action of Henry. I dare say that the Dissolution aggravated the evil. It is possible that sheep-farming, rent-raising, and attempts to aggregate farms may have increased the mischief. But I am entirely convinced that the four causes given above are amply sufficient to account for it.

The Act of 1601 was at first temporary only, being enacted from Parliament to Parliament, and therefore regularly included in the continuance Acts. But there is no reason to believe that the legislature from the first ever thought that the system of legal relief could be abandoned. It was impossible, with the experience of prices constantly rising, and with the system of justices' assessments in full operation, to contemplate the diminution of destitution as within the range of a probability. In course of time, the doctrine began to take root, that as the poor, when in want, lived from the land, they could not be wronged, if they were deprived of every other interest in the land, as, for example, commonable rights of pasture. The song which, while it bade the rustic "hang sorrow and cast away care," also declares that the parish "was bound to find them," is much more the abandonment of despair than an outcome of contented thankfulness. The Act of Elizabeth, rendered perpetual at the Restoration, was substantially the law for the relief of the poor till 1835.

I do not know that there can be alleged an economical defence

for the relief of destitution. It does not seem to me that Mr. Mill's argument, that the individual man is not responsible for his own existence, makes a very strong case for the responsibility of those who are no more concerned in such a person's existence than he is, nor do I think, if we could conceive a state of things in which the maintenance of the destitute became an intolerable burden, that the argument would be cogent. Assume a contingency in which the struggle for existence leaves no margin for those who work, and I do not think that men would elect to starve themselves on behalf of those who do not or cannot work. But defective as the economical defence of the legal relief of distribution is, the moral and political defence of the practice is, I think, overwhelmingly strong. The loss which every solvent ratepayer bears in relieving others is cheaply purchased by the law which prevents the hardness and indifference which would ensue if one were familiar with the sight of unrelieved distress. The cultivation of that habit of mind, under which, in spite of one's being compelled to make a sacrifice in order to effect the result, men are indignant at the poor perishing for lack of bread, is of no little social value. The struggle after comparative abundance, or the competition of those engaged in the struggle, is studied by the economist, who discusses its conditions and its issues. But the moralist is glad when the struggle is suspended, or some of its fruits are abandoned, in order that those who fail in the effort may live. So too, the politician or statesman, who wishes that the mechanism of that society, whose affairs he administers, may move with the least friction, knows that the despair of those who are famishing, though he may be able to curb its outbreaks, is a discredit always, and may become a danger. Here, however, one's concessions cease.

The necessity of the English Poor Law can be traced distinctly back to the crimes of rulers and their agents. I do not say that if those four causes which I have recounted had been absent, destitution would never have ensued; but I am certain that it would have been more manageable, the police which legal relief must in the end administer would have been less harsh, and the relief itself more gently given and more gratefully received. In a vague way, the poor know that they have been robbed by the great in past time, and are stinted now. Nor can any defence be alleged for the

manner in which the rate is distributed. The gain of a Poor Law, that is, the fact that relief is a harsh form of insuring labour against sickness, old age, and incapacity, and therefore operates in reducing wages, is on the side of employers. The maintenance of the poor is laid on occupiers. No doubt, the fact that the small occupiers do not employ labour, and therefore are not so justly chargeable with its relief, accounts for the system of a graduated rate, which, from the example of Tandridge, evidently prevailed in the early days of the English Poor Laws. And, above all things, it is scandalous in the highest degree, that great mansions and parks should be now rated at nominal sums, and by people who are personally interested in obtaining exemptions from contribution. This gross unfairness is dangerous as well as dishonest, for there is no little risk, when these practices are not only seen, but understood, that there will be an effort after differential taxation in that direction which will invert the present process.

At the Restoration the law of parochial settlement was enacted. Mischievous and selfish as the Act was, it was, I make no doubt, thought urgent by the heavy incidence of the poor rate in the wealthier counties, and justified as a return, in a sense, to the old practice of parochial responsibility. It produced in the end, a special evil, now fortunately historical, of the close and open parish —the former being one in which the whole parochial area belonged to one person, who could expel from its borders those who might be chargeable, and might therefore get his destitute labourers supported at the charge of others; and the latter, one in which, owing to a plurality of proprietors, such a policy was not possible. This evil, remedied in part by Gilbert's Act, passed more than a century ago, under which a number of urban parishes could, for the purposes of relief, be included in one, was cautiously and at last completely altered under the New Poor Law. I can well remember the whimsical indignation displayed by some of these close proprietors when they were made to take their share in the common burden. I lost the friendship of one or two among them owing to my zeal for this reform, and bore the loss with patience.

Just before the Revolution, a return, preserved by Davenant, was made of the poor rate in the several English counties. I will not trouble you with the details. It is sufficient to say that the poor

rate was much heavier in the midland, eastern, and southern counties, than it was in those north of the Trent, though from the returns of the hearth tax, an official document, it appears that the North was, on the whole, as densely peopled as the South, though far more backward in the conveniences of life. Again the poor rate, relatively speaking, was exceedingly heavy. For the time at which it was taken, it was about half the revenue of the Crown in time of peace, a proportion which no later statistics have ever disclosed, even at the time when it was over eight millions, just before the change in the law. Again, the bonds of the parochial settlement was made more strict after the Revolution than they were before. The great change which settled the Constitution brought no amendment to the peasant's lot. But, in point of fact, the seventeenth century was one of almost unbroken misery to the workman. At the conclusion of it, Gregory King sets down all the labourers as a class which contributes nothing to the annual savings, and the farmer as contributing next to nothing. During this century the population doubled, and in the eighteenth was again doubled.

Arthur Young notices with dismay and anger that, though the wages of workmen had risen considerably at the date of his tours as contrasted with those of a generation before, poor rates had notably increased likewise, and he ascribes the disagreeable phenomenon to the increase of tea drinking. It was due to a far less recondite cause, one, however, which he would not have liked to admit, for it would have been a shock to a system which he greatly admired. The growth of the poor rate, despite the increase of agricultural wages from about 7s. 6d. a week to 9s., taking the harvest gains in, was due to the enclosures, the consequent exclusion of the poor from small agriculture, and to the curtailment of bye-industries. It was these bye-industries which kept rates low, and even wages low in the North. Besides, enclosures went on far more rapidly in the South than they did in the North, as Young indirectly testifies, and as the agricultural returns of his own department prove. The poor became more straitened even when prices had not seriously risen, because they were more and more divorced from the soil. At last the law of Elizabeth annexing four acres of land to every cottage, and prohibiting overcrowding was

repealed. It was a great boon to the peasant, but it was a hindrance to enclosures. He has not yet recovered it.

The first half of the eighteenth century, owing to the prevalence and success of the new agriculture was one of great plenty, high profits, low prices, and increasing wages. I have no evidence on the subject of poor rates, but I conclude from Young's contrasts, that they were stationary or declining. The next quarter was not unprosperous; the last was one of high prices, low wages, and unparalleled suffering. The distresses of the poor attracted attention, and Sir Frederic Eden essayed their history. For his own time it is valuable, for the near part useful, for the remoter past his work is worthless, for he had no information, and he does not appear even to have studied the Statute Book. Rents rose rapidly, and the farmers began to grumble at the justices' assessments as too generous to the poor. Acts of Parliament were passed, restraining the use of barley in beer, restraining the excessive bolting of the bran from wheat, the king had bran loaves served on his table, and the princesses wondered that people would starve, while cake could be got. "I would sooner," said one of these innocent creatures, "eat bread and cheese than starve."

The magistrates of Berkshire, appalled at the magnitude of the calamity, and at their wits' end to devise a remedy, at the close of the century devised a new mode of relief, which, from the place of their meeting, got the name of the Speenhamland Act. They were encouraged in their course by an interpretation which they put on two Acts of Parliament, 9 Geo. I. cap. 7, and 22 Geo. III. cap. 83. They assumed a certain sum, according to the price of wheat, which would, they conceived, support a man, his wife and one child, and that they declared to be the minimum earnings. In the case of a man whose family was more numerous, they despaired of obtaining increased wages from the employer, so they added the necessary sum from the rates. This was known as the allowance system, and was greatly condemned by the more zealous Malthusians as a premium on population, or as they sometimes said, incontinence. No one was struck at the outrageous injustice of making those occupiers who did not employ labour pay the wages, often half the wages, of those who did employ labour. Shortly after its adoption, Mr. Whitbread tried to give legal

authority to the practice, but it does not seem that it was ever invested with this dignity. It prevailed till the new Poor Law was passed, and so mechanical was it, that I remember two cases in my own native place of provident and furtive day labourers, who saved up the price of a small farm from their allowances.

At last the system became intolerable. The rates in the open parishes were eating up the whole rent, and the landowner's device was rapidly becoming the landowner's ruin. A new system was tried by Mr. Nicholls and Mr. Lowe, at Bingham and Southwell, and its success suggested the new Poor Law, which the Whigs, guided by the metaphysical economists, carried. It was necessary, but the process of change was inverted. It should have followed, not preceded, the reform or abolition of the Corn Laws. But the Whigs thought that the landed interest would be ruined if the people had cheap food, and naturally preferred the former to the latter interest. Curiously enough, Mr. Villiers' return of wages, some few years afterwards, when he was at the Poor Law Board, showed that wages in the aggregate had risen rather more than poor rates had decreased. By this time the right persons were paying them.

The apparently selfish policy of the party which carried the new Poor Law led to the establishment of Chartism. It was of no little service in its early days to the Conservative party in the North, and even in its decadence it is of service to that party now. It coupled political reforms with a socialist or quasi-socialist economical platform. Some of these economical purposes were good, as, for example, the Factory Acts, and there is little doubt that this beneficent change was greatly aided by the working men who followed Oastler and O'Connor. These people, however, were so unintelligent that they resisted the repeal of the Corn Laws, on the plea that free trade would lower wages. Even now, it is said that not a few of them believe that a period of high prices, created artificially, would heighten them. You at least are not likely to fall into this delusion, for the whole consensus of facts proves the reverse.

XII.

HISTORICAL EFFECTS OF HIGH AND LOW PRICES.

Gregory King's law—The foundation of the laws regulating prices—Causes which depress and raise prices—The scarcity or plenty of gold and silver—Lessened cost of production—Lessened cost of freight—The produce of silver in England—Foreign silver and gold procured by trade—The effect of plagues on prices—The younger son and the civil war—The literature of the seventeenth century—Shakspere and Dryden—The inventions of the eighteenth century—The authors of the new agriculture, and Arthur Young—The services of Sir John Sinclair to Scottish agriculture—High prices cannot of themselves recover high rents.

When I was drawing up the list of lectures which I purposed to give in the present term, I very much hesitated before I concluded to put down that which forms my subject to-day. The range of the subject is very great, the facts are very copious and very intricate, the subject from the historical point of view is as yet so utterly unknown, and the evidence is so remote and so near, that I might well despair of giving you a clear and connected outline of the elements from which to make economical inductions and historical interpretations. But, on the other hand, the topic is of such great and general importance, the issues which it raises are of such profound significance, the interests of which it treats are so varied and so vital, and the future which it seeks to penetrate by the evidence of the past is so immediate, so full of menace and withal so obscure, that if I am able to throw any light on the situation, I should be lacking in that courage which one who has special knowledge ought to show, if he thinks he can elucidate a grave

social problem. As on other occasions, I shall attempt, by way of preface to what I have to say, to state concisely and as clearly as I can what are the principles on which high and low prices depend, or, in other words, the laws and causes which induce them, and in what manner these causes which should be dominant are modified or obscured by other causes and conditions, the true force or influence of which must be, if possible, weighed and distributed. And here I may observe: (1) That there is no part of political economy in which the metaphysical or psychological method which you get up in your text-books is more misleading and delusive than it is on this subject, where the only safe course is to collect and estimate facts; and (2) that variations of high and low prices, which a century or more ago would have excited little attention, and caused little alarm, in our day, when production and trade are so sensitive and so complicated, rouse the gravest apprehensions and exercise the attention of the most laborious and acute investigators into economical phenomena and economical agencies.

Now there is one law of prices which you must know and understand before you can make the least progress in interpreting the simplest problem. It is known to some economists, I do not say all, for it is most unaccountably neglected or obscured in most treatises on the subject, as Gregory King's law. Gregory King was Lancaster Herald in the latter part of the seventeenth century. Struck, as I do not doubt, with the extraordinary fluctuations of price, particularly in the price of wheat, which characterized the seventeenth century, and being a man of really statistical mind—that is, one able not only to collect figures, but to interpret related figures—he stated it in this form, and you will remember that I have often referred to it:—

"We take it, a defect in the harvest may raise the price of corn in the following proportions:—

Defect.		Above the common rate.
1 tenth	raises the price	3 tenths
2 tenths	,, ,,	8 tenths
3 tenths	,, ,,	16 tenths
4 tenths	,, ,,	28 tenths
5 tenths	,, ,,	45 tenths;"

and from this King draws some highly practical conclusions from the free trade practices of the Dutch. It will be observed that King merely takes the price of corn, and that though he gives the proportion in an arithmetical form, he intends to imply no more than a principle, which experience may modify. Let me try to draw out in the form of an economical rule or rules, the important canon of prices which was suggested two centuries ago, as I have seen it verified in the long research which I have given to the subject.

1. The price of any article in demand, but at present in defect, rises in price by a different ratio from that indicated by the ascertained amount of the deficiency; and *e converso*, the price of any article in demand, but at present in excess, falls in price by a different ratio from that indicated by the ascertained amount of the over-supply. By the expression "ascertained amount," I do not intend that the quantity shall be exactly measured. It is sufficient for the illustration of the first rule that it should be a sufficiently apprehended fact.

2. The operation of the above law is always most dominant in articles of prime necessity, in which no notable economy can be made without suffering on the part of the people when supply is short, and no notable increase of consumption can be expected when the quantity is in excess of supply. If the article is relatively perishable, the phenomena increase in intensity on either side. This law or rule is not unlike Mr. Mill's principal law of values, but is more comprehensive.

3. If in the scarcity or excessive plenty which prevails, as the case may be, there are several kinds of the same article, which ordinarily stand in a certain ratio to each other, and can be used interchangeably, the rise of price is greatest, in the event of a scarcity, in what has been heretofore the cheapest form, and conversely in a time of oversupply the greatest fall is in what has hitherto been the dearest. This rule will require a little explanation. Roughly speaking, under ordinary circumstances wheat, barley, and oats stand in the ratio of 100, 73, and 50. Now in times of scarcity 73 and 50 will rise more than 100 does, and if there be a fall in prices owing to excessive supply 100 will fall more than 73 and 50 do. This rule is of the greatest importance in

practice, and in a rough manner is seen, though none too clearly, by practical men of business.

4. If the articles in question are more or less of voluntary or optional demand, and the supply be in excess, prices tend to fall to money values which come very near the margin indicated by the present cost of production; but if the demand be in excess, profits rise considerably, and production and trade are active. I state this law, which is accurate enough when other prices are nominal, but is apt to be powerfully affected under the pressure of such exceptional circumstances as I shall have to refer to hereafter. If the use is entirely voluntary the phenomena are intensified; if the option is exercised in the direction of a practicable economy of use, they are less powerfully exhibited.

5. High prices in articles of necessary use consequent upon scarcity, natural or artificial, diminish the purchasing power of wages, and do not increase the amount of employment. High prices consequent on demand in voluntary articles which can be increased indefinitely increase profits and increase wages. Low prices in articles of voluntary use do not, especially when labour or employment is greatly distributed, lower wages, so long as the producer does not or cannot diminish the output. If the demand for labour is urgent, and the supply is scarce, King's law applies to labour as fully as to any commodity. The working of this law is exceedingly obscure, but very real; but I hope to be able to illustrate it clearly in the course of this lecture, at least in its most salient points. For the moment, take the law in its briefest form. High prices do not make high wages.

Now these are the principal, I will not say the only, but the most practical of the laws, rules, or canons, which may be deduced from King's statement, which in the form of a question, is, according to his figures, as follows: Why is it that a deficiency of food, to the extent of one half an average supply, raises the price of the actual supply nine times over the average price? I will candidly say that I have never recorded such a rise; the highest I have noted was in the year 1315, five times for wheat. But as I have already stated, Gregory King's proportion, though undoubtedly sound in principle, is hypothetical in form. I am indebted to King for the principle of the general law governing prices; the canons

which I have given you are inductions from my own researches, inductions which I intend to the best of my power to illustrate.

But I must now proceed to the next part of my economical inquiry. Three causes, apart from those laws which I have already given tend to depress or raise prices; one in the course of economical history to raise them, two others to depress them. The depressing causes have never overtaken the exalting cause, except in some significant cases, and every effort, as I shall try to show, is made to prevent so entire a change in relative values as such a result would effect. If it did take place universally, it is difficult to see how society would accommodate itself to the obligations which it has created or has suffered to be created on its behalf. It is a minor, but only a minor matter, that it would effect an entire social revolution, because it would seriously affect all who have depreciable property, *i.e.*, working capital and land, and as inevitably better those who have that property in which a fixed rate of interest is paid for advances, the fund and debenture holder, *i.e.*, the man to whom the earnings of the nation, and the earnings of industrial companies, are pledged at a given rate of interest.

The three causes are (1) the plenty and scarcity of gold and silver; for the last 300 years, the elevating cause of prices. The two others are (2) diminished cost of production; (3) diminished cost of freight. These causes are dominant, but I must warn you that there are other agencies behind them, which I shall have to expound, which are also depressing causes of prices. If we are able to grasp the five general laws of prices which I have given above, which you will see are exponents of immediate phenomena, and the three causes which are operative over permanent, or at least continuous, phenomena, we shall be on the way to interpret the facts, past and present, which I have to lay before you. You will remember, too, that the laws and causes are disparate, but co-ordinate. The laws which I have quoted, in so far as they have had materials to work on and opportunity for activity, have affected prices, or money values, and, in the absence of money, exchange values from the days of the Pharaohs to the days of the Coburgs. But the causes have been especially dominant during the last two centuries. Society may, by an accession of barbarism, entirely lose the fine arts. But if the civilization of antiquity had been equally

interested in the industrial arts, it is doubtful whether civilization would have been lost, as it was lost, for at least twelve centuries. The protection which the industrial arts give society is so great that all the savages collected by Jinghis Khan, Tamerlane, and the Osmanli Turks together would have been annihilated by two or three squadrons of modern infantry and a modern park of artillery. But the civilization of antiquity accepted the fatal custom of slavery; and the process of invention, of adapting natural laws to the economy of human labour in production, never made progress for lack of motive.

When I speak of the plenty and scarcity of gold and silver, I am referring to the case of either of these metals being legal tender to any amount, that is, compulsorily acceptable in liquidation of contracts, to the exclusion of the other; or, which is an exceedingly rare case, adjusted in value to each other by so exact a proportion, that the recipient of the sum is indifferent whether he receives the one or the other. Now this equivalence may be discovered and affirmed as a commercial fact, or it may be to some extent the creation of law. In order to make this clear, I will illustrate it from the annals of the English currency.

In 1257, it is said that Henry III. issued a gold currency in the proportion of 10 to 1, and that on the remonstrance of the London citizens, he took it back at a discount of 2½ per cent., or at 9¾ to 1. In 1262, he bought gold for making into plate at 9½ to 1. Thirty years later Edward, his son, bought gold ingots at 12½ to 1, the object being to decorate the crosses which he set up in memory of his wife Eleanor of Castile. During the fourteenth, fifteenth, and sixteenth centuries, when a gold coinage was circulating in England, the ratio varied from about 10⅓ to 11⅘. In the seventeenth century it was about 15 to 1, and the ratio was liable to considerable fluctuations. In the eighteenth it was overvalued, and as a consequence silver, the undervalued currency, disappeared. The ratio was altered, and a limit put to the legal tender of silver. In 1819 the market rate was 15½ to 1, at which it was undervalued, and gold disappeared from France. To meet the difficulty, the Latin Union was formed, and the issue was regulated. But the Californian and Australian gold discoveries led to the overvaluation of gold, and silver began

to disappear. Recently silver has been demonetised, except for change in Germany, Italy, the United States, and France, the last two practically, though not theoretically. The present ratio is nearly 22½ to 1.

These alterations of proportion are wholly due to the use of gold as currency. The rise in thirty years from 9½ to 12½ was due, as I pointed out long ago, to the adoption of a gold currency by the Italian cities. But out of Italy a gold currency was unimportant up to the seventeenth century, when the American supplies came. The present fall is due to the cessation of silver coinages. If Austria and Russia were to retire their forced paper currencies, and adopt a legal tender silver currency, and if China were to issue a silver currency, the price of silver would rise, if not to its old proportion, to something very much nearer it than it is likely to be unless such expedients be adopted. If you leave off using any article hitherto in demand, either by finding a cheaper substitute for it, or by discontinuing it in whole or part, my first law of prices at once applies. Now the Governments of Germany and Italy adopted a dearer substitute for silver, and lost a great deal by the operation; the former a considerable part of the indemnity which it extorted from France after the war of 1870.

The other two diminishing causes of prices were very slow in coming into operation. There is very little evidence that in any department of human industry improvements in the process of production diminishing cost are traceable; for centuries, abundant evidence shows that no such improvements were made. I will mention two instances in which distinct progress was made and is traceable in diminishing prices. These, the most marked examples which I have seen, are paper and glass. There is not, I believe, any information in existence as to what improvements were made, and where they were made. But when prices begin to rise, the money value of these two articles is either stationary or sinks. It is certain that the demand did not fall off, and when prices were rising all round, the fact that any alteration in the price of these two articles was in the direction of cheapness, is a proof which no direct testimony would strengthen, that the phenomenon is due to diminished cost of production.

Diminished cost is exhibited in several ways. 1. It may be that

less time is required in order to bring the thing into a merchantable condition, for the saving of time is a saving of interest, risk, and profit. Thus in the breeding and management of animals, the agriculturist whose skill shortens the period to one-third in which stock is brought to market, gains at first the whole profit of his economy, till the skill being diffused among all farmers, his advantage is absorbed in rent. 2. It may be that what has hitherto been intractable by any known laws of nature is found to yield on the discovery of a new law to which it is amenable. Such was the case with those iron ores which contained phosphorus, arsenic, and sulphur, and were of no economical value till the discovery of Bessemer's process. In general nothing has been more noteworthy than the economy of what has been conceived up to recent periods to be mere waste. 3. It may be that the economy is in the process. At present, by the improvement of furnaces, a ton, say of pig iron, requires not more than a third of the coal or coke it required twenty years ago in order to make it merchantable. 4. It may be in the manipulation of the product. It is not easy to define raw materials. Under certain circumstances, what seem to be finished goods are raw materials for another product, if they are required in order to achieve a further economic result. Clothing in a wax-work exhibition are raw materials; to most of us they are finished goods which have a final and no ulterior economic use. But the processes by which products are handled for one stage or the other of a merchantable article, are the subject of incessant improvement and modification. Now in all these four forms of diminished cost, and I am far from having exhausted them, no appreciable development has been or could be traceable till comparatively recent times.

Improvement and economy in the cost of freight is also a matter of very recent experience. When, after the year 1600, the English East India Company was formed, it took more than two years to double the Cape, to collect a cargo of goods, and to return. At the present time the journey backwards and forwards is achieved in two months. But it is not only accomplished in one-twelfth the time, but with much greater safety, and with less than a twelfth of the relative cost. Means too have been invented by which the market may be foreseen and anticipated, balances due from either

side, constantly in old times transmitted at great risk and cost, are written off against each other and by monetary communications. Navigation, once a knack, is now an art; the astronomer, the meteorologist, the physicist, have been pressed into the service of trade, and the man who at first sight is merely a student of knowledge for the sake of it, is constantly discovering and arranging facts, which the economist who interprets results, instead of being engaged in barren speculations, discovers to have played their part in reducing the cost of production and exchange. For, as I have said more than once, though the power of man to appropriate the forces of nature is necessarily limited, no one knows, and no one ever will know, what those limits are.

Now I must admit that much of what I have just now said is part of the commonplaces of industrial history, of which you may read much, and that with gush, in the pages of Mr. Smiles and such people. But though I do not purpose to trouble you with the statistics of what I may call the saving of waste and friction, it will be clear that what I have dwelt on has its past in that machinery of production and trade, the concrete illustration of which is high and low prices, the interpretation of which is the object I have before me.

When the facts come before them and are examined and admitted, the first impulse, even in those who should be better informed, is to assign high and low prices to the excess and defect of the precious metals. In an age when no substitutes for money had been discovered, and no efficiency of the precious metals in the operation of exchange had been dreamed of, the plenty or scarcity of money had a far more direct effect on prices than it has in more recent times. There is no doubt that one rise in prices, for example, was effected between 1541 and 1582, and another between 1583 and 1612, and a third of far smaller significance between 1643 and 1702. But it is as certain that the first modification was due to the currency and certain peculiar facts connected with it; the second was due to the influx of the precious metals, and, speaking generally, to that alone; while the third was of a much more complicated character, and can be referred only doubtfully and slightly, to currency influences at all.

A country which does not produce the precious metals itself

procures them by the operations of foreign trade. Now England, till the rise in prices at the beginning of the seventeenth century, when it is unquestionable that the supplies came from the New World, supplied itself with silver, as I told you in a previous lecture; for silver is rarely found in Europe, except in conjunction with lead, and the English did not, if we can trust the accounts given of its trade, import lead at all, but, on the contrary, was a source of supply to the west of Europe. From this lead it extracted its silver, and I have no doubt whatever that from this country Western Europe, and in particular France and the Low Countries, procured the main of their supplies. The superficial gold supplies of the British Islands, large probably in pre-historic times, especially in Ireland, where the use of gold ornaments was very general, as the collections of the Royal Irish Academy show, were long exhausted, although Adam de Moleyns says that Ireland still produced gold of the finest quality. The circulation of gold was, however, trivial, and remained trivial till the seventeenth century, all European countries using a silver currency. Some even used a billon or mixed metal local currency, an abomination which circulated up to fifteen years ago in Germany and Switzerland. The gold currencies of Italy in the thirteenth and fourteenth centuries were chiefly, if not entirely, drawn from Byzantine reserves.

I purposely, at this stage, entirely ignore the effect of paper currencies: such as existed, at the epoch when the cheapness of money affected prices, were local, and were limited to the operations of merchants. It was not till after the Restoration that the circulation of goldsmiths' notes was general, and then was only general in London. The denomination of the notes was high, and remained high. So little profit, indeed, was derived from them by private bankers, the successors of the London goldsmiths, that at a doubtful period in the middle of the eighteenth century these bankers retired their notes, as, in effect, since 1844, private bankers who retained the right of issue have nearly retired theirs also. To all practical purposes, then, the circulation of the public was, and remained, metallic, from the earliest date of recorded economical history down to the great event which I referred to in an earlier lecture, the suspension of cash payments, when a perfectly new departure was made.

England, then, from early times down to the beginning of the

seventeenth century, could and did rely on its own resources for its own supplies of currency, and though, as I have stated, a restraint was put on the exportation of the precious metals, it is obvious that if it were the interests of the merchant to export, there was no machinery in existence which could hinder him. Now up to the incidence of the Great Plague the average price of lead for the previous ninety years was 53s. 3d. the fother, after the plague, for fifty years, it was 128s. 4d. But during the next one hundred and forty years it is 73s. 9d., and the price is declining during the early part of the sixteenth century. Now cheap lead implies a more abundant supply of silver, and, of course, if a foreign market was ready to take off an excess of produce, it would do so without prices being heightened, as they would have been heightened had the silver, as the law intended, found no exit from England. There was, beyond question then, for the evidence of prices is conclusive on the subject, a regular outflow of English silver into Western Europe, till the new source of supply from Mexico and Peru made the cost of English silver too considerable for its profitable extraction, at least for a time.

Now the value of the precious metals at the place of their origin depends on the cost of production, just as the value of everything else does. It is presumed that people will not undergo the severe and dangerous work of mining unless they get the compensation which is anticipated by all industrial agents. But here we should remember that another principle comes in. Those callings in which exceptional profits are a characteristic, *i.e.*, profits depend greatly on chance, are exceptionally attractive. The more tickets, says Adam Smith, a man takes in a lottery, the more certain is he to lose. But the fact that one man has drawn a great prize in a lottery attracts many who certainly will not; for, says the same acute author, people always think their own good fortune and their own abilities at least equal to that of their neighbours. A longer experience of mankind than most of you have has convinced me that Smith's observation is sagacious and accurate, and you need not think yourselves cynical if you hold the same opinion. Now this gambling spirit operates powerfully in mining.

But in countries which do not produce the precious metals, the value depends on the cost of acquisition, *i.e.*, on the cost of the

commodity against which they are exchanged. Of course in no exchange can you separate the cost of acquisition from the cost of production, but in the exchange of goods against gold and silver the cost of acquisition is more obvious than that of production. Now the difference between the cost at which the article is produced may be low, and its exchange value may be high. The cost at which Philip II. procured the precious metals in his Plate fleet was low, for they were procured by a tax on the mine adventurers, who were permitted to wear out the native population by compulsory labour. In so far as the Dutch and English appropriated these treasures by privateering, the cost of acquisition was comparatively low. But they were chiefly exchanged against goods purchased or procured by the Amsterdam merchants in Cadiz and Seville. Except, then, in so far as the English traded with Holland or Spain, no portion of the treasures of the New World would have entered into English currencies. Still, from the beginning of the seventeenth century, the English have imported gold and silver bullion, and have done it by their trade. The home supply of silver became insignificant. Now it is plain that the country which procures the precious metals with the greatest ease can always obtain them in the greatest plenty, and, if nothing intervenes to obviate such a result, will, in so far as prices are affected by the precious metals, exhibit the highest average prices, at least in articles of unrestrained import.

But there is a cause which checks the likelihood of a high level of prices in a country whose trade gives it a great control over the supplies of gold and silver which are produced and exist. This is the amount of foreign debt which is held by the exchanging or importing country. If a country, say England, has made great loans to other countries, it has generally created the loans by exports, and when lending is brisk, the export trade is active. But it receives the interest on its loans by imports, especially of raw material, and when the indebtedness is heavy, the debtor country is forced to press the produce by which it liquidates its liabilities on the importing or creditor country. The effect of this operation may be to induce the phenomenon of continual over-supply, and with it the excessive cheapening of materials. This result is aggravated if the debtor and exporting country adopts

a protective tariff, for by this policy it curtails its own power of exchange, and is constrained in order to meet its obligations to force on the market a larger amount of its own goods. I mention this here because it has its effect, as I shall show, on the circulation of money. It is of greater significance still when one considers its effect on the progress of young countries.

No country takes more money than it needs for purposes of circulation, and for the due support of its paper substitutes. It is quite likely that it knows with so much exactness that the want can be supplied at discretion, that the banks can leave the adjustment of currency to circulation to the bullion merchant, who watches the ebb and flow of international money with the intelligence and acuteness which come from experience. But the function of the bullion dealer is after all that of a middle man only, and the circumstances must be provided before the middle man can intervene. Now I cannot but think that a country which has not only an active trade, but is an extensive creditor of other countries, has, by virtue of the latter position, a far larger power over international money than one which is not in this position, and that it was, in the first place, the magnitude of its trade, and, in the next, the enormous amount of foreign debt which it holds, which made, and will continue to make, London the monetary centre of the world, and able, with the least possible rise in the rate of discount, to attack the store of international money most effectually.

I have now, I trust, stated with sufficient distinctness the laws which govern prices, and have indicated how universal they are. They are, you will understand, those which affect temporary exaltations and depressions, as scarcity and plenty characterize supply. The causes of high and low prices are permanent in their character, and may have a long, perhaps an enduring, effect on societies. I cannot indeed attempt, nor would you be able to bear, a minute inquiry into, the total aggregate of causes which induce a period of high and low prices, still less could one assign its precise effect to each in this aggregate. No one can perhaps do much more than guess at the force which each of these many causes has. It is sufficient if the man of business can foresee them with sufficient accuracy for business purposes. I shall, during the rest of this lecture, deal with some high and low prices in their relations

to labour and rent, including in labour the true profits of the capitalist employer, as well as the earnings of workmen. I assume that you entirely understand the meaning of economic capital, that it is wealth loaned for productive purposes, and receiving interest, as has been happily explained, as the wages of abstinence.

Nothing strikes the student of prices more than the fact that, taking an average, that is, excluding the occasional manifestations of the laws governing prices, prices are so uniform, that is, the causes governing prices are so unchanged. This uniformity endures from the first recorded account of continuous sales and purchases till about the 31st of Henry VIII., a date which is not arbitrary, and very convenient, because it precedes the debasement of the currency, and it follows the dissolution of the larger monasteries. The period which I have dealt with is 280 years. Now in the first 140 the price of wheat is 5s. 10¾d. a quarter; in the second 140, 5s. 11¾d. I referred also to the price of lead. In the first 140 years it is 90s. 9½d. the fother; in the second, 104s. 4½d. Similar illustrations could be given from other commodities. The causes which determine prices, and have so enormous an influence in our time were practically unaltered in intensity for centuries of early English life.

But the laws affecting prices are illustrated to the full. Except in 1315, 1316, 1321, 1438, and 1527, there are no years of famine during the whole 280 years, that is, a year in which the price of wheat rose to double the average price. It is true that the famine of the first three years was excessively severe, was without parallel in any recorded period of English history. We may, perhaps, disregard the stories told by the chronicler monks, who dwell on the strange viands which the famishing people devoured, but there is one proof of the calamity which is conclusive to the student who investigates prices. It is that the price of labour rose permanently 10 per cent. after this visitation, evidence that the number of labourers was lessened, and that the survivors took advantage of it. In 1438, when the scarcity was also very great, stringent measures were taken to prevent the exportation of food, and even water-carriage in the interior of the country was prohibited, from a fear lest an opportunity should be given of shipping corn abroad.

The most notable fact in the history of the fourteenth century is the Great Plague of 1349, which reappeared in 1361, and was epidemic in England afterwards certainly till 1665. It probably at its first visitation destroyed a third of the people. Our forefathers, I regret to say, were astonishingly dirty in their habits. The nations of Europe were in no country over cleanly at the time, but even the Spaniards in the train of Philip II. commented on the extreme sluttishness of the English. These English, they said, live like pigs, but they fare as well as the king. Long after the plague began they had not changed their habits. Even in the eighteenth century London was polluted by the dead and the living. A broad, open river of filth passed through London at the bottom of Ludgate Hill, and two minor abominations ran across the Strand under rickety bridges. Long after the eighteenth century set in a particularly frowsy market was held between the Bank of England and what is now the Mansion House. In wet weather the streets were ankle-deep in pestiferous mud, and in dry weather in pestiferous dust. Sometimes the burials in London were double the christenings. When the plague was burnt out in 1666, it was succeeded by spotted fever, *i.e.*, typhus, and smallpox. In moderately healthy years the death rate was forty-one to the thousand. The population of London was only kept up by constant immigration.

Hardly any event in English economical history has been so full of results as the plague of 1349 was. It emancipated the serf, and it demoralized the Church. It gave occasion to the teaching of Wiklif, and assured the Reformation. Had it not been for the insurrection of 1381, and the identification of Lollardy with sedition and rebellion, the separation from Rome would have occurred in the fifteenth century. The tie which bound Western Europe to the Papacy was very slender at the Council of Constance, when John XXIII. was deposed and Martin V. elected. But the English rulers dreaded the Lollards, and remained orthodox and uneasy. The pious Gascoigne is civil to the Pope, indignant with his court, especially contemptuous of the English bishops, and quite ready for the dissolution of the monasteries. He was close upon Lollardy without knowing it.

The first cause of this change was the laws of prices as I have given them you operating upon labour. Labour is always in demand,

and the supply fell short of the demand suddenly. If one-third of the population perished, and this represented one-fifth of the adults in the country, for the disease was far more deadly in the towns, Gregory King's illustration would nearly double the price. Now this is what happened, and illustrates my first law. The wages of women and children rose far more than those of adult males. This illustrates my third law.

During the fifteenth century famine occurs as I have said in one year only, and there is little record of pestilence. The chroniclers and farmers tell us of years when there is no fruit, of summers dry and wet, but no mention of sickness occurs till 1477, '8 and '9. In 1485 came the sweating sickness, a disease due to unclean habits, which seems to have generally affected well-to-do persons in towns, such as London aldermen. But there was a social disease in the fifteenth century which produced grave results. This was the appearance, at a most difficult time in English political and social life, of the younger son. The Church was exceedingly corrupt. The monasteries were dens of greedy and voluptuous monks, the artisans all given to Lollardy, and the nobles with dozens of vendettas everywhere. The peasant farmers, who were exceedingly prosperous, appear to have taken no side in the struggle.

As long as the great landowners cultivated their own estates, there was an abundance of personal property, with which to portion the younger son. When the stock and land lease followed, there were still funds for this purpose. But about the middle of the fifteenth century the farmers either purchased or had their own stock, and took the land without borrowed stock. Not a few bought small estates, and land ran up from ten to twenty years' purchase. In the land hunger of the century nobles and knights even purchased copyholds, and became by the common law serfs. When they could do so, they asserted that part of Wiklif's doctrine for themselves which affirmed the injustice of civil inequality, and forced the revision of the liabilities of those base tenures. I found, years ago, a most curious illustration of this practice, in the compulsion which Sir Ralph Cotiller and other Gloucestershire gentlemen, tenants of the manor of Cheltenham, put on the abbess of Sion, its lady. The younger son became exceeding poor. As long as

the war with France lasted he could find employment, and if he were fortunate and thrifty, fortune. But loot seldom sticks. The war was over in France. It soon began in England. The country was full of soldiers of fortune, and they went on fighting, as chance occurred, from St. Albans to Bosworth, thirty years of pitched battles and guerilla warfare. Edward and his judges knew what they were about when they devised a plan for breaking entails. Only the relics of the factions, some five thousand on each side, fought at Bosworth. The rest had left their bones on wastes and moors.

The downfall of England under Henry VIII. was due to economical causes. Perhaps if one examines his Pipe Rolls, one could find out how he squandered his own and his people's money. I know that he had twenty palaces or more, the whims of the hour, in each of which the establishment maintained was more costly than the whole expense of his thrifty father. He dissipated his father's hoards, the taxes he wrung from his people, the forfeitures he got from his nobles, whom he cunningly played off against each other, the old and the new, the lands of the monasteries, the spoils of the monasteries, the loans he raised which Parliament excused his paying, and then took to issuing base money. The patriot king of Mr. Froude appears to me, who know a good deal of his goings on, to be the very worst monarch who ever reigned.

I told you in my last lecture of the economical causes which brought about English pauperism, and I need not recapitulate them here. The operation of law shut the English workman as completely out of the laws, and the causes which regulate prices, as he would have been if he had been made a chattel, a plantation slave. To him, you may be sure, the great drama of the seventeenth century, so noble as it seems to me in its beginning, so outrageously base at its conclusion, had no meaning or interest. I dismiss this part of English history for the time with only one comment which you will, I think, find accurate. In the first half of the century you will seldom find the worst men base. In the last half of the century the best men are rarely anything but base. And what is true of the politicians is true of the men of letters. Shakespere seems to me to be like his own Prospero. Dryden

remodelled his play in the spirit of Caliban, who, though a beast, is a poetical beast.

In the seventeenth century, to confine myself to the merely economical aspect of the situation, for I might say a good deal more, occurs an exaltation of prices on the grandest scale. It is due to one cause only, the inundation of American bullion through the machinery of trade, the depressing causes, lessened cost of production and diminished cost of freight, being too trivial to check the rise. And besides this dominant cause, there are manifestations from time to time of the laws which govern prices through prolonged periods. The severe plagues of 1603, 1625, and 1665, appear to have had no compensative power, though in each of the first two years more than a fifth of the London population perished, and in the last at least a fourth. It is always very hard for wages to keep up with prices, however freely labourers are allowed to use their own discretion in combination, and the effort would have been impracticable in the seventeenth century. Wheat rose 209 per cent. over the comparatively high prices of the first half of Elizabeth's reign, meat 184; while labour up to 1642 rose only 32 per cent., and for the whole period, owing entirely to the rise during the Commonwealth, 100 per cent. Women's labour, in accordance with my third rule, rose only 15 per cent., and as a rule prices go up, each decade of years, till after the Restoration, after which there was some little decline.

During this period, too, there are severe and prolonged dearths. The first is for three years, 1595–7 inclusive. 1608 and 1630 are years of famine. In the five years, 1646–1650 there was continuous scarcity. In 1661 wheat rose to 100s. a quarter, a price unheard of, and never paralleled till the close of the eighteenth century, and the seven years, 1692–1698 were compared to those Egyptian experiences in which the lean kine devoured the fat kine, and were as ill-favoured after their meal as they were before. The seventeenth century fastened pauperism on the English labourer, and this is his only inheritance in the strife of that time.

The seventeenth century was an epoch of high prices, due entirely to the cheapening of metallic money, and unrelieved in any notable degree by the other two causes. The first half of the eighteenth century was an epoch of low prices, due almost entirely

to the operation of the second cause which I gave you, economy in the cost of production; though the other economy, cost of transit, was carried on with great success by the construction of canals, improvements in the art of ship-building, in the invention of the chronometer, and the practical settlement of the longitude question. The eighteenth century multiplied the primitive spinning-wheel and hand-loom, by the inventions of Arkwright and Crompton, and a hundred others, and supplied the requisite motive power to these complicated machines by the capital inventions of Watt. I could go through a whole host of these inventions, but it would be superfluous. They have employed the leisure of Mr. Smiles, and the leisure of Mr. Smiles was very respectably employed. There was, however, one particular direction in which progress was made, and to which I must recur. I alluded to it before when I treated the economic history of rent, and I am told that my audience was surprised that I spoke so well of landowners. Would that the public spirit and great usefulness of the landowners in the eighteenth century had been as hereditary as their estates and titles are!

During the seventeenth century the landlords strove to get all the rent they could out of their tenants. To the utmost of their power they forced famine wages on the labourer. To the utmost of their power they used the legislature in order to secure famine prices from the consumer. As far as they could they levied famine rents from their tenants. The historical evidence on this subject is cumulative and abundant. In consequence, agriculture, despite the teaching of those who saw how Holland and Flanders were thriving, was stagnant in England. A few freeholders tried experiments and succeeded, but they were too poor to produce any effect, even if the farmers had been able to imitate them. "The bane of husbandry," says writer after writer on the subject, "is uncertainty. Men will not improve if their rent is raised on their own improvements." Gregory King, in the curious and, on the whole as I believe, accurate account, which he gives of the saving power possessed by different classes of society, credits the bishops with the largest power of annual accumulations, the tenant farmers with the least; for he sets the former down as capable of saving £400 a year out of an average income of £1,300, and the latter

with a power of saving twenty-five shillings a year out of an income of £42 10s.

The landowners of the eighteenth century took an entirely new departure. They no doubt raised their rents when they could. Jethro Tull, who wrote on agriculture early in the second quarter of the century, puts the average rent at 7s. Arthur Young, who wrote towards the end of the third quarter, at a little below 10s. an acre. They deserved every penny they got, for they themselves made the increase possible. Arthur Young blames them for not raising their rents more generally. But Arthur Young knew that the security of the tenant was essential to the success of agriculture. His admiration for experimenting and improving landlords is as great as mine. Only those landowners who know how to manage their own property as well as a good farmer does can understand what rent land will bear, and what capital it needs. They were the adopters of the new agriculture in England.

Curiously enough the movement began in Norfolk, which has indeed been, in the economical history of England, the original home of most of those early improvements to which the England of the past owes so much. It is not easy to say who was the first pioneer, whether it was Lord Townshend of Raynham, or Mr. Coke of Holkham. I understand that the farming accounts of Lord Townshend are perfect, and I hope soon to see them. The present Lord Leicester has sent me some of those drawn up for his distinguished ancestor, Lord Lovell. The family of Coke, descended from the great Chief Justice, has done continuous service to British agriculture from the beginning of the eighteenth century. *O si sic omnes!* It is not impossible that the stories as to the jealousy of the Norfolk landowners at Walpole, may mean that they were led to prefer a country life to a political one. It is very likely that the long period of peace and progress which came after the treaty of Utrecht may have dissuaded men from taking part in political struggles. I am myself disposed to believe that the motive for the new agriculture was enlightened self-interest. The relations of the eastern counties with Holland and Flanders had long been intimate, and the new system was near a century old in these countries.

As I have told you, the new system consisted in getting rid of

bare fallows and poor pastures, by root crops, and artificial grass crops. The turnips were carefully hoed two or three times, and by this means the ground was cleared of weeds. They were fed off by sheep, and by this means the land was adequately dressed for a subsequent crop of corn. The corn crop, if of barley or oats, was followed by a crop of clover, trefoil, lucerne, or rye grass, sown with the grain, and left after harvest to form a fodder crop for the next year. Occasionally a crop of rape and vetches was mixed with rye grass, for which it is impossible to overmanure fields. In Arthur Young's time, these experimental landlords could be counted by hundreds, and that shrewd and honest observer, who was subsequently put at the head of a board of agriculture, since most unwisely allowed to be starved into non-existence, is enraptured at the general worship of the plough. If the landowner is a genuine agriculturist, Young visits his house, measures his reception rooms, describes the pictures in the mansion and the views in the park. If he is not an improving landlord, I don't think that the possession of the finest Carlo Dolce (for which painter Young entertains, as I think, an unreasoning admiration) would have persuaded him to darken that man's doors. Years after he published his tours, Arthur Young visited France and Italy, and gave the best account which has ever been written of what happened when the peasants were suddenly liberated from their feudal dues and local tyrannies in the autumn of 1789. Amid the crash of the historical French families and the omens of the coming Committee of Public Safety, the Mountain, and the Terror, Young is glad when he can get the landowners to accept his toast of "The Plough."

It is a commonplace to say that nothing teaches like example. The landowners of the eighteenth century did what the English landowners had not done since the fourteenth, cultivated some of their own property, and showed their tenants how successful, how profitable, such agriculture would be. They soon doubled their corn produce. They soon trebled their general produce. They invented or adopted agricultural machines, and bettered the traditionary tools of the peasant and farmer. They revived, in short, under better auspices, the merits of the fourteenth-century landowner, which had naturally, after an interval of nearly five centuries, been forgotten, and were first recovered and proclaimed

by myself. They were gradually imitated by the farmers, and rents inevitably rose, for though the capacity of the soil has its importance in agriculture, its success depends incomparably more in the diffused skill of the cultivator. Towards the close of the century, Sir John Sinclair, an ardent disciple of Young, carried the new process into Scotland, grafted it on the nineteen-years lease, and the worst system of agriculture that existed in Europe, and did more good to Scotland than all the Campbells that ever have been born and admired themselves.

There was to be sure a peculiar stimulus to agriculture in England, but it was a stimulus which was slow in operating. The Government of 1660 imposed heavy protective duties on foreign grain, permitting imports only when corn had reached a famine price, a price which it never reached except in 1661. The Government of 1688 added a bounty on exportation. But the effect of this bounty does not seem to have been felt for thirty years. When it became a motive it was only a gambling one, a chance for the farmer or landowner. But I have little doubt, from the eulogy which Young gives the bounty, that it did operate as a stimulant to agricultural operations later on.

The cheap prices of the eighteenth century were undoubtedly a great boon to the peasant. His wages rather rose than fell. The harvest payment, as may have been expected from the great increase of produce, was much higher than it was in the seventeenth century, for there was, as you will anticipate, a great demand for his labour at the time. But the price of produce was very low, lower than it had been in the seventeenth century, by a considerable percentage. Now as I mentioned to you at first, high prices of produce are by no means followed by high rates of wages, nor are low prices of produce by low wages, if the cheapness is induced by a diminished cost of production, or what is the same thing, greater production at equal cost. In 1731-2, when wheat was 20s. a quarter, barley 11s., and oats 9s. 6d., Lord Lovell reports as the result of the new agriculture that his profits on his outlay are more than 36 per cent. Of course, as soon as this was understood and the new system learned, the rent of the landlord rose, for rents depend only in a slight and temporary degree on natural fertility, which may be soon exhausted, and in a large and overwhelming degree on the skill of the cultivator.

High prices will not make high rents, if the skill is undeveloped. Nor will they if the skill is lost. If wheat rose in England to 50s. a quarter, and other kinds of grain proportionately, economic rent would not increase in any notable degree, unless the skill and capital of the existing generation of agriculturists were induced to compete for occupancy. The rise in prices might arrest the bankruptcy of some who are struggling under their self-imposed burdens, but it would not recall, of necessity, a single sovereign to the soil, or set in motion a single competitive farmer. People are amazed that land of good average fertility is gone out of cultivation, that there is no inquiry for it, and under the old system there seems likely to be no inquiry, even though it be offered at nominal rents, on long leases, and with discretionary tillage. It is not that it could not be cultivated with a profit under such conditions, provided capital and skill were forthcoming, but it is that capital and skill have been extinguished by the rents which kept rising from 1852 to 1873. Landowners who want to let land are crying in the desert. The economical conditions are intelligible enough to those who understand economic laws and economic causes. The conditions of agriculture in England are at least equal to those of the United States, the freight from which, as I learn from the authority of American public reports is at least, in these times of cheap transport, 9s. a quarter, or about one-seventh of a penny per ton per mile. The soil of the United Kingdom is better, the climate better, the possibilities of high farming better; for all root crops must be housed in autumn in the United States, and carefully kept from the severe frosts of the country. The insect plagues of the United Kingdom are as nothing by the side of those which afflict farmers in the United States. But land in England is going out of cultivation. I hope that I have explained the reason. The remedy is one on the exposition of which I have much inclination, but no time to enter. It is quite certain that it does not reside in the artificial restoration of high prices.

XIII.

DOMESTIC MANUFACTURES.

The numerous early conquests of England—The advantages of the island's natural position—Slowness of England in the arts, industrial and other—The skill of the agriculturist—The iron and salt works—Brick-making—Paper—Textile industries—The size of the English farms—The insulated character of English life—The density of the Flemish population—The ruin of continental industry—The development of English industry in manufacture and agriculture—The condition of Europe in 1763—The theory of a sole market—The effect of modern wars.

England is not inhabited by a naturally inventive nation. We read a good deal in certain books which, while purporting to give us an account of our race, have uttered a thousand plausible flatteries, intended to be soothing to our insular feelings, and to assist our industrial Chauvinism, about the greatness and progressive power of the Anglo-Saxon people. Some of these authors, if they get to learn it, find that the Anglo-Saxon race had not unity enough to protect England against invasions like their own, and had to succumb to Danish rovers, much more rapidly and hopelessly than the British races yielded to them. Then they talk of "the Making of England," and treat us to generalities as to how the Norman invader, who made even shorter work of the English than the Dane did, induced upon the English race those habits of law and order which have made us the envy of nations. But the barons of the Conquest exterminated each other in Stephen's reign, and the Plantagenet conquest is as real as the Norman, which it followed. I am almost weary of the philosophy of history. It is become to me

as unreal as alchemy and astrology or metaphysics. You who, for inscrutable reasons, have to get up so-called history, and be examined in it, will, I trust, find it wise to learn what I am convinced, as time goes on, you will find it even wiser to forget. Law and order! We have deposed more kings than any other European race, and, excepting Russia, have murdered more, or, at any rate, have acquiesced in their deposition and murder.

The English race, I must confess, who am the descendant of centuries of English life, and that of the wildest, for I come of a Northumbrian stock, with a judicious admixture of other nationalities, invented very few things in the mechanical sense. It contributed but little, of its own effort, to that progress which lessens cost by invention, by the adaptation of natural laws to the process which manipulates matter and turns it into utility. The English had greater advantages of position than Flanders had. They were fairly free from foreign attack. Their nobles were glad to turn their swords into reaping-hooks. The peace was kept at home, and every one was interested in keeping it. The temptation to shear sheep, with a perpetual market for the produce, was great. Now the peace cannot be kept, unless every one tries to keep it, they who could afford to break it with impunity most of all. Besides, they are certainly most competent for national defence, who can spare for foreign aggression. For a hundred years our kings, with the sympathies of the people, strove to conquer France. Once they almost dismembered it; once they almost conquered it. If Henry V. had not died at Vincennes, when he was under forty years of age, what might not have happened?

The Flemings were the weavers of Europe. It is a considerable business to clothe the world, and the Flemings undertook the business with great success. That we learnt all our knowledge of weaving from the Flemings is certain, but we were the slowest of pupils. Even in the Middle Ages it was seen that a piece of cloth was worth at least eight times as much as the wool is from which it had been spun and woven, and that, if we could catch the art, the wool which bore an export duty of 100 per cent., with ease, *i.e.*, without depreciation, would have borne in the shape of cloth, a far higher duty, and, in the absence of duty, a far higher profit. We had extraordinary advantages of climate, but we either did not

understand them, or made no use of them. As I have told you before, I do not detect any progress in the arts of invention, under which the process of production was cheapened, for centuries, except in two arts, paper and glass-making. I do not know whence these arts were derived, and how they were improved. But I am sure that they were both of foreign origin, and that their development in England was not due to native ability or to native enterprise.

Painting, I hope it may be said without offence, is the most mechanical of the fine arts. Were it not mechanical, I am sure that over three hundred men and women of genius could not be painting, with much acceptance, at once. It is the only one of the fine arts which procures the fortunate possessor the two great boons of fame and fortune—the fame perhaps evanescent, though not as evanescent as that of an author, the fortune perhaps permanent. Genius in mediæval England was, I grant, very poorly paid. We do not know, except in rare cases, who were the builders of our great cathedrals, and for a very good reason, because they were generally working men, at slightly better wages than their fellows. Even as late as the seventeenth century, Dorothy Wadham paid a pound a week to her architect, who built fifty times better than his descendant in the craft, who gets fifty times more. Men used the skill of those people for building stately tombs, with decorative imagery. The monument of Cardinal Beaufort is a great work of art. I am sure that the effigy is a perfect likeness. I have often looked at it in Winchester Cathedral with much interest, not only as a noble specimen of fifteenth-century art, probably Flemish, but as the effigy of nearly the last great clerical statesman of the Middle Ages.

There are no English painters till the eighteenth century. There are no portraits of Englishmen till the sixteenth. Had they ever existed, they could not all have been totally lost. During the fifteenth century Flanders was teeming with art, and Italy had carried it to perfection. At last came Holbein and his school. Then there was a flying visit of Rubens, who painted the apotheosis of the first Duke of Bucks of the house of Villiers. I am glad that no Englishman was competent to perform the degrading function. Then comes Vandyke for a more lengthened period. After him

there is Lely and his pupils, who drew portraits on speculation, in hopes that the sitters (I do not touch on their character) would buy. I have read through the list of portraits of this kind which he had on his hands at the time of his decease. They would furnish a Grosvenor Street gallery. Then comes Kneller. The eighteenth century, which is in England the great epoch of inventive activity, sees the beginnings of purely English art.

I have referred to this because it illustrates my position by a subject with which all Englishmen are now supposed to be familiar; occasionally, I fear, more familiar than informed. I know nothing which has pained me more, who have an honest pride of race, than to feel how great a debt in every department of art, science, philosophy, invention, we owe to foreign immigrants and foreign teachers. Even now, I fear, a Teutonic certificate of proficiency is worth more to men than any evidence of ability which they can procure from their fellow-countrymen. Even what we fondly hoped was our own is being demanded by other races. I have heard that Shakspere can be claimed for the Welsh race, Milton and Chaucer for the French; for the philologers, having settled the origins of language for the next six months, and given us a professor or reader for each epoch, divert themselves with the race derivation of our names.

There is no doubt an intimate connection between art and utility, for art is an exponent of utility in its best sense, and the homeliest conveniences may be subordinated to art. Now the economist is on the look-out for the processes by which any invention has served utility, and he knows that art and utility equally study fitness, the best adaptation of means to ends. From my, perhaps vulgar, point of view, a straight drawn furrow in a fifty-acre field is as much a work of art as the curves which Xeuxis and Parrhasius drew, or Hogarth's line of Beauty is. Perhaps, *horresco referens*, it is nearly, if not quite, as difficult of perfect acquisition as the efforts of the artist are. The other efforts of a skilled husbandman are artistic, though they seem to be mechanical. A closed or open drain is to be made on or round agricultural land. The fall, we will say, is one foot in a hundred. It needs a very practised eye to so regulate the declivity of the ditch as to secure that the flow should be even, and no part be waterlogged. I could multiply illustrations from the

husbandman's craft by which I could, as I think, prove that his art is of a high order; that, if genius consists in a rapid and an almost intuitive adaptation of means to ends, the English peasant has his genius; and that we Englishmen could better afford to lose a good many people of far higher social consideration than we can to part with the peasantry.

In the department of agriculture, the Englishman of the fourteenth and fifteenth centuries was superior to the husbandman in every part of the world. In the eighteenth and nineteenth centuries he recovered his pre-eminence in this particular. In the last two centuries he has made great progress in the arts of life. My object in the present lecture is to trace the progress, and to suggest an explanation of the delay which occurred in accepting and adapting the inventions of foreign nations, and in making progress in invention ourselves. But, in the first place, taking, say, the end of the thirteenth century, let us consider what was the state of the industrial arts in England at that time.

The one article which the mediæval husbandman desired more than anything else was cheap iron. In those early days farmers kept accounts, and, therefore, were well acquainted with their position, their profits, and their losses. In our days they do not keep accounts, and have therefore easily and insensibly glided into ruin. Now in these bailiffs' accounts nothing is more common than the apology for the great charge which the bailiff had to incur in the purchase of iron, owing to the dryness of the season. There was reason for the complaint. A hundredweight of iron in mass before the Great Plague cost as much as six bushels of wheat; after it, more than twelve bushels. The husbandman was therefore warned that, if his land was strong, he must be very sparing in the use of iron. Abundantly as iron ore is diffused in England, so abundantly that, till recently, we almost supplied the world, the art of working it was almost unknown, and the English farmer, to a great extent, depended for this necessary material of husbandry on Biscay and Sweden. I have indeed found some few traces of iron production in England, but they are few indeed and unimportant. Now, if iron be scanty and dear, husbandry suffers. The ploughing is shallow, the pulverization of the clods imperfect, and the efficient drainage of land is prevented. I see no natural reason why the

Swede and the Biscayan should have so entirely surpassed the Englishman in the art of making merchantable iron. I am aware that Swedish and Biscayan ores are remarkably free from those admixtures which spoil the result, admixtures which no ancient skill could get rid of. But the Sussex and North Lancashire ores are not inferior to these, or only slightly inferior, and were certainly, had the requisite skill been present in England, abundant and obvious.

It may seem strange to you that I should name another product as one which England possessed in great natural abundance, but did not possess the skill to utilize. This is salt. But 500 years ago salt was a most important article in the economy of life. For half the year, owing to the absence of winter fodder, the mass of the English people lived on salted meat. On St. Martin's Day, November 11th, the mediæval farmer considered seriously what was his live stock, and what was his store of hay and straw. It was certain that he had not enough to keep his cattle and sheep through the winter, though he kept as many as he could, and poor enough their condition became before the spring grass was ready. What he saw that he could not possibly keep, he slew, and devoted to the powdering tub. Into this went beef and mutton for winter food; and salted mutton would be, I should think, detestable. Now for all this salt was required. Our ancestors were unable to use the abundant deposits of Worcestershire and Cheshire, which now form the material from which soda ash is manufactured for the civilized world. They quarried the rock salt, but did not know how to refine it. The Romans did, and evidences of their rock salt mines are still found. It is only towards the end of the seventeenth century that salt was procured from these natural deposits. As far as home supply went, they depended upon the produce of salterns or wyches on the sea coast. But the product, often described as black and grey, was sufficiently uninviting. The greater part, and the best of their supply came from South-western France.

I have mentioned the domestic use of salt. There was as important a commercial use in the cod and herring fishery. The discipline, perhaps the policy, of the Roman Church, prescribed a fish diet for a considerable part of the year. To those who did not possess ponds or stews, salt cod, salt herring, salt salmon, salt

sturgeon, salt eels, were an important article of diet. Now the fisheries of Yarmouth Roads were always considerable. So were the different kinds of cod obtained from the shoals of the German Ocean, the Scotch coast, and the coast of Iceland. Most of this fishing was in the hands of the eastern towns, till in the fifteenth century the Bristol merchants, by the aid of the mariner's compass, sailed through the tempestuous seas of the Scottish Archipelago, and reached the Iceland fisheries. For a successful fishery, cheap and abundant salt was needed. Then they had rivals. The Flemings were bold fishermen. They nicknamed their political parties by the names of the cod, and the hooks which caught the fish. A Fleming or Hollander (the distinction was then only geographical) discovered a new way with which to cure herrings, and great wealth accrued to the Low Countries. So honoured was this local fish-curer, that Charles V., who let his Netherland subjects know, rather too frequently, how highly he valued the wealth which they accumulated, ordered mass to be said at the man's tomb, and himself attended the ceremony. A generation later, and the fishermen of Holland, the Beggars of the Sea, began the foundation of the Dutch Republic by the capture of Brill. The Dutch fishermen manned the ships which went out for discovery, for trade, and for the capture of the Spanish treasure fleets, for the exploits of Linschoten and Heemskirk, and a thousand other heroes. A generation later, and a pretty quarrel, fortunately only on paper, sprung up between our Selden and the Dutch Grotius, in reference to the use of the high seas on the eastern side of England, in which Selden was in the wrong and Grotius in the right. At that time, however, Selden was desirous of being on good terms with James I., and such a desire was an effectual check to an author being in the right.

But the English, with abundant coal, sea and pit, as they distinguished the Newcastle and inland beds, and with vast treasures of salt which they quarried for a few fancy purposes, did not take any step for two centuries in the direction of producing that upon which so much depended. If they had made the salt, they might have obtained enormous profits by leaving the fishery to the Dutch, and supplying them with cheap material for curing.

Another art of great value, long practised in Roman Britain, of

which indeed plenty of evidence remains now, but of which much more existed five or six centuries ago, was the art of brick-making and brick-burning. It had been entirely lost. Not a single brick, I believe, was made in England between the fifth and the fifteenth centuries. There are some brick buildings of an earlier age, as the church of St. Pancras at Canterbury, and the church in Dover Castle. But the former was built from the ruins of a Roman basilica, given to St. Augustine for the new worship, and is the most ancient site of that new worship in England. The church of Dover was built of brick, brought, I do not doubt, in ballast from the Baltic, from Lubeck or Bremen. Brick, however, as every one can see, was common enough, from the Netherlands to the Baltic provinces of Russia, for centuries before it was reintroduced into England. It seems amazing, that what English people from London or elsewhere must have seen everywhere in the region with whose commerce they were so familiar, should not have been early manufactured in England, especially as tiles were made abundantly. Building stone, though common enough in some places, and generally available for churches and castles, is not by any means distributed over England. As late as the beginning of the seventeenth century, the improvement of the Thames navigation between Burcot pier, near Dorchester, to Oxford—between which points the river was crossed by impassable or unnavigable shallows—was declared urgent in Acts of James I., in order that Oxford stone should be conveniently carried to London. Brick earth is much more widely distributed than stone. But it was not employed for what is now so obvious a use.

The first purchase of brick which I have noticed is at Cambridge, in 1449. In 1459 I have found it in London. In 1461 it occurs at Oxford, where it was, and remained for two centuries, very dear. I conceive that the art was copied from the practice of the Flemings. Before the fifteenth century was over, brick became the common material for building in the eastern counties. In the sixteenth, it was generally used in London, and along the Lower Thames. It was the favourite material of Henry VIII., whose mania for building was excessive, and who made use of it, I have no doubt, because it was so costly. Certainly the brick of the sixteenth century was admirably made. It was almost a work of art in itself. I have seen arches with

very flat crowns, built in the early part of the sixteenth century, which, though they are now the substratum of ruins, and covered with rubbish and earth, are as sound as when they were set up. Our ancestors were slow to adopt, still more slow in invention; but when they had adopted an invention, they did their work well. In our time matters are painfully reversed. But the modern tradesman, whose *raison d'être* is to use the skill which he possesses, and you do not, to supply you with genuine articles, generally employs what abilities he has in cheating you. I have given you the economical defence of his existence, and its too frequent perversion.

The curious thing is besides, that other branches of the great Teutonic race were distinguished in past times for capital inventions. It is a dispute where paper was first made from linen rags. The earliest piece which I have seen, and certainly the rudest in manufacture, for a fair-sized fragment of the original rag is still in the structure, is under the date 1335. It is a bill for spices, no doubt bought at the London shop of some Bruges merchant. But it is more than two centuries after this that the English are credited with having attempted the manufacture of paper. It is said that Bishop Thirlby, the last abbot, and the first and last bishop of Westminster, induced one Remigius, a German, to set up a paper mill in or near London, at or about the middle of the sixteenth century. It seems that the project failed, for a poem, published in 1588, which contains a eulogy upon one Spillman, a German, and court jeweller to Elizabeth, who was successful in his undertaking at Dartford, states that he was the first to introduce the industry in England. Unless I am mistaken the Dartford paper mills are still well at work.

The great invention of printing was the work of the Rhenish Germans, and it appears at Mainz. It was introduced, as we know, into England by Caxton, about thirty years later. He learnt the art in the Netherlands. His successors in the art, such as Wynkyn de Worde, were foreigners, or taught by foreigners. The principal printer of Henry VIII.'s reign is Berthollet, whose name may be taken to designate his origin. Nor do I think that it made much progress in England. It seems to me rather to deteriorate during the sixteenth century; the type to become more clumsy and coarse, and the impression less clear. In these industrial arts then, which I have taken as illustrations only, I think I have made out

that the English were not an inventive people, and that they did not even readily adopt what other people had long invented. I will now attempt to show what they did do, to venture on some explanation of their exceedingly slow and imperfect progress, and to give my solution of the movement which began at the end of the seventeenth, and became characteristic, traditional, and progressive in the eighteenth, and onwards. The causes will be principally seen to be social and political. You cannot, of course, separate, except in thought, and then only with no little risk of confusion, economical from social and political facts. Fortunately, though some of the social and political forces are enduring, their origin is so far archaic, that they need not frighten the most sensitive member of the Liberty and Property Defence League.

Now there always were textile industries in England. There was probably hardly a home without a spinning wheel, hardly a manor without half a dozen hand-looms. The spindle side, if it be not one of those modern affectations, of which philological pedants produce many, is equivalent to maternal descent, and the universal occupation of unmarried women is enshrined in the generic term of spinster. These domestic industries were general, at least to the middle of the eighteenth century. They were inevitable in early times, partly from the habits of the people, partly for a cause to which I shall presently refer. But I am thinking of local industries in which the persons engaged depended for the whole, or for the main, of their livelihood, for I am convinced that generally they who engaged in handicrafts had some land. The market was too precarious for them to rely entirely on such an industry. I have often found that head masons and other artisans, clerks and weavers, are cultivating land for themselves, or occasionally employed in field work. The Statutes of Labourers allege that artisans are compellable to serve in harvest. In the long vacation lawyers and students were remitted to husbandry. When Parliament is dismissed or prorogued, the session being over, the Commons are sent back to their fields, the Lords to their pleasures, as the royal message, with unconscious irony, often counsels.

As I have said many times, the principal seat of the textile industries was Norfolk. The county was in close communication with the Low Countries. The small craft of the time went across

to the eastern coast, and hugged the shore; the German Ocean being generally calm, to the port of Norwich, but especially to Lynn and Blakeney. The characteristic of the former town was that it was *villa mercatorum*. Through the Norfolk rivers came the merchandise which was sold at the great fair of Stourbridge, near Cambridge, the principal mart, while it lasted, of Eastern England, and even of all the southern counties. The purchasers of cloth and linen do not often designate the origin of their purchases. But Aylsham linen is not infrequently named, a strong woollen stuff for leggings from Worsted, and cloth generally from Norfolk. It is more than probable that linen cloth which went by foreign names, such as Holland, was from early times of English manufacture, as it is sometimes expressly said to be. Sometimes linen and cloth are said to be of Irish origin, and it is plain from the accounts of Roger Bigod at the end of the thirteenth century, who having married one of Strongbow's co-heiresses, had large possessions in Ireland, that a flourishing manufacture of cloth was carried on at Carlow.

Richer people bought linen from Liege, and generally from Flanders. In course of time, much linen so designated is purchased by corporations. But the custom of traders, when foreign goods are a fashion, to call domestic goods by foreign names, in order to invite the custom of ignorant purchasers, is beyond doubt as old as the Middle Ages. The boots which our modern ladies purchase as French are generally manufactured in North London, sent out to Paris, stamped or labelled with the names of French houses, and reimported into England as French goods. Put into this class of imports, they rouse the alarms of Fair Traders, and are quoted as illustrations of one-sided Free Trade. I have often had to point out this among other such cases. But I sat for some years for a leather-manufacturing constituency. So with cloth. The purchases of great people were of the finest Flemish cloth. They obtained velvet and silk goods from Genoa and Venice, though there was a silk manufacture in London in the fifteenth century, carried on by women, who complain of the rivalry and frauds of the Lombard merchants, and are protected by an Act of 1454.

There were two metals, important products of this island,

which were produced for Western Europe. They were lead and tin. The former was mined certainly in Derbyshire, and probably elsewhere, and was, I am sure, abundantly exported. The other, a Cornish product, was subject to a royalty paid to the Earl or Duke of Cornwall. The whole district, in so far as it produced tin, was subject to a local jurisdiction, that of the Stannary Court, and the product was sold at a staple town, Bodmin generally.

Now I imagine that the manifest check to invention, and the adaptation of manufactures in England, which were prosperous and progressive abroad, was the generally agricultural character of England. It contained one large city, London, which had between 30,000 and 40,000 inhabitants. York, the capital of the north, came next with 11,000; Bristol had about 9,500; Coventry about 7,000; Norwich 6,000; Lincoln about 5,000. No other English town had above 5,000 inhabitants. In the poll tax of 1377, no town in the counties of Bedford, Surrey, Dorset, Westmoreland, Rutland, Cornwall, Berks, Herts, Hunts, Bucks, and Lancashire was deemed worthy of a particular enumeration. The population of forty-two towns is given, and the proportion of county to town population in the last quarter of the fourteenth century is nearly fourteen to one. Such a proportion is indicative of the urban population which the whole country could employ and provide for either in manufacture or trade. In Colchester, seventy-two years before the poll tax, there were about 2,000 inhabitants, of whom 140 were householders, designated as manufacturers and traders. In 1377 it had 4,432, but the eastern towns were very prosperous during the fourteenth and fifteenth centuries.

Parish life was exceedingly insulated. The custom of registering the native born children in the manor roll, of excluding strangers, or making their host answerable for them after a brief visit, and of the local administration of justice, must have tended to keep the villages very much apart. In my native village in Hampshire, even as late as my personal memory, the peasantry expressed an open and hearty contempt for the peasantry of the two neighbouring villages. For the inhabitants of one, they had nearly as much dislike as the Southern French had for the Cagots. It was said that none of them had ever intermarried with the despised race. Up to comparatively recent times, no road passed through this

village, but merely skirted it. There was a theory, and I believe one with some foundation, that the inhabitants were descended from the ancient Britons, whom the Jute settlers—it was in the heart of the Meonwaras—had failed to drive out of the morasses.

Such insularity was unfavourable to invention or progress in the industrial arts. These villagers to be sure went to fairs, got rid of their wool in neighbouring markets, perhaps some of their corn, and their surplus stock of sheep and cattle, quite as frequently to migratory purchasers as in regular markets. Eton and Winchester, and some of the colleges of Oxford and Cambridge, went far afield in the fifteenth and sixteenth centuries for supplies. The uncertainty of the home market discouraged invention if it did not prevent the formation of special industries. The busiest time of the producer's or dealer's year was at the great fairs, such as that St. Giles, Winchester, and Stourbridge. In the former of these, as my friend Dean Kitchen has shown, by the words of the Charter which he has published, all business in Winchester and Southampton was suspended for three weeks, and the Mayor and Corporation of the city of Winchester was superseded by the bishop's officials during the same period. Of course the traders rented booths on the hill, and probably did more business in the three weeks than in the rest of the year.

The true function of capital, as I have stated more than once, is to keep labour in continuous action, and to make prices as uniform as possible. Now the motive to invention is a saving of labour, and the stimulus to the saving of labour, is the prospect of a wider or more active market. The peasant would no doubt have been glad to get some of the things which he did not make himself at a cheaper rate. But the producer could not anticipate his wants, or guess that he could better his market by cheapening his wares. Hence, when the price of manufactured articles was doubled by the calamity of the plague, there was less motive than ever for economizing the cost of production, and lowering the prices, when the contingency of a lessened amount of producers had induced the effect of raising it. Invention is stimulated by a widening market, checked by a narrowing one.

Now let us compare England with Flanders, when at the height of its commercial and manufacturing prosperity, *i.e.*, during the

reign of Charles the Bold (1467–1477). The sea-board was studded with large, fortified, and wealthy cities, who were possessed of great municipal privileges, for which they were always willing to fight, and whose burghers were the manufacturers of Europe. The trade with the East, in so far as its products were accessible to Western Europe, was centred at Bruges, the exchange of Europe, and the negotiation of mercantile bills at Antwerp. The difference between a given weight of wool, and a piece of cloth manufactured from the wool, was eightfold, and of this produce, as far as foreign trade went, Flanders had the monopoly. The country was so densely peopled that it could not be maintained on its own produce. It imported barley largely from Norfolk, and I know that two of the great Norfolk families, Fastolfe and Cromwell, grew rich by this traffic in grain. The Flemings therefore had a market, a market which was constantly expanding, as long as they could get raw material for their looms and customers for their produce. It was impossible to exclude them from this market by protective duties, for harbours were many, ships were of light draught, and a preventive service was out of the question. When two centuries after these events, Colbert tried to stimulate the manufactures of France, he saw that a subvention might be effectual, but prohibitive duties impracticable.

The progress of invention in Flanders was slight, and to our experience trivial. But at the time it was very real. It chiefly lay in the extension and multiplication of industries, in the perfection of products, not in the economy of the process, though the development of special skill and aptitude, with what it invariably implies, a division of employments, is a real economy and a virtual invention. The Flemings developed the art of the wool-comber, *i.e.*, the process by which the better and finer parts of the fleece are separated, the first and most important step in the manufacture of fine goods, one which English inventors have since carried almost if not quite to perfection. I remember some years ago, telling my late friend, Mr. W. E. Forster, when on a visit to me, that the cloth of the fourteenth century (I might have said on Shakspere's authority) was coarse and full of hairs. He asked me on what ground I said this, as he, a woollen manufacturer, would be glad to know. So I carried him off to the lodge at New College,

where the warden preserves William of Wykeham's mitre case and valise, and bade him take note of the stuff with which it was lined in proof of my statement. He then saw why in Shakspere's time winter garments had to be lined. I have come across many historical and economical inductions which are worse founded than mine was. A man in an English winter might as well have dressed himself with a hurdle as with English woollen cloth.

Although I believe that the manufacture of English cloth for home use and for exportation was only of the commoner or coarse kind, it soon spread from Norfolk. It gets to Wiltshire and Dorset in the fifteenth century, as I know from purchases. In course of time, it is made the subject of legislative enactment, mainly, if we can trust the preamble of Acts, to prevent fraud and the cozening of customers. These Acts of Parliament instruct us as to the extension of the industry to the north. It probably always existed in Yorkshire, for Leeds and Bradford have from ancient times been marts of northern produce. Here, as we know from evidence which is almost modern, these textile industries were especially home products, which were collected by factors from the houses of the weavers.

Flanders was ruined by the wars of religion. Thousands of its weavers became emigrants. They came to England and France, especially after 1567. But the stream was incessant during the rule of Alva, Parma, and the Archdukes. The Exchange of Antwerp was transferred to Amsterdam. The trade with the East, by which the cities of the Rhine and Bruges had been enriched, was destroyed by the capture of Egypt in 1516, and by the Cape Passage route to India. But though Flanders was desolated, England made little industrial progress in the sixteenth century, and only began to wake up in the middle of the seventeenth. The same cause was at work as before. In the sixteenth century the rivalry of Flanders was annihilated, in the seventeenth that of Germany.

I have never yet heard that any of the numerously laborious and learned Germans have been at the pains to give us an account of the economic condition of Germany, from the Rhine to the Elbe, and from the German Ocean to the Alps, when the horrible Thirty Years War broke out. We are told what were the causes of that

war—the bigotry of Ferdinand, the ambition of the House of Austria, the sudden outburst and the sudden collapse of the Bohemian revolt, and the folly which, instead of uniting Lutheran and Calvinist against a common foe, led them to quarrel and be destroyed in detail. We know also what were the insidious purposes of France, matured by Henry IV., put into practice by Richelieu, and persisted in till the collapse of France in the war of 1870. But what I have always desired to know is, what Germany was before 1619. We know only too well what it was after 1648, and how, when weariness had brought peace, after every one of those who had taken part in the beginning of the war was in his grave, Germany was wholly ruined, thrown back in the progress of nations for two centuries, and reduced to being little better than a geographical expression.

England was in the midst of her own troubles, and the laws of Political Economy, or at any rate those of economical progress, are as silent during warfare as those of the constitution are. The first half of the seventeenth century was a miserable time for the English people, however crowded it may have been by great men, and stirring events. If the Commonwealth did not bring peace, if the time was not ripe for the Government which Cromwell would have established, great prosperity followed the cessation of the war. The lot of the labourer was lightened, for wages rose 50 per cent. The policy of English conquest and trade, that of assuring a sole market for the manufacturer and merchant, though vicious, was disguised by a success which was not due to the policy. England became, during the reign of the Protector, again one of the first European Powers, which it had ceased to be since the miserable reign of Henry VIII.

About the middle of the seventeenth century, or a little later, Dud Dudley, a base cadet of the house of Dudley, discovered new processes for smelting iron with pit coal. Cast iron, Dudley's product, was known in the days of Elizabeth, but Dudley's inventions gave it a high commercial value. At about the same time, or a little earlier, the forests of the Sussex Wealden were utilized for the manufacture of iron and glass. Of course, to modern notions, the process was very wasteful and very destructive, for within a generation Sussex was cleared of its woods, and the industries

decayed for want of fuel. But from this time forth, the dependence of England on foreign iron masters ceased. At the end of the century, England, by the welcome she gave to the French Huguenots, went a great way towards appropriating the silk industry of France, though not permanently, and much further towards neutralizing the projects of Colbert. The art of refining rock salt was rediscovered, and England began to export what she had previously procured from abroad. But the capital fact of the seventeenth century, in the last half of it, was the development of the East India trade; with the home production of articles which should be exchanged against Eastern goods, the great development of the cloth trade, and with it the supersession of Spanish cloth imports. England having now improved her manufactures, the growth of the Colonial trade, notably with the Southern American plantations, and with those of the Leeward islands which belonged to England, especially Jamaica and Barbadoes followed.

England had now learned how suitable her climate was for the manufacture of woollen and linen cloth, to which in time was to be added cotton. Davenant states that Bishop Burnet, in a conversation which he had with him, informed him that good woollen and linen yarns could be profitably and perfectly spun in a moist and equable climate only, while silk goods could only be brought to perfection in a clear and dry atmosphere. Now this is perfectly true. There is no country in the world where so much finish can be given to woollen and similar goods as can be in England, by what I may call entirely natural processes. The migrations of the woollen trade are illustrations of the truth of Burnet's remark. It went from Norfolk, the driest county of the island, to the west, where the rainfall is often double that of the east, and excellent goods are still produced there. But in time, it migrated to the north, for there the climate is as equable, and the motive power of coal is cheaper and more ready. I regret that I must add, that Davenant quotes the bishop's information in order to urge the forcible destruction of the Irish woollen industry, since Ireland, with an equally convenient climate, might rival English trade. Then affirming the selfish maxim, *Lucrum cessans est damnum emergens*, he urged with success the extinction of one among the many Irish industries which the English Parliament exterminated.

The eighteenth century, however, is that in which more than in any other, invention or adaptation made rapid progress. Its beginning is marked by the acceptance of the new agriculture, a subject on which I have frequently commented, and at some length, for it is one of the most interesting and instructive facts in economical history. But it was not as a discovery original. The new agriculture had been practised for a century in Holland and Flanders. Its success is constantly commented on by agricultural writers of the seventeenth century, who are never tired of reproaching the English with their slothful and backward agriculture, and I am forced to say, of giving distasteful reasons for the fact. We are told by these writers, that all the choicer vegetables, common enough as we should think them now, came from Holland, and that a gentleman's or farmer's garden, let alone his fields, did not supply him with the commonest. They tell us also, how, in Brabant, to use Arthur Young's phrase, sand had been turned into gold, by liberal and just covenants between landlord and tenant, and by securing to the tenants the *bonâ fide* improvements which they had made. Among the many benefits which Holland has conferred on civilization, that of improved agriculture is not the least. Perhaps in time to come, and ere it be too late, we may take another lesson from Holland, and copy her land system. If we do, I can confidently promise the landowner in the United Kingdom a return to at least a large cantle of his old prosperity. But as I have been often obliged to affirm, the two greatest obstacles to human progress are the prejudice of ignorance and the bigotry of science.

The last half of the eighteenth century was the great epoch of mechanical invention in England, or, as I ought now to say, Great Britain, for Scotland contributed her full share in the discoveries and adaptations of Watt. And here I cannot but think, that the greatest of national gifts, if it be diffused, the power I mean of adapting means to ends, had now become hereditary in our countrymen. Captain Galton has used an unlucky phrase, in my opinion, when he writes about the heredity of genius, and illustrates his opinion by facts drawn from the heredity of logical powers.. With us economists, all the phenomena, which, from our judgment, seem to contribute to industrial skill are pressed into

our service. It is plain that the spread of education in our generation develops an aptitude for education in a succeeding generation. The children of a man whose logical faculties have been cultivated disclose a readiness in applying their faculties to similar results which appears to be cumulative. The fact is constantly noticeable, and is, I think, most hopeful. I speak, of course, of education under proper conditions. The sprightliest mind may be demoralized and degraded by silly examinations and sillier examiners. The English people, I will not go nearer home, seem to have gone mad over examinations. I remember that my friend, Sir W. Harcourt, told me that an excellent female domestic at the Treasury was constantly in danger of losing her place, and her employers her services, because she could not come up to the Civil Service standard in decimal fractions. Examinations may be necessary, but we need not, like the "gentle Sicambrian" Clovis, adore them.

Still, I cannot but think that the political condition of Europe counts for something in the situation, though I admit that the Briton of the eighteenth century had thrown off, at least in some quarters, his hereditary stupidity, while he retained his dogged industry. The civilized world had adopted the policy of endeavouring to secure by force of arms a sole market, as, under altered circumstances, France and Germany are trying to secure now—the one in the swamps of Tonquin, and in the malaria of Madagascar; the other in the waterless desert of Angra Pequena, and in the beerless desert of North New Guinea. But when every one thought the policy wise, the winner in the game had his advantages. Now let us look at the condition of Europe at and after the Peace of Paris in 1763. As we Englishmen are still paying interest on the bill which we ran up then, and disavow the policy now, it may be well to examine the positive gain.

France, our nearest neighbour, was stripped of nearly everything. A little before she had a menacing position in India, a more menacing one in North America. She had a preponderating influence in the southern half of the Indian peninsula, and held the strings of an intrigue in the north-east portion. In 1763, she was left with Pondicherry. In North America she held Louisiana and Lower Canada, and was constructing a chain of fortresses

from the south to the north. Nothing could have been more cleverly strategic that her plan, as I noticed in several places when I traversed a considerable part of the country which she intended to occupy. Unfortunately for France, she had in Louis XV. a king who, while living the life of our Charles II., affected the policy of Louis XIV. The Seven Years' War really created the union of the American plantations, and gave them the means for the War of Independence.

Spain counted for nothing, and all Scandinavia for next to nothing. Germany was again torn to pieces by war; now by a dynastic struggle, as a century before by a religious war. Holland had been finally ruined by the house of Orange in the person of William V. The Italian States seemed past hope. England alone came out with the universal empire of a sole market. Captain Cook was discovering and annexing in the Pacific and Australia, and England had at last a chance of winning a greater empire of trade than the Bull of Borgia had given Portugal and Spain together. At that time, it would have cost but little to have annexed the Spanish colonies, and for the elder Pitt to have exclaimed, on behalf of the British Parliament, "*Uterque Poenus serviat uni.*"

Now look at the opportunity for the manufacturers who had the chance of supplying a sole market. The seaboard of North America, from Nova Scotia to the borders of Florida was theirs. India was theirs, and without their permission no one could land cargo, or take cargo thence. The supply of this market, so largely, so suddenly extended, was in the hands of English manufacturers and merchants, and the economy of production, *i.e.*, of inventions in aid of or in substitution of human labour was the obvious and ready road to wealth. No wonder that the abilities of Arkwright, Crompton, and Watt, were called into active exercise. And though in a short time the reverse of the Treaty of Paris was at hand, and the acknowledgment of American independence was to cut off half, and that the most hopeful half, of the sole market, the English were equal to the occasion. They discovered that a sole market was, after all, by no means so absolute a good as they imagined, and they began to build up a new colonial empire, more vast than that which they had lost, under a new and far truer maxim, that trade follows the flag.

Besides, the temporary stimulus which the sole-market theory had afforded British invention was made permanent by the natural effort which producers who have embarked their capital in industrial avocations make to arrest the risk, even though it may prove an imaginary risk, of decline. Nations which have made no progress in the industrial arts are slow to move and apathetic. Nations which have made progress are exceedingly unwilling to lose ground. Again, the circumstances in which Europe was placed, effectually staved off competition. It seemed that the stars in their courses were fighting against the industrial rivals of this country.

A few short years, and the great continental war broke out. Every throne in Europe was shaken, even in countries which were not invaded. The French overran Europe from the harbour of Gibraltar to the city of Moscow. In the eighteen years continental war there was no leisure for the arts of peace, for the growth of industry. But England early gained the mastery at sea, only checked by the folly of the short war with the United States, and became the workshop of Europe. Napoleon, that idol of idiots, fancied that he could destroy the English factories by the Berlin and Milan decrees, and being a clever Italian of the fifteenth-century type, that depicted by Machiavelli, denounced the penalties of piracy against all English vessels which entered continental ports with English merchandise. When he marched to Moscow in 1812, his soldiers were clothed with the produce of Yorkshire looms, *i.e.*, he found that the exigencies of war, from one point of view, had to override the exigencies of war from another point of view.

The peace of Europe, from the Battle of Waterloo to the Crimean War, interrupted only by a few transient struggles, was the peace of languor. During this period the European nations were recovering from the losses which they had suffered for eighteen years of unbroken bloodshed and waste. The epoch was characterized by the capital invention of steam transit on railroads, the accomplishment of which was again due to English invention, and was suggested by the obvious advantage of cheapening freight, one of those economies in production on which I have already commented. It was English, because in England only, so

great was the prostration of the Continent, was the accumulation of capital, and its expenditure on productive works of deferred profit, possible.

The wars which have followed have been brief, for the Crimean was the longest European war, the civil war in America the most prolonged. But though they have been generally brief, they have been exceedingly destructive. It is too early to determine or even to guess at the effect which they have induced on the resources of the states which have waged them. The utmost we can at present follow is the economical efforts which they have induced on industry and trade, especially on that of the United Kingdom. Now England was very little affected by the Crimean War, except in one direction. Up to the time in which hostilities began with Russia, the corn trade with that country was of great significance to the belligerents, so significant that when war was declared, Odessa was not blockaded till the corn fleet was dispatched; and nothing was left to blockade. But indirectly this war had, followed as it was by a still more significant struggle, a singular effect on values. It caused, and by a chain of circumstances assisted, that remarkable increase of agricultural rent (26½ per cent. between 1854 and 1879) which has been a prime factor in the agricultural ruin of to-day. The Russian corn trade never recovered the collapse of the Crimean War, and it naturally took time to develop it elsewhere, and in the interval high grain prices prevailed, and stimulated an agricultural system which had been carried to perfection, except in one direction, the accurate keeping of farmers' accounts. I do not find that the Indian Mutiny, which followed the Crimean War, had much effect on English manufactures and trade. Had it happened at the present time, it would have had far different effects, for the wheat exports of India, which have unquestionably brought about that over-supply of which my first rule, given you last week, affords the interpretation, was at that time non-existent.

But the process was interrupted by the four years' civil war in America. No war was ever so costly and so destructive. The debt contracted by the North was enormous, the waste of life prodigious, the destruction of property incalculable, the arrest of development total. When the war was over, the demand for European, especially for English products, was urgent, so urgent that it

easily overleaped the barrier of what was intended to be a prohibitive tariff, carried through the American Congress by Mr. Morrill, as the price, it may be feared, of that gentleman's allegiance, a tariff which rendered the restoration of waste exceedingly costly, and the redemption of the Federal Debt exceedingly easy. The waste replaced, there began the development of the North-west corn lands, and the exportation of their produce to the United Kingdom.

Then came short but sanguinary European wars. They were all wars for frontier, like the Crimean and American wars. There was the war undertaken by Prussia and Austria together, for the sake of pillaging Denmark, and completing the German frontier on the Baltic and the German Ocean. The quarrel over the spoils between the two brigands came briefly after, and the delimitation of Austria, which suffered a further delimitation in Northern Italy. These wars were short and costly, and what is to our purpose, arrested industrial rivalry. Lastly came the Franco-German War, the latest, perhaps the last, struggle after the success of the policy of Henry IV. and Richelieu. It is difficult to say whether the payment of the indemnity was a greater loss to France than its receipt was to Germany. Why I may be perhaps hereafter able to explain.

Since then there has been generally peace; but such a peace! An armed peace, if prolonged, is more destructive of economical prosperity than open warfare for a time. I do not see that the industrial position of England is threatened. The German and Belgian are to some extent inventive, the former especially in chemistry and its products. But they are much more disposed to imitation. Friends of mine have been obliged to treat persistently intrusive Teutons, who desire to pirate their processes, to the mill-pond of dye-works, from which the unwilling bather issues an altered man. But the victories of piracy are limited. At present all nations but our own effectually block the impulse to invention by protective duties, for the earliest and most persistent effect of protection is to disable the nation which adopts it from the just interpretation of its own faculties.

XIV.

THE GUILD AND APPRENTICE SYSTEM.

The organization of parish or manor—Of towns—The guilds of London and elsewhere—Apprenticeships, criticized by Adam Smith—Motives for the system—The wages of artisans—The property of the guilds—Combinations of workmen hardly taken into the scheme of economists—Economical fallacies generally contain some truth—Mr. Mill's wage fund—Associations of capital or of labour—The trade union a partnership—The emancipation of trade unions—The trade union a remedy against socialism.

ORGANIZATION was the essence of early English life. In the country every man belonged to a parish or manor, and, to use a modern phrase, had a stake in it. The landless man was an outlaw, a thief, a brigand. He lurked on the no-man's land, on the border of the settlement, in the outlying woods. He may not have been a very unpopular person, when he plundered Jew or Lombard, or even an abbot, particularly if he were one of those foreigners whom the Pope planted in an English benefice, or who got the reward of service under the king, or was the object of royal favour. But the landless man was otherwise included in no organized or regulated parish or manor, he was outside the universal system of English life, not in the Middle Ages only, but long afterwards. The English peasant for many a long day, even up to recent times, looked askance at a stranger or foreigner, as they sometimes called him, when he was imported into the parish. The law of parochial settlement, selfish as its motive was, and mischievous as its results were, was, in principle, an appeal to ancient and deep-seated traditions.

Forms which are obsolete and unintelligible, and now abrogated, had a great significance in old times. It appears that the consent of the settlement was necessary for the introduction of a new tenant or purchaser under the lord. It is certain that the lord could not transfer his rights to a stranger unless with the assent of the tenants. This practice, from which was developed the legal ceremony of attornment, survived in some particulars to the eighteenth century, when, having long ceased to have any practical importance, and being found to hinder the free conveyance of land, attornment was wholly abolished by statute. I am disposed to believe that the action of the homage, the view of frank pledge, was, from what I have gleaned in manor rolls, an active force, that it formed in some particulars a consultative council for the lord, and that its advice or assent was convenient, sometimes even necessary.

The development of a homogeneous England from these curiously separate units was not so easy a matter. It was early attempted. The doctrine of allegiance to a central authority, which, if we can trust constitutional antiquaries, was enforced as early as the days of Cnut, may have gone for something, but I suspect that the promissory oaths of the tenth century were not found to be more binding than those of the eighteenth, when a considerable Parliamentary party, with Shippon at their head, took the oath of allegiance to the Hanoverian king, and assured the exiled family of their unfaltering devotion to the Stuart. If the courts of the hundred and the shire had any real vitality, and but little is known of their working, they would help to take the peasant out of the narrow surroundings of his immediate home, and suggest a wider field of action than that with which he was so familiar.

It seems that the chief agency by which some sense of nationality was developed was the administration of justice. The assize of the migratory judges executed the criminal law in directions which the local jurisdiction, however large its powers were, could not reach, and the civil side determined rights of property in matters where the local authority had no jurisdiction at all, and, besides, gave publicity and force to its decisions. How important these decisions were conceived to be is proved by the care with

which these judgments were reported and preserved. The student of family history finds the greater part of his information in the record of judicial, or at least of fiscal, proceedings. Again the institution of the new system of direct taxation, after an assessment, following on a Parliamentary grant, aided in the development of common purposes. We are told that in consequence of the statute of 1406, by which all suitors in the County Court and others were declared to be the electors of knights of the shire, "outrageous and excessive numbers of people, and of small substance," had chosen them; and therefore, in 1430, the forty-shilling freehold was declared to be the franchise, further limited, two years later, by an amendment that the freehold must be in the same county. So widespread an interest must have tended to take the peasant out of the narrow surroundings of his ordinary life. But the parochial feeling remained strong long after this time. Again it is probable that the institution of the justice of the peace, and the statutory increase of his power, which, though local, was not necessarily identified with those traditional boundaries, had a further effect. At any rate, it straitened, and finally extinguished, the local jurisdictions. I refer to these facts because, though the old associations were weakened, they were far from being lost. In some particulars they were even strengthened, as I hope to show.

The organization of the towns, though the urban population was small by the side of the rural, was strict. The object of the town was to get a charter of incorporation, which should give the town local authority, and the administration of justice, if not of the highest, in considerable degree, by the elected officials of the city. Or the urban population sought to confirm and enlarge charters already given. Now all these concessions cost money, and the money was contributed by those who were to enjoy the new or extended privilege. But it was not to be expected that they who had purchased their own urban rights would freely admit strangers to the advantages which they had bought. It is true that, in theory, the town could admit strangers, even serfs from distant places, and after a time could protect such persons in the freedom which had been granted them. But neither policy nor self-interest could be consulted by making the town an asylum. From evidence which I

have collected as to the payment of head money or chivage by non-resident serfs, I conclude that such persons did not conceive themselves to be enfranchised by mere residence, though it is not unlikely that if it were strong enough the town would resent the attempt to seize a person of servile origin after it had determined on adopting him, and he had become rich.

The principle of association and organization was extended to the two universities. It is not known when either of these was planted, or when they received their first charters. The students at Oxford are mentioned in the reign of Henry II. in the chronicle of Brakelond, who narrates the good offices of his hero, Abbot Samson, in settling some difficulties which had occurred among them and the city authorities. In the early part of the thirteenth century Oxford is organized; in the days, for instance, when Grostête was the leader of its philosophy and other studies. In a list of towns, written in the handwriting of Henry III.'s reign, the schools of Oxford are mentioned as a distinctive feature of that town. I do not intend to draw a negative inference when I mention that Cambridge is also noted, but only as being distinguished for its eels. These two ancient institutions, when they come before us, are self-governing corporations, having a ruler, a law, and judges of their own, holding property, real and personal, admitting persons to their franchises, and banishing them, and are entirely independent of the municipalities in which they were situate. In course of time the urban authorities of Oxford town are subordinated to the university, and it was the boast of the academical corporations that they were entirely exempt from any secular or spiritual authority. The privileges they possessed were confirmed by charters, and long after the history of these corporations began they had the distinction, alone, I believe, among analogous institutions, of being confirmed by Act of Parliament. England was, in short, filled with associations, customary, chartered, and, in these two cases, formally legalized.

The principle of association was, however, extended beyond these country, urban, and academical units. The members of crafts or trades organized themselves, enacted their own bye-laws, regulated their own business or merchandise, and finally were incorporated, in some cases by charter, and in a few were appointed

the machinery for enforcing legislative Acts; as, for instance, the weaving trade generally, by a special corporation created under one of numerous police Acts of trade, for the whole county of Norfolk. In London, which early became pre-eminent for its wealth, these trade associations or companies were incorporated by charter, though long after they had been fully in operation as private combinations. The charters, I believe, date from the fourteenth century, but I have been told that the site of the Goldsmiths' Hall has been in the possession of the craft from before the Conquest. Many of them were accorded considerable duties. The London goldsmiths were very early consulted in what is called the trial of the pyx, that is, the verdict that the officers of the mint had satisfied the indenture under which they were entrusted with the coinage. The Merchant Tailors were called on to pass the cloth which was purchased for the king's army. The Grocers were directed by Acts of Parliament to see "to the proper garbling of spices." A search into the Statute Book would no doubt result in the discovery of many such obligations, and an examination into the archives of those City Companies whose records survived the Fire, and have been preserved, would give, perhaps, much confirmation as to the part which the companies played in the police of trade. They assumed, or were permitted to make, bye-laws, and some curious illustrations of their practice have been published. Thus, for instance, in the fifteenth century, the Grocers' Company levied a fine of £10 on two members of the fellowship for the offence of taking a fellow livery-man's house, by offering to pay a higher rent than the occupier was paying, against such an occupier and fellow Grocer's will. Half the fine went to the fraternity, and "half to him that is thus put out of his house." The Act of 15 Henry VI. directs that the ordinances of these associations shall be certified and registered by the justices of the peace, or the chief magistrate of cities and towns, under a penalty of £10 for neglect. This enactment indicates how universal these combinations were, not in the town only, but in the country.

The whole country, and not alone the towns, possessed these organizations. The masons had, under the rule of the heads of their craft, the freemasons, and so had the carpenters. Under 34 Edward III. cap. 9, "alliances and covines of masons and

carpenters, with their congregations, chapters, ordinances, and oaths, made or to be made, were rendered void and annulled." Some of these words seem like the technicalities adopted by their reputed successors, the modern freemason. Later on these associations were declared to be felonious. The combinations of the artisans were imitated by the peasant labourers, and we are told that, to use modern language, all labourers during the last quarter of the fourteenth century were united into very effective trade unions. But it is quite clear that, to ensure unity of purpose and efficiency in action, some sacrifice was required on the part of applicants for admission into these organizations. Besides, in their struggle with the capitalist and the law, they had need of a common purse, and we are told that subscriptions were actually collected by the upland folk, to pay the fines of such among their number as might be convicted, and generally in order to mature and carry out the line of defence or campaign which they might undertake in this social warfare.

This process was apprenticeship, a practice unknown to antiquity, and apparently not accepted in all the countries of modern Europe. This expedient, adopted, I do not doubt, in the first case, from motives of police, is adversely criticised by Adam Smith, who holds that it raises the wages of the persons who go through this period of deferred wages. He also believes that it hinders the free circulation of labour, because it disables those who have not passed through this preliminary training from undertaking an employment which is, so to speak, fenced against them. But he does not dwell long on its effect on the wages of labour, for it is open to doubt, whether in the end the calling which is necessarily preceded by apprenticeship is necessarily better remunerated than one which is not. For if it be supposed to have advantages, due to the postponement of the wage earning period, either the remuneration when the wages are earned owes its amount to the delay which has been interposed, in which case the matter is *in equilibrio*, and we must search further for the effects, as it stimulates competition for the higher earnings, in which case the wages are depressed by an excess of supply, or the employment is rendered precarious, and the aggregate earnings are equalized by breaks in the occupation. In reality, however, the economical significance of apprenticeship is

part of a far larger question; the particular causes which raise or depress wages, or affect the value of that which the workman offers for sale, apart from the general laws which induce high and low prices. Let us first, however, look at the history of apprenticeship.

There can be no doubt that the origin of the practise is to be traced to the motive which I have already given, a desire to secure to the purchasers of trade privileges the benefits which the existing generation and their predecessors in title have secured. In fact, the practice of apprenticeship long precedes any statutable enactment enforcing it on craftsmen. Early intimations of it are given by Madox, and, indeed, the indirect adoption of the system in the liberal professions at an early date is to my mind proof that these professions copied the existing and older practice of artisans and tradesmen. It is, I think, open to doubt whether all craftsmen were apprenticed in times early and late. The existence of a class of masons who are called free, or master, and a similar order among carpenters, for I have often seen them thus designated, appears to me to indicate that the practice was not universal. The frequent attempt made in the Statute Book to compel apprenticeship implies, I conclude, that the rule was frequently disregarded. Undoubtedly the wages of artisans are higher than those of agricultural labourers at all periods in English history, but this may not necessarily be due to apprenticeship; it may be the result of broken or uncertain employment, or of bye-industries.

The period of apprenticeship was almost invariably seven years, perhaps from the precedent of Jacob. The limit of time was occasionally fixed by statute law, the regulation in the professions was a bye-law of the corporation which admitted the qualified person at the end of his training. Thus, originally, seven years interposed between the student's entry at an inn of court and his calling to the bar, seven years were demanded for the training of the attorney, seven years' study for admission to the privileges of the University. I do not find that any material advantage of a calculable kind was presented by the licensing body when the course was over. Up to the end of the seventeenth century the earnings of barristers and solicitors as attorneys were very small, and the remuneration of a clerk, *i.e.*, of a graduate, was no better than

that of an artisan. Quite apart from the pressure which characterizes professions in later times, all that the licensing bodies did was to give the privilege of pleading to the barrister, of acting as the agent of another to the attorney, and of teaching what he had himself been taught to the graduate.

One of three motives may have been present to the minds of those who by the custom of their calling were in the habit of imposing the prior condition of apprenticeship on those who would be their fellows in the future. They might have contemplated the expediency of making those who entered into a more or less privileged order, pay for the privilege to which they succeeded. They might have designed to narrow the field of competition within their own calling, by putting impediments in the way of those who might elect to follow it. They might have had before them the expediency of maintaining a high standard of proficiency in their craft. The economist who is naturally disposed to interpret such a regulation from the point of view which marks the relation of wages to profits and prices, may be tempted to dwell more exclusively on the second of these motives. But I am sure that the first and third were present to the minds of the artisans of old times. Whether the second of these motives was a successful one, and, in case it did influence the advocates of the apprenticeship system, is capable of being sustained, is to be determined by the fact of what the apprenticed person actually earned.

The trade of early England was not only small, but precarious. The smallness of the towns, to which allusion has already been made, is a proof of this. The feeling, therefore, which a trader or manufacturer would entertain towards his company and its members must have been akin to that which in later times was felt by the licensees of regulated companies of commerce. It is not just, they would argue, that they who create and insure trade at considerable initial expense should be exposed to the rivalry of those who are striving to enter on the fruit of our labours, without making any contribution towards the outlay which was essential to the existence of the trade at all. Or to take a more modern parallel, it must have been like the feeling which an artisan, who has belonged to a trade union all his life, who has made, in consequence, continual sacrifices for it, and who consequently believes, rightly or wrongly,

that his expenditure has raised wages, entertains towards another artisan, who will make no sacrifices, will incur no unpopularity with employers, but is not above reaping the benefit of his fellows' disinterested action.

It is quite true that the wages of first-rate artisans were in the Middle Ages 50 per cent. above those of agricultural or peasant labourers. But the artisan was migratory when he earned so much. The common mason and the common carpenter got, as a rule, no more for their labour than would compensate them for precarious or broken employment. Now a migratory artisan was put to much greater cost for his maintenance than a labourer would be, whose home was stationary. This was discerned, early and late, by the fact that workmen who were pressed for the king's service, no uncommon event, were always provided, in addition to their wages, with journey money. Let me illustrate my position. A founder resolves on building a college or monastery, and the former was not infrequently founded in the fifteenth century. Workmen are to be got from all quarters, master builders and master carpenters from remote places. Such men have to leave their homes and families, and to have for a time, in their humble way, a double establishment. It is impossible to conceive, quite apart from apprenticeship, that they would be content to work at wages which did not exceed the earnings of a residential workman, upon whom no extra charges were put, or if such a remuneration were not paid them, that a constant supply of artisans would be forthcoming. I think that these are sufficient causes for the comparative elevation of artisan's wages, without having recourse to the theory that they were designedly raised by apprenticeship. Further, it seems to me, that the far greater elevation of artisan's wages in London points to analogous facts. There was much more expectation of work in the city, but, on the other hand, the cost of living was much higher than in the country, and even in small towns. But at the same time I can assure my hearers that a mason in Oxford 440 years ago was paid relatively better wages than he is paid in London for a fifty-six hours' work at present. The fifteenth-century workman worked for only an eight hours day.

One may well wish that one could recall the discussions which took place at "the chapters and congregations of masons and car-

penters when under their alliances and covines, they made ordinances and took oaths," when they excited the wrath of Parliament in 1361, the year of the second plague. It was the time at which Decorated architecture, having been brought to perfection, was on the eve of giving way to the more florid and less attractive Perpendicular. The greater part of the handsome churches and conventual buildings of that age were the work of the artisans themselves, who "could draw their own plot." It needed no common or brief training to enable the mason to himself design these structures from the foundation to the roof, and then resign his work to an equally skilful carpenter. These working men were the teachers, the models of those architects who copy their labours in our days, and often make a sad bungle of the imitation. In a time when men could not be spared for the otiose function of a designer, who very often knows little or nothing of the materials with which he has to deal, but the design came from the artisan, we may depend on it, that a seven-years apprenticeship was no long period for the youth to learn his craft in, and become the rival in the new style of these great builders who had raised the structures of a previous century.

I am speaking, you will observe, of the work of artisans, five centuries ago. A study of the conditions under which they lived and worked, many of their works being still before us, convinces me that, whatever may be said against apprenticeship in time present, it was a necessary condition for the art and labour of the past. It is quite possible that a practice may have outlived its usefulness, and though there was a time when it was requisite, that time has been followed by another, when it has become superfluous or even mischievous. What I wish you to notice is, that when we project ourselves into a bygone age, we cannot conclude invariably with those, who, however far-sighted and shrewd they are, are unable to realize, from lack of facts, these remote conditions. It is a common and a dangerous error to interpret the past by the present. It is a true and necessary philosophy to interpret the present by the past, and I have some satisfaction in knowing, that whatever be the worth of my own comment—judge it as you will—I have provided the means by which others after me will be able to realize for themselves the bygone, but by no

means exhausted conditions of past industrial life. And I may mention as part of these facts, that Acts of Parliament not infrequently provide for the apprenticeship of labourers in husbandry, meaning by this, I am sure, those higher agricultural operations which require special knack and acuteness, and formed the qualifications of the first-class farm-hand, whom our ancestors were wont to describe as a bailiff in husbandry, who directed all operations, and could do everything which he directed. These apprenticeships, Sir John Sinclair informs us, survived in the West to the present century.

I must, however, say a little here about the guilds, town and country, at a time when they were in their prime and were actually the institutions which they proposed to be. In the first place, they were well-nigh universal, though they were unchartered and informal. Their property was derived from grants or charges on land or houses, made for the purpose of securing the continuance of a religious office, much appreciated and exceedingly common in the period of English social history, which precedes the Reformation, prayers or masses for the dead. From what I have seen there was scarcely an estate on which some such liability was not created. One college in Oxford, Oriel, was much engaged in the business of negotiating the price at which masses could be secured, and the register of the College contains evidence of the strictly commercial character of these negotiations, the College fulfilling its part of the bargain in the large chancel, large for this special object, of St. Mary's Church. Almost all the house property in Oxford possessed by the pre-Reformation Colleges is due to this source, the bargain, especially when the mass was an obit or a perpetual ceremony, being that the land or tenement was conveyed to the contracting party, subject to this obligation. It seems, so thoroughly was the custom engrained in the religious life of the English, that these grants for definite religious offices were not liable to the ordinary law of mortmain. To have refused permission that such engagements should be made would have shocked the sentiment of the time too seriously. In the New College rental of Oxford tenements, six such payments are reserved for divers monasteries, and it is quite certain that most of the other property was held under similar obligations.

Now this is a type of the guild lands held in town and country by chartered or unchartered associations. The ancient tenements, which are still the property of the London Companies, were originally burdened with masses for the donors. In the country, the parochial clergy, or the migratory clergy, undertook the service of these chantries, which were ranged along the side walls of the aisles of churches, and the establishment of a mass or chantry priest, at a fixed stipend, in a church with which he had no other relation, was a common form of endowment. The residue, if any, of the revenue derivable from these tenements, was made the common property of the guild, and as the continuity of the service was the great object of its establishment, the donor, like the modern trustee of a life income, took care that there should be a surplus from the foundation. The land or house was let, and the guild consented to find the ministration which formed the motive of the grant. Besides these sources of income, the nucleus of very substantial advantages, the association levied small fees from the members, inflicted fines on offending members of the guild, and so secured a common purse.

I have referred to this at some length, because the guild lands were a very important economical fact in the social condition of early England. The guilds were the benefit societies of the time, from which impoverished members could be and were aided. It was an age, as I have told you, in which the keeping of accounts was common and familiar. Beyond question, the treasurers of the village guild rendered as accurate an annual statement to the members of the fraternity, as a bailiff or collector did to the lord. If there was a surplus over the annual expenditure, it went to the purposes of an annual or more frequent feast. The banquets of the City of London Companies, now enjoyed by persons who have not the remotest connection with the purposes of these Companies, are a survival of mediæval guild life. So are the parish feasts, whose origin Blomfield discovered in collecting materials for his county history of Norfolk, whose compulsory impoverishment he comments on with some indignation. It is quite certain that the town and country guilds obviated pauperism in the Middle Ages, assisted in steadying the price of labour, and formed a permanent centre for those associations which fulfilled

the function, that in more recent times trade unions have striven to satisfy.

It is not a little remarkable that the combinations of workmen for the purpose of bettering their condition, such combinations being known popularly as trade unions, though, for reasons which I shall give, I prefer to call them labour partnerships, have attracted so little attention from professed economists. Their ancient history had long been lost, and has only recently been re-discovered. This may account for much. In Smith's time, they were suppressed, being under the ban of the law, and if they subsisted at all, existed only as secret societies. When Ricardo became a classic, they were still illegal, and the literary descendants of Ricardo, the two Mills, father and son, preserve a complete silence on this organisation. Mr. Fawcett, as was inevitable in a man brought face to face with practical questions, during a long Parliamentary experience, at last dealt with the topic. But as he had a very scanty array of statistical facts, his account is not analytical, and is far from being exhaustive or satisfactory. It is very hard for a man, who has gone on to middle age in the twilight, to accept evidence which alters his impressions. I do not say this of my friend, Mr. Fawcett, whose mind, to the last days of his life, too early closed, was singularly receptive of new information.

One, out of the calamities which afflict political economy, is the constantly recurrent phenomenon, that all or nearly all its fallacies are partially true. There is some truth in the mercantile theory, in the balance of trade theory, in the protectionist theory, in the Ricardian theory of rent, in the bimetallic theory of currency, in the fair trade revival, in the doctrine of reciprocal liberty, even in the Liberty and Property Defence League. It is so in history. There is some value in a mere arrangement of facts in chronological order, without any indication of sequence or connection. There is some value in what is called constitutional history, *i.e.*, the discovery in documents, and the partial analysis of the machinery of administration and legislation, at various epochs of English history, though the principle or practice has been in existence, certainly for some time, possibly for a long time, before its activity is announced, as the record in which the fact is preserved was

composed, when a multitude of analogous records have perished. There is some value in what is called the philosophy of history, *i.e.*, the analysis of the motives which have influenced considerable persons, and of the power such persons have had in moulding the destiny of nations, though here a pernicious habit of paradox has been indulged, under which, for instance, Henry VIII. is made to appear a patriot king; Elizabeth, a capricious woman without a policy; Mary Stuart, a virtuous and ill-used princess; and so on, through the ages. Of course these whims have no vitality beyond the popularity of the writer, but they are immeasurably wearisome. I hope that I may, in the course of such lectures as these, deal with most of these half-truths in political economy, and unless I am mistaken, I shall incidentally show, out of solid and unmistakable economical facts, how baseless are many of the conclusions which pass current as constitutional principles, or historical philosophy.

Now, the particular half-truth which arrested Mill in his analysis of the labour question, quite apart from the total ignorance under which he suffered in reference to the history of labour and wages, was the wage fund theory. This, like the law of diminishing returns, is, as I have told you, the transference of a theoretical hypothesis into the sphere of an actual condition of fact, and thence to an economical law. It is quite true that in theory, and at a given point of time, could we conceive that the industrial machine was *in equilibrio*, the amount of capital destined to reimburse the workman for the labour which he has advanced, or lent to the employer, is an exact quantity. Now, Mill thought that this theoretical quantity was, in the ceaseless activity of human industry, an actual quantity, that it was inelastic and incapable of increase, not only at an incommensurable point, but in a measurable space of time. This is the meaning of his celebrated paradox, for it is no better, that demand for commodities is not a demand for labour, a position on which he insists with unwonted pertinacity, I had almost said, passion. I have already pointed out to you that a demand for commodities is a demand for labour, that even the comparative slackness of demand for commodities, by no means involves a slackness in the demand for labour, and that the manner in which an urgent demand for commodities is met, is by

turning wealth from its passive condition as an accumulation into its active condition as capital, loanable by the employer or self-supplied. I could easily anticipate the satisfaction with which many persons engaged in production would respond to the demand for commodities, and the rapidity with which the demand for labour would arise.

But, as Mill had committed himself to endorsing the fallacy of the wage fund, he was driven to certain logical inferences from it. If the sum destined for the wages of labour was an inexorably fixed quantity, incapable of accretion by any human means, it follows that a demand for commodities only means the diversion of labour from one to another calling; one of the curious delusions which political economists fall into when, having derived their notions of capital from bankers' balances, they assume an equal mobility for all industrial agencies. Does, however, any man of practical experience imagine that an urgent demand for cotton cloth will draw on the reserve of agricultural labour, or that if, for example, more persons are employed, or the same persons employed more continuously in weaving cotton, this will have any effect whatever on the employment or wages of farm hands? But, to be even partially true, the wage fund theory would require that each calling should have its own wage fund, on which the wage fund of other callings cannot trench. If, however, each calling has its own separate wage fund, the demand for the commodities produced by that calling will inevitably create a demand for labour, by which commodities can alone be supplied, the addition of capital, provided it be forthcoming, as it always is in saving or settled countries, and the transference of a part of the fund of passive wealth into the agency of active wealth. I venture upon saying that, if I were to ask any practical man of business, in any of our great or, for the matter of that, small centres of industry, as to the process by which an exceptional demand would be met, he would tell me that I had put into words the result of his experiences.

Now the consequence of Mr. Mill's theory, at present, I believe, dropped by the economists of his school, is, that if any combination of workmen succeed under any circumstances, under which there is an urgent demand for their labour, in getting better wages for their work, or even in case they get these higher wages by the sponta-

neous offers of competing employers, they are, by bettering their own lot, worsening the lot of other labourers, whose share in the fixed quantity is *pro tanto* diminished. The doctrine of the wage fund, enforced by the high authority and the sterling character of Mr. Mill, has been made a perpetual weapon of attack against the labour partnerships of working men. These men have been informed, very superfluously, because very erroneously, that the efforts which they are making to better their condition are against the laws of political economy, and are assured, as they are assured under the Ricardian law of rent, that the wages of labour are low and inelastic by a natural, or even providential, arrangement. It is no wonder that they resent such interested nonsense. It is to be regretted that they are apt to repudiate economic science altogether, and even utter: "If political economy is against us, we are against political economy."

The ordinary teaching of political economy admits that all wealth is produced by labour, but it rarely tries to point out how one of the producers can secure the benefit of his own product. It treats of the manner in which wealth is originated, but it generally postpones the analysis of the process by which it is distributed. It is attracted mainly by the agencies under which wealth is accumulated, as a general does military force, and it is more concerned with its concentration than it is with the process of its partition. Most writers on political economy have been persons in easy circumstances, or have been intimates of those who are in easy circumstances. They have witnessed, with interested or sympathetic satisfaction, the growth of wealth in the class to which they belong, or with which they have been familiar. In their eyes the poverty of industry has been a puzzle, a nuisance, a problem, a social crime. They have every sympathy with the man who wins and saves, no matter how, but they have not been very considerate for the man who works. They lecture the poor on their improvidence, their recklessness, on the waste of their habits. But I have never read any of their works in which they have raised the question as to whether these traits in the character of workmen, assuming them to be true, are not historically traceable to some manipulation of the processes by which wealth is distributed, processes which they candidly and truly inform you are of human institution only.

Now I am one of those persons who believe that, on the hypothesis of perfect freedom in all innocent action, the agency of the State should be limited to the protection of the weak against the strong, and I have never, in vote or speech, swerved from that principle. As I deprecate the unnecessary interference of the State on behalf of the workman, so I deprecate the action of the State in permitting restricted devises, remainders, or reversions to the reputed heads of private families. But if the law permits or sanctions anti-social privilege, the community must expect a socialist propaganda. If, by its enactments, the State permits people to be protected against the consequence of their own vices in one class of life by the mechanism of settlements, it must not wonder at another class demanding an eight-hours day from the legislature, or at some people talking loosely about the nationalization of land. One economic fallacy, if it be discerned that it is conceded to in order to subserve a special interest, is sure to beget another, which would, if it could, and may perhaps hereafter, deal unfairly with that protected or bolstered interest. In the fifteenth century workmen had an eight-hours day, probably by their own concerted action, assuredly to the advantage of employers. I hope hereafter to state what is, in my opinion, the economic defence of a restraint on *laissez faire* in some directions.

When men put their capitals together in any direction, neither society nor political economists have a word to say against them. The defence of such associations is obvious, their utility unquestionable, their necessity in some cases indisputable. No fortune, however vast, could have constructed the North-Western Railway, the Suez Canal, or even a fleet of ocean-going steam-vessels. These are undertakings the risks of which would be too great for private capital, the profits too remote, even if the individual could supply the funds. The bias of the present age is continually towards the joint-stock principle, *i.e.*, the aggregation of small capitals into industrial avocations. There is no little reason to believe that the development of this tendency has had a considerable effect on the depression of prices, because people interpret the profits of capital by the cost of acquiring that from which their profit is derived, not by the accumulated cost of that which they have purchased. Very possibly, the business or undertaking which has been turned into a

joint-stock enterprise is weighted at its inception by an excessive price. In course of time it is found to be unworkable at that price, and the undertaking is wound up, and reconstructed with a diminished capital. This process may go on again, till the ultimate possessors have procured it at far less than its intrinsic value. Under such circumstances, as prices are modified by the competition of capitalists, the undertaking of the same kind which has not undergone this process is at a disadvantage in the competition against that which has, and can therefore afford to undersell. It is true, underselling does not tend to go further than is necessary in order to get a sound footing, and to displace rivals; but, as competition increases and becomes sharper, the process by which the footing is gained and rivals are displaced is more prolonged and more costly. But it is plain that the agency whose capital is small in proportion to its expected or possible profits is at an advantage in the struggle.

But in the experience of life, and under the traditions of society, if in a commercial undertaking, the capital of which is collected by these small contributions, the business is carried on with integrity, or, at least, with success, if demand is interpreted clearly, and supply is regulated shrewdly, so as to secure the largest possible profit to the undertakers, to use Smith's excellent word, not only is the business welcomed as legitimate, but the managers or agents of it are applauded. If it be greatly successful, the promoters are described, by no purposed adulation, as merchant princes, pioneers of industry, creators of public wealth, benefactors of their country, and guarantors of its permanent progress. They are presumed to be peculiarly fit for offices and titles of honour, to merit places in Parliament, occasionally to be even qualified for the transmission of hereditary fortune, rank, and authority. It may be discovered on analysis that they have made no wealth, but have simply gotten it, or that their profits are extorted from the small earnings and the prolonged labours of the downtrodden and helpless. What matter? the wealth is won, and they who witness the riches which have been acquired take no thought of the process by which they have been aggregated. Perhaps it is impossible and unjust to blame that which society permits, or, it may be, cannot of its own force prevent. For if the State guarantees employment and wages, it

can be only to some applicants, and to these, so far Mill is right, it will give employment and wages at the cost of others, for the State has no means of its own, and must get its funds by taxation or loan. But a loan is only deferred and disguised taxation. If all men who are ready to work are to be provided with occupation by the State, you must not only get it for carpenters and masons, peasants and unskilled labourers, but clients for a lawyer, patients for a doctor, and, *vox horrenda*, a congregation for a preacher. There was a time, between 1558 and 1688, when the last provision was thought to be the province of the State, but, at the latter date, the State became wiser or more considerate, and passed a Toleration Act.

Now in a trade union or labour partnership the workmen do precisely that which the promoters of joint-stock enterprise undertake. The latter are individually too poor for the enterprise; collectively they are rich enough. They are too weak alone; they are strong enough in union or combination. The sacrifice of the present to the future, however assured the future may be, is too serious for the individual, it is obvious to the corporation. The association may be called into being in order to perform a great service. Perhaps no greater service was ever performed by a joint-stock company than that of the Bank of England to England and the nation in 1694 and 1695. The richest patriot would have shrunk from the self-devotion which was necessary in that eventful year, when the capture of Namur gave promise that the English might be on land what they had two years before showed themselves on sea at La Hogue.

The workman has only one thing to sell, the skill of his hands. This commodity, to use economic terms, is exceedingly perishable. If it be unsupported by its necessary supply, it rapidly deteriorates. Labour, unlike other finished articles in demand, cannot be kept out of the market without prodigious loss to the owner. Fortunately for the possessor, could he only make a universal joint-stock company comprising the capitals of all workmen within the same craft, his existence and work is so necessary that he could, on the hypothesis given above, dictate his own price to his employer. He will never claim, to be sure, a price which will destroy his employment by destroying his employer's remuneration. The mere fact that he could diminish this, and perhaps prevent the growth of

rent, is the key to the prolonged struggle which I have often referred to, in which the workmen were for two centuries a victorious, and for three a defeated, class. The combination which in capital was considered beneficent, in labour was treated as felony, and even when the felony was extinguished by abrogating the labour statutes, was left to the elastic interpretation of the common law doctrine of conspiracy, if there be a common law doctrine of anything.

Up to 1825, all labour partnerships were proscribed. Now it would not be in human nature, that action, which had been passionately suppressed for centuries, should not be conceived of immense importance to those who had suddenly recovered the liberty of association. The concession of free action is a great acquisition, even if people are puzzled with the unaccustomed boon, and make an unprofitable and erroneous, perhaps even a criminal, use of it. The blame of so ill a use lies much more at the door of those who have, for their own ends, refused the liberty of spontaneous action than it does at the door of those who abuse what they have recovered. The natural inclination to exaggerate the importance of what they had won, was heightened in the workman's mind by the new steps which were taken to indirectly annul the gift, by bringing these associations under the law of conspiracy, by refusing to allow their partnerships the protection accorded to benefit societies, and by permitting the secretaries of such associations to embezzle their funds with impunity. Even now the movement, instead of being welcomed, as a virtual exposition of the joint-stock principle as applied to labour, and therefore as just and as innocent as any analogous institution among capitalists for the furtherance of manufacture and trade, is looked on with suspicion and dislike, constantly misrepresented, and as far as possible thwarted.

Every calling, especially those which are professional, always has its own code of honour. There are offences against the unwritten code of these callings which are punished by the members of these callings with the connivance, perhaps with the approval of the public. Is that wrong *per se* in working men which is right in medical and legal practitioners? If a physician or surgeon is guilty of unprofessional conduct, his fellows decline to serve with him, as

far as possible exclude him from their society, or even exclude him from practice. Misconduct at the bar is occasionally punished with a formal deprivation of a barrister's privilege. It is possible that the reference of a solicitor's conduct to the Incorporated Law Society's action has not been a complete success, and that it would be better superseded by a court of honour which should take cognizance of misconduct which now passes unchallenged. I see no reason why a similar rule of action should not be adopted by artisans, and acknowledged by employers. It might make better and more trustworthy workmen; for the machinery of such a censorship would certainly increase the self-respect of those who were subjected to it.

The machinery of a strike, the war of the workmen, is seldom successful. It is generally adopted at the least advantageous time, that in which the demand for labour is diminishing, and therefore, when the workman is most in the power of the employer. But this cannot be made a reproach to the workman. It rather implies that he does not make use of his lost opportunity, a strike in the midst of a rising market. The workman appears to let the market do its own work when the demand is in his favour, and when profits are exceptionally high, to look for only a small part of the increased advantage. Of course when he does get exceptional wages in a time of exceptional profits, calumny is busy about him, and grotesque fables are circulated about the way in which he expends his enhanced earnings. If the men were unforgiving they would treasure up the memory of these libels.

In recent times, intelligent employers have begun to see that what economists, who understand facts, defend as the right of the workmen, has its advantages from the point of view of the master. The practice adopted in many trades, where a unit of value can be easily taken and understood, is to make that unit the basis of a sliding scale. I have been told by persons engaged in the iron trades that the system of a sliding scale works well. I can well believe it, because it assists in settling what is always of interest to the producer, the anticipation of price. As I have often stated, the anticipation of a price is the problem before the capitalist producer, the regulation of market values, the one desideratum of those who engage in productive industry. Besides, the profits of

the capitalist and the remuneration of the labourer are both forms of wages, the question between the two being merely a settlement as to the share due to each. I tried, of course in vain, to introduce the principle into the Irish Land Act of 1881.

Mr. Mill was in error when he believed that an increase of wages can only be procured at the expense of profits, an error the more remarkable, when one remembers that he detected or endorsed the economical principle that high wages did not necessarily mean dear labour, or low wages cheap labour. No doubt if higher wages were paid while the efficiency of the labour is not increased there would be an immediate and apparent loss to the employer. But it may be recouped out of rent, which may diminish, or it may be refunded by the consumer. The latter condition of things prevailed during the first half of the seventeenth century, as I have shown you. But in the last half, when the wages of labour rose 50 per cent., wages did not suffer nor profits either. If the labour becomes more efficient, it is certain that the enhanced advantage will remain with the employer long before it reaches the workman. So it was in the first half of the eighteenth century, when profits were high, prices low, and labour wages were very slightly altered.

The full concession of freedom in the formation of labour partnerships is a remedy, and one of the best remedies against those socialist movements which demand the intervention of Parliament on behalf of the labourers' employment. In countries where the Government manages its subjects too much, socialism in a more or less menacing form prevails. There are ominous signs that in countries where protectionist theories are adopted, there is springing up a movement under which the immigration of labour, however sparsely peopled the country may be, is threatened with regulation or even prohibition. This is the talk in the United States, and in the Australian colonies. It seems that the predictions and pledges of protectionist statesmen have been falsified by facts. Wages have not increased so rapidly as profits. The rich are getting richer, the poor poorer. Again and again it has been proved that high prices do not make high wages. But in England, though here there is just cause for discontent, the doctrine that the State should find employment and fix wages has made but little way. In England no producer is assisted to a price, and

therefore no workman has a plea that *he* himself should be. Besides, there is a widespread belief that workmen, if the whole order had only public spirit and would consent to combined action, coupled with prudent counsel, have their fortunes very much in their own hands. Only they feel that it is not a little hard that the best of their order have borne the brunt of the struggle, while others whom they have materially assisted, refuse to enter into the association, and take unfair advantage. The utmost, however, that they would see restored is the system of apprenticeship, and the excuse that they make for this demand, is not that it will assist in raising the rate of wages, but that it will secure the efficiency of the workman.

XV.

THE RISE AND PROGRESS OF THE COLONIAL TRADE.

Early English commerce—The discoveries of Portugal and Spain—The English buccaneers—The American plantations—The sole-market theory—Wars of conquest, of religion, of trade—The Irish manufactures—The colonial system—The duties on colonial timber and sugar—Enumerated and unenumerated goods—The doctrine of the flag—Colonies of conquest and of settlement—Canada and the Cape—The surrender to the colonists—The tie which binds the Colonies—Loans by Great Britain.

I POINTED out to you, in an earlier lecture, that the English nation was not for many years, not for many centuries, an inventive people, and that it was slow to adopt the discoveries of other nations. I sought to show you, what in my judgment was the original cause of this singular backwardness, and what were the causes which brought about the surprising and, apparently, enduring energy of the eighteenth century. And though, in the judgment of all those whose judgment is worth anything, the policy which created the opportunity was an erroneous one, and was certain to bear its own Nemesis with it, it is the duty of the historical economist, to take measure of facts which have had their effect on the destinies of nations. I do not imagine that the elder Pitt thought much of the effect which would be induced on the industrial capacity of the English when he entered on the Seven Years' War, and saw realized his dream of a mercantile empire at its conclusion, or anticipated that the very efforts which he had made would assuredly be, whether the English Government were foolish or neutral, the stimulus to colonial independence. In the same way the Govern-

ment of Louis XVI., in their anxiety to retaliate on the English people, for the sacrifices which they had to make at the Peace of Paris, never dreamed that when they were assisting the American plantations to independence, they were making the French revolution an inevitable consequence, and with it the destruction of the ancient monarchy a proximate result.

As the English were slow to invent, so they were slow in maritime enterprise. Their kings had for near four centuries, considerable transmarine possessions, and these possessions were lost, recovered, lost again, recovered again, and finally passed away from them with great facility. Other peoples and other kings have held distant possessions for much longer periods. The inheritance of the house of Burgundy remained with the elder branch of the house of Austria from the last quarter of the fifteenth century to the first quarter of the eighteenth, and with the younger branch from that date till a century later. In conquests, the English seemed destined to win, but unable to keep. The explanation of this is to be found in the traits of the English political character, on which indeed I have very decided opinions. But they are not economical, and I will not detain you with a dissertation on our national characteristics.

In commerce, as I have already said, for many centuries, the mercantile marine of the English, though considerable enough to excite the envy, and stir the gall of our neighbours, was by no means venturesome. The account given of it at the beginning of the fifteenth century confines it to the Baltic and the French coast as far as Bayonne, though some ships may have coasted Biscay, and even reached Lisbon. In the middle of the century it seems that the limits of its trade were not extended, for the French critic notes, after charging the English with piracy in the narrow seas, that with all their marine they were not at the pains to put down the Barbary and Algerine pirates. Only two capital discoveries were made by the English in the fifteenth century. At the commencement of it, the Bristol merchants, by the aid of the mariner's compass, reached Iceland by the eastern route; at the end of it another Bristol adventurer discovered Newfoundland. But we hear nothing more of the former exploit, and we know that no results ensued from the discovery of Sebastian Cabot in 1497. In the reign

of Henry VIII., as we learn from a statute regulating the cost of freight, English vessels ventured a little farther, to the crane of Seville. But they did not enter the Mediterranean, or give any presage whatever of that bold maritime enterprise which was to characterize them in the latter part of the sixteenth century. Till the time of the great captains or buccaneers of Elizabeth's reign, their only new venture was the unlucky voyage of Willoughby round the coast of Norway and Sweden, when one ship reached Archangel.

But during this period of strange inaction or hesitancy, great discoveries were made. Long before the Bulls of Borgia were granted to Portugal and Castille, Prince Henry of Portugal had discovered the Canary and Cape Verd islands, and had coasted along the north-western shore of Africa. The spirit of enterprise was kept up by Portugal through the fifteenth century, at the conclusion of which, in 1497, the Cape was doubled, and the foundation was begun of the Portuguese settlements in Asia, both on the Indian Peninsula and in the Eastern Archipelago. Spain discovered the New World and speedily got possession of Central America, and the Pacific coast of the Andes. While English voyagers had hardly trusted themselves out of sight of land, other nations had crossed the oceans and founded empires or factories. Like the early settlements of all European nations, the ultimate object of these conquests or occupations was the creation of a sole market, a right guarded jealously and angrily, as we know from the issue of the Darien expedition. After the Treaty of Utrecht, the subordinate agreement, known as the Assiento treaty, the commencement of the English slave trade, the proximate cause of the South Sea Bubble, and the occasion of a short war with Spain, was the concession of a very limited right of trade with the Spanish plantations. The Spaniards governed their colonies in a peculiar manner. No one was permitted to have a share in their administration, unless he were a native Spaniard, sent out for the purpose. Men born, though of the purest Spanish blood, in these settlements, were perpetually disabled from all share in the government of the colony. It is no wonder that the Spanish colonies revolted. The wonder was, when Canning, as he said prematurely, called in the New World, in order to redress the balance of the Old, that the revolt had not

occurred long before. No human ingenuity could have suggested a worse government than that of the Spanish colonies. The administration of Spain itself was bad enough, but it was wisdom compared with the other.

This lack of commercial enterprise in England was, I do not doubt, due to the cause which I have before commented on. England produced next to nothing for foreign trade, and had therefore nothing to traffic with. Its industries, such as they were, were for itself, with a small overplus of coarse goods for its neighbours. This appears to me to be indicated by the maritime enterprise which characterizes the latter part of the sixteenth century. The great captains of the age, Drake, Frobisher, Hawkins, Raleigh, were buccaneers or pirates, on the look out, not for opportunities of trade, or for the foundation of colonies, but for plunder, or at best for gold. They plundered the Spanish and Portuguese ships on the high seas, intercepted the Plate fleet, and did mischief in the Spanish ports. One of them visited Labrador, and struck with the masses of bright crystal on the coast, conceived that the stone must contain gold, and shipped it to England. Raleigh was fired by the example of Cortes, and dreamed of an American city, which like the ancient and forgotten buildings of the giant kings before Noah, were composed of gold, silver, and precious stones, which he called Eldorado. Undoubtedly the enterprise of Elizabeth's later years was supremely useful, but the taint of the original buccaneering clung to it, till the English people, somewhat late in the day, checked it by hanging Kidd and his comrades at Execution dock. But by the time of William III. English trade had become important enough to turn buccaneering from an heroic virtue into a crime which had to be suppressed.

The English Government has never colonized, except with convicts. English settlements had the inestimable advantage of being spontaneous, or, at least, of having owed more to the neglect of the mother country than to its interference. Practically the first settlement of Englishmen on the western shore of North America, was due to the emigration of the Puritans who fled from the ritual and discipline of Laud, for the first settlement of Virginia was a total failure, though the name survived. The places where these colonists landed are now great and wealthy cities, united into a

gigantic confederation. But when they were first settled, the colonists had to contend with an inhospitable climate, a barren soil, and the enmity of shrewd, active, and bloodthirsty savages. I never saw land so utterly uninviting as that of the Atlantic sea-board from Maine to New Jersey, and yet I have examined the agriculture of the North German plains. The country I speak of is not only infertile, but subject to tropical heat in summer, and Arctic cold in winter. It is infested by tormenting and destructive insects, the latter a periodical plague. It had one perennial source of plenty if not of wealth as yet, in its fisheries.

The American plantations readily acquiesced in the English Commonwealth. They fell in as readily with the Restoration. The capture of New Amsterdam from the Dutch, and its new name, taken from the Duke of York, gave the English settlements a sea-board from Maine to the Carolinas, for New Jersey followed the fortunes of New York. The settlers had penetrated very little inland, when the Calverts founded Maryland, and Penn the Quaker the great state which goes by his name. These later plantations were settled at the expense of English adventurers, who had the hereditary government of the colony, ultimately bought up by the British Government, when the trade of the colony was worth controlling. The early history of these settlements has been occupying the attention of Mr. Doyle, of All Souls. The first of these to attract the attention of the English Government from the point of view before English merchants and statesmen who wished to conciliate English merchants, I mean the establishment and maintenance of a sole market, were the Southern Plantations, and in particular Virginia, one of whose products rapidly procured a European reputation and a European market.

This product was tobacco. Europe gave the sugar cane and the cotton plant to the New World, and received from it maize, tobacco, and the potato. Tobacco smoking, as all the world knows, was common enough in England during the early part of the seventeenth century, to excite the ire and stimulate the literary activity of the unwashed James. It appears to have been cultivated in the midland counties, and particularly in Gloucestershire. Under the new tariff of the Restoration, the manuscript of which—one of the few volumes which survived the

fire in which the old Palace of Westminster was destroyed—is preserved in the House of Commons Library, signed by Sir Harbottle Grimston the Speaker, tobacco was subjected to a customs duty, and the English cultivation of it was forbidden. Then recourse was had to Spanish tobacco, but this was very dear, 10s. to 12s. a pound. Soon the cultivation made great way in Virginia, where it was easily raised and cured, and from which it could be sold cheaply. In a few years, Virginia expelled Spanish tobacco from the English market. For a time the two kinds were mixed. Soon, however, only colonial tobacco was imported. A few years later and the produce of the British colonies supplied the world. It became the basis of a new fiscal system, a compact between England and her American colonies, and was pressed into the service of that commercial scheme which was thought to be the highest wisdom. This was the sole-market theory.

The doctrine that the commercial prosperity of a country depends on the creation, maintenance, and extension of a sole market for its products and for its supplies, was prevalent from the discovery of the New World and the Cape Passage down to the war of American Independence. This was the principal object of Borgia's Bulls. This was what animated the Dutch, in their successful, in the end too successful, struggle, after a monopoly of the Spice islands. This was the motive which led to the charters of the Russian Company, the Levant Company, the East India Company, the Turkey Company, the Hudson's Bay Company, in England. The theory was organized in the colonial system, which Adam Smith examined, attacked, and as far as argument could go, demolished in his great work. But the dream of a sole market is still possessing the Germans and the French. The insane passion for this costly and ruinous monopoly has led to the raid on Tonquin, and the scandalous and unjustifiable attack on Madagascar, by the latter, to the protectorate of Zanzibar, the settlement on Angra Pequena, and the occupation of North New Guinea by the former. How long the experiment will be persisted in I cannot guess. Nations and governments are seldom willing to confess themselves to have been in the wrong, and, indeed, nations have little opportunity for giving effect to their regrets, as long as their rulers are impenitent, and do not per-

sonally suffer for their errors. But this I can predict with confidence. For every pound's worth which these peoples buy and sell in their conquests and occupations, they will have to pay another pound out of German and French taxes in order to maintain and secure the sole market, even if they get off as cheaply as that. I know pretty well what our colonies of conquest have cost us, and still cost us. These colonies of conquest were all made with the object of a sole market, and we have in return from the people whom we have created, protected, and maintained at an enormous cost, the grateful acknowledgment of hostile tariffs.

The early wars of Europe were wars of conquest. Such were our wars with France. Such was the extension of North-eastern Germany by the Teutonic knights at the expense of the Slaves of old Prussia and Lithuania, and of the Hanseatic League. After them came the wars of religion, from the outbreak of the Insurrection in the Low Countries, and the civil wars in France, down to the Peace of Westphalia in the middle of the seventeenth century. From that day to our own, European wars have been waged on behalf of the balance of power, the principal mischief-maker in the contest being France. The English, the French, and the Dutch were the competitors in the wars for a sole market. But Holland was practically ruined at the peace of Aix-la-Chapelle, and France was stripped, as I have told you, of her colonies at the peace of Paris, and England became not only the principal maritime, but the principal manufacturing and mercantile country in the world. As regards English trade, however, though India was an outlet to some extent for English goods, its trade was in the hands of a chartered company, whom the Seven Years' War had left in serious straits. The most important sole market which Great Britain had acquired by her wars was the sea-board of North America. To support the finances of the chartered company, the British Parliament determined on taxing the inhabitants of her sole market, and the result as you know was the war of American Independence, and with it the explosion of the theory which I am about to describe.

The colonial or sole-market system was based on a strict recip-

rocity. The English Government admitted colonial produce into the English markets at differential duties, or prohibited the produce of foreign nations and foreign colonies altogether. The Colonies were not only the customers of English manufacturers only, to the absolute exclusion of foreign manufactures, but were prohibited from undertaking those manufactures themselves. The English Government adopted with their colonies the policy which they adopted with Irish manufactures, which they also prohibited, but with this difference, that they disabled the Irish from having any trade whatever with England, with the Colonies, and with foreign countries. They wished to extinguish, with one exception, every Irish product, and to constitute themselves the sole manufacturers and shopkeepers for the Irish. They allowed only the linen manufacture of Ulster. The Irish were to be, with this exception, agriculturists only, but they were to be disabled from selling their agricultural produce in England, or elsewhere. They were practically denied the right of trade. I need hardly inform you, that under these conditions, the position of the peasantry, subject through Poynings' Act to the English Privy Council, and constrained to pay rack-rents to landowners who were frequently absentees, was that of a race which is constrained to pay tribute, under the most disadvantageous terms. The commercial relations of England and Ireland, from shortly after the Restoration to the acknowledgment of the independence of the Irish Parliament, were in the last degree oppressive to the latter. It was the doctrine of the sole market in its most exaggerated form.

To external appearance the relations of the colonial system were reciprocal and beneficial. There are certain minds to which this reciprocity is even now exceedingly attractive, and unless we are wrongly informed, there are not only individuals but a party which would seek to restore this ancient condition of things—not indeed in its full force, for to that there are grave existing difficulties, not to say vigorous counter theories in the protective laws of most of our colonies, but with as much reciprocity as possible. They would confer, for example, special advantages on the settlers in our colonies for their products, while they are straining every effort to exclude our products, and are even

arguing that the time is come when our workmen should be excluded from settling among them, except on the payment of a heavy customs duty. I take it, if a butcher was constrained by positive law to deal with that grocer only whom he supplied with meat, and the grocer to deal with that butcher only whom he supplied with groceries, the ingenuity of man could not devise a more certain process for getting inferior meat and adulterated groceries. But if the butcher were prohibited by law from buying the other dealer's groceries, and the grocer was still constrained to buy the butcher's meat, it is pretty certain that the meat would get worse and worse till it eventually became carrion.

A brief reflection will show how futile, how mischievous, such an arrangement must have been. A reciprocity of advantage in reality implies a reciprocity of loss. For if the benefit exists in a voluntarily reciprocal trade, it will be appreciated and appropriated, and needs no law to secure it. But the law, it is said, will instruct persons in the benefit which they would not otherwise recognize. This affirms that they who frame the law know better than those who engage in the business what their true interest is in trade. But such a shrewdness on the part of law-makers has never been discovered yet and never will. The men who make laws on trade matters either possess the necessary knowledge of the subject themselves, by having engaged in the trade, or they borrow their knowledge from the people who have more experience than the law-makers possess. Now the man who has the knowledge, or the man who imparts the knowledge, invariably, if he is disinterested, and does not want to turn the machinery of law to his private advantage, legislates or advises legislation for the purpose of protecting or rather facilitating, and not for creating trade. In other words, he advises that men should find out for themselves where or how to do business, and that the law should be employed only to diminish the risk or cost of the business after it is formed, or to assist in the due satisfaction of contracts after they have been entered into.

That stage of the colonial trade in which the use of Virginian tobacco superseded that of the Spanish product was a spontaneous and natural advantage to both parties. The colonial system, as it

was developed later on, did not create and would not have expedited this trade. It is true that in those early days the Navigation Act, originally intended to interfere with the carrying trade of the Dutch, led to the freight of Virginian tobacco being a British monopoly, as far as the ports of Great Britain were concerned. But freight is one thing, trade profit another. The Dutch shippers could not carry, except under penal charges, goods into British ports. But Dutch traders did deal with colonial produce, and very extensively too. Nay, the existence of a sole right of carrying freight, if no restraint is put on shippers, might make it better worth while for the trader to use the services of a foreign carrier than to use those of the carriers of his own people. This is the case at the present time. The British shippers carry goods at a cheaper rate than any other nation does. Some people say at ruinously low rates. Let us assume, for the sake of argument, that this country has procured the carrying trade of the world because it conveys goods at 10 per cent. less than other nations do, or perhaps can, and further that, one thing with another (the figures are used for illustration only), the cost of freight is 10 per cent. all round of the value of goods delivered at their ports of destination. Is it reasonable to conclude that a trader, whose motive to economical action is expectant profit, will sacrifice so great an advantage as is implied in these figures for sentimental reasons? The effect of the Navigation laws may be profitably studied in the history of the English marine from the Restoration to the Revolution.

Towards the latter end of the eighteenth century, American cotton came into the English market. The story of a consignment of some bales to the house of a Liverpool produce broker, Mr. Rathbone, is often quoted by those who scribble books on the romance of trade. The produce was at first neglected. It was afterwards taken up, and out of that original consignment, little more than a century ago, has been developed the prodigious cotton industry of the North of England and Southern Scotland. The trade was in its infancy at the end of the century, though it was making great profits to those who worked up the material. In the debates on the Irish union, Sir Robert Peel, the father of the great minister, demurred to the roseate picture which Pitt and his followers drew,

of what Ireland would become after the Union; for the cotton spinner of Bury expressed his alarms at the future rivalry of the Irish. Now no rational person would believe that the use of cotton as a raw material would have been facilitated by the colonial system, then, as far as the American colonists were concerned, abrogated by the fortune of war, more than it was by a rational self-interest, when the utility of the material were discovered.

The colonial system, under which advantages were secured to the colonial producer by giving him a preferred market in Great Britain, while the colonist was debarred from engaging in manufactures, was a selfish one on the part of the English merchants and manufacturers. It gave the colonist a sole market, it is true. But it does not follow that a sole market is a high market. On the contrary, it is probable that the offer of a sole market is intended to secure a low market. The Virginian planter sent the whole of his tobacco to England. The English trader re-exported it to other countries, say Holland or Germany. It may be presumed that he made a profit on the original consignment, and on the re-exportation, or he would not have undertaken the business. In such a case the Dutch or German consumer paid more than he need have paid had he dealt first hand with the Virginian planter, and by parity of reasoning, the Virginian planter received less, for the difference between the English imported price, and the Dutch or German re-exportation price, would on every hypothesis of trade, have been shared between the planter and the foreign purchaser. You will observe, too, that the reciprocal business was limited to objects, on the colonial side, which England could not produce; and, on the English side, to manufactures which the foreign nations could have produced as well as the manufacturer, who got a sole market for his wares. So inveterate and widespread was the delusion, however, as to the benefits of a sole market, that it does not appear that the colonist resented an arrangement under which he got all the losses and the British manufacturer and merchant all the gains of this regulated monopoly. For he was blinded to the true meaning of the relation by the differential duty put on goods like his, but produced on colonial soil.

In course of time these differential duties became to the residual

British colonies after 1782 an apparent advantage, to the English consumer a real loss. About forty years ago, there were two articles of colonial produce on which the differential duties were serious. These were Canadian timber and West India sugar. Other countries could supply us with timber of better quality and at cheaper rates than Canada did, for of course, by putting an extra duty on foreign timber, we were giving the Canadian lumberers a price. However, at last the differential duties went with the other tariff reforms, not without warnings that Canada would be disaffected if her lumberers were disabled from rifling our pockets. The sugar duties were defended on different grounds. The English nation had abolished slavery in the sugar colonies of this country, and had compensated the owners of the slaves. But other sugar-producing countries, as Cuba and Brazil, had not followed our example. When the movement began for the abolition of the differential duty, there arose a cry, "How can the English, who have abolished slavery, purchase sugar produced in those unchristian countries which still maintain this institution?" Now in my opinion, slavery is detestable. I agree with Wesley, who said that it was the sum of all human villainies, and said that before Granville Sharpe and the elder Wilberforce began their crusade against it. But it is also ruinous to the country which adopts and maintains it, and I am quite certain that its economical disadvantages far outweigh any economical profit which can be gotten from it. But I am also certain that when a man appeals to my piety and my Christianity in order that he may keep some business advantage, he is a very dangerous man to do business with, a suspicious character. This maxim was well illustrated during the controversy on slave-grown sugar. It was found that some of the loudest humanitarians in Jamaica and Barbadoes had been in the habit of importing slave-grown sugar from Brazil and Cuba, and exporting it to England as genuine free-soil produce. You may be surprised to hear it, but it is a proof how completely phrases take possession of men, when such phrases indicate their material interests, and how little evidence does, for though they were detected they were not silenced.

Most of the American colonies were constituted under charters, given to the projectors and founders of these plantations. Now it

was clear that such rights as were possessed by these founders and their representatives, checked the growth of the colony, and materially interfered with the development of the system which seemed so wise and profitable. Hence Parliament, twice in the early part of the eighteenth century, was invited to pass a Bill, under which the rights of the proprietors should be purchased, and the old charters should determine. There was a good deal of opposition shown to this scheme by the representatives of the various families in whose interests the charters were granted. On the first occasion, during the reign of Anne, the Bill was decisively rejected on the second reading. It was again brought in at the beginning of George I's. reign (1715) was then read a second time, and was referred to a select committee, which did not report, and the Bill disappeared. I found among the Parliamentary papers of Mr. Hammond, sometime member for Huntingdon, a number of memorials, similar to those now circulated among members, containing reasons against the proposal. They were not known in America, to which country I sent copies of the originals. Ultimately these rights were purchased, when they had become considerably enhanced. It is part of the irony of history that the British taxpayer is, or was recently, paying a perpetual pension to the heirs of William Penn, for the surrender of this personage's right in Pennsylvania.

The colonial system did not preclude the plantations from sending, under the strict conditions of the Navigation Act, certain kinds of produce to other countries than England. These were called non-enumerated commodities, the principal being corn, timber, salted provisions, fish, sugar, and rum. There was a reason for this, which was to be found in the fiscal system of England. We did not want colonial corn, for there were duties on corn, levied in the interest of the landlords, nor colonial timber, salted meat and salted fish, for the home produce of these articles were similarly assisted. Sugar and rum were allowed to be exported, for the owners of the plantations in the Leeward isles were chiefly absentee English proprietors, who had already a monopoly of English supply, and were powerful enough in Parliament to get an extended market elsewhere. But in 1769, just before the troubles broke out with the American plantations, an Act was passed, disabling the

colonists from sending even the non-enumerated commodities to any country north of Cape Finisterre, in Northern Spain. The object of this restraint, was to prevent a trade even in these articles with countries which had any manufacturers, lest the colonists should find out that they could buy goods cheaper than in England.

The enumerated goods, and there was a long list of them, could be exported to Great Britain only. They consisted, as Adam Smith says, of what could not be produced in this country, and what could be produced in great quantity in the Colonies. But the colonial manufactures were either forbidden altogether, or their exportation and importation within the Colonies were burdened with such excessive duties, as practically to confine the manufacture, if it existed, to a scanty home supply. Steel mills and all manufactories for working iron were prohibited in America, trade between the different settlements was forbidden, if the trade was in a local manufacture, in fact, not a horse-shoe or a nail could be forged in the whole of the transatlantic colonies. When, therefore, the War of Independence broke out, the American colonists were agriculturists only. Had it been possible to blockade all the ports, the insurgents would soon have been unarmed, for they could of themselves have provided no munitions of war. Hence the revolt of the plantations was an interruption to British trade, and a signal to other nations that they might now enter on a commerce from which they had hitherto been rigidly excluded. This, I am persuaded, had as much to do with the assistance given to the United States by many European Governments, as any desire to avenge the reverses of 1763.

The acknowledgment of American independence was supposed to herald the downfall of the commercial greatness of England. When Gibbon declined to meet Franklin, on the ground that he would hold no intercourse with a rebel, the American replied that if the historian had the leisure, he would be willing to supply him with materials for a new narrative, of the decline and fall of the British Empire. He was merely expressing a common opinion. But though England had to abandon the colonial system, and never afterwards ventured to levy taxes by her Parliament on the smallest and weakest of her dependencies, she began to build up a new

colonial empire. She occupied successively all those parts of the world in which European races can thrive and increase, and, whether in the course of time she will retain them or not, as nominally dependent on the centre of Great Britain, it is certain that at no remote date the English-speaking races will be more numerous than any other people. The relations which have subsisted between England and her still associated colonies is the topic with which I shall conclude this lecture. As before, I shall deal with the economical relations only, but in fact the political relations have now become entirely economical, for no reasonable person doubts that if the English colonies were decidedly convinced that the interests of the colony made independence seem desirable, no military attempt would be made to retain the political dependence of the settlement. They are to be united to us by the tie of self-interest only, and self-interest is an economical tie.

I mentioned in an earlier lecture that the doctrine of the sole market was succeeded by the doctrine of the flag. The old phrase was—conquest first and law afterwards make trade, a position sadly interfered with by interlopers, buccaneers, and smugglers. The newer phrase was occupation by the sword, or by prior settlement, with the careful management of the colony, with the first process well in view, but with the hope that custom, tradition, and the careful nursing of all which wanted nursing, would carry the pre-eminence of the flag. England now held her colonies. As long as the colonies wanted nursing, as they wanted or thought they wanted it forty years ago, this policy fostered the growth of the British race in distant parts, its extension, and as was hoped, its consolidation. I am speaking of what I noticed (for I was early schooled in these matters, a good while ago), and of what I criticized, not without much obloquy. To a sensible man, convinced that he has no prejudices, but only facts before him, which he is bound to interpret, obloquy, especially from a daily or weekly paper, is cackle. I only regret that men whom I have worked with more years ago than I now care to count, seem to be deterred from the logical conclusions of their principles, and even from the facts which illustrate those principles, by utterly unfounded alarms. But the saddest thing in the whole of my experience, is the spectacle of that worst form of senility, the dread of seeing that come which one has laboured for,

and the consequent exhibition in maturer life—the epoch of the manifestation differs—of that in which the best qualities of one's youth are changed into the worst qualities of one's age.

The doctrine of the flag, when put into the dry language of economists, is that habit, old ties, family, social, political, will correct the narrow and selfish interests which the hot race for wealth in new settlements engenders. These habits and ties are greatly aided by local weakness, and I am sorry to say, the local weakness is too often made a plea for other aid. This is illustrated by the historical relations which have existed between this country and the British colonies of conquest, as opposed to the British colonies of spontaneous settlement. Of the former kind are the colonies of Canada and the Cape of Good Hope; of the latter, Australia and New Zealand. It will be obvious that a colony of conquest is likely to contain disaffected inhabitants, or ill-affected neighbours, and to be, consequently, a perpetual drain on the material resources of the country which holds it. The possession of such a colony was, as I have often said, due, in the first place, to the desire of procuring a sole market; in the next, to the belief that identity of race or habit would maintain close commercial relations; and perhaps in our time, the connection is fostered because a kind of national pride is supposed to be assisted by the maintenance of a large number of dependencies. Phrases such as "the sun never sets on the British Empire," "Greater Britain," "the English-speaking race bids fair to be the most widely extended of any, and the English language the universal speech of commerce and civilisation," are illustrations of the sentiment to which appeals are made. I am far from deprecating these appeals, but they should not be so uttered as to give the impression that this country is prepared to make every sacrifice for the sake of maintaining a mere similitude of empire.

The colonies of conquest have been terribly expensive to this country. In order to destroy the design which the French had devised of connecting their settlement of Louisiana with their settlement in Lower Canada, the English during the Seven Years' War, conquered the latter and annexed it. In dealing with the French Canadians, then and subsequently, the British Government allowed them to retain their local laws, and their ecclesiastical

system, and to become *pro tanto*, an *imperium in imperio*. The Roman Catholic Church in Canada is, under these arrangements, probably the wealthiest church establishment in the world, and possesses powers, guaranteed by law, over the population, which have been rescinded elsewhere, as inconsistent with the due supremacy of civil government. I do not mention this to criticize or impugn the arrangement, but merely to show how commercial considerations in a bygone age, and in deference to what is now an exploded opinion, modified military and civil relations. In the War of American Independence, French Canada remained faithful to its new masters, and though the good sense of the American people has led them ultimately into fairly friendly relations with Canada, an enormous expense, spread over more than a century, has been incurred in preserving this dependency from political risks. Even now there is a long-standing and menacing quarrel about certain fishery monopolies claimed by the Dominion, and, on the other hand, a strong party has been formed, with the object of putting an end to the war of tariffs, and the costs of a custom-house police along a mere geometrical frontier, by establishing a zollverein between Canada and the States. The English Parliament has spent hundreds of millions in maintaining the political independence of Canada, and in guaranteeing its frontier. The issue is that having adopted a strongly Protectionist tariff, which is really war in disguise on the country which defends it, Canada is seeking to contract a close trade alliance with an equally Protectionist neighbour, on the ground that the war of tariffs between itself and its neighbour has become intolerable.

Another colony, that of the Cape, was wrested from the Dutch, during the great continental war. The intrigues of the British Parliament, partly stimulated by trade jealousy, partly by the family alliances of the Hanoverian sovereigns with the utterly degenerate and disreputable family of Orange, had ruined the Dutch, had divided the people into the bitterest factions, and had induced for a time the Dutch people to look on the French occupation in the early days of the French Revolution as an unmixed boon. But in ridding themselves of the wretched William V., they became a prey first to the rapacious patriots of the French Republic, and next to the family of Bonaparte, for Napoleon speedily carried out the

policy of Henry IV. and Richelieu. The Dutch possessions, therefore, at the Cape and in the Indian Ocean, became a prey to the British navy. It is very likely, I cannot dispute it, nor do I attempt to judge it, that the policy was not only timely, and of great strategic importance, but had, at least temporarily, an economical and commercial defence. The policy of Napoleon was to exclude England from the commerce of Europe, the retaliatory policy of England was to exclude France and all who were under the influence of France from the rest of the world, and the English were far more successful than the French. They even made a short war on the United States in furtherance of this policy, one of the last of the prolonged wars of commerce. At the peace of 1815, England restored the Dutch possessions in the East, but retained the Cape, and asserted British supremacy in South Africa.

Since 1815, we have hardly been at peace with the native races. The English settlers were long outnumbered by the Dutch, are, I believe, now. It became a maxim of policy to support, by military expenditure and by aggressive and defensive wars, the due influence of the colonists of English descent. I could show you that all the profits of the Cape trade, enjoyed of course by those who trade at the Cape, are not and never can be equal to the interest on the capital which has been spent by the British Parliament on the progress and defence of the Cape Colony. Even now, after having had a war with the Dutch settlers, who have erected an independent Dutch republic, we are threatened with another Dutch republic, which is to occupy the lands at present in the possession of a native tribe, whom we have taken under our protection. I am not concerned here with the imperial interests which are contained in this policy, but it is indisputable that our economical interests are not furthered by our political action.

About twenty-five years ago, Mr. Goldwin Smith and myself called public attention to the cost of the British Colonies. Half the English army was being kept in them, at the cost of the British exchequer, and to the profit of colonial tradesmen. Every particle of British spirit was absent from the colonial character. Traders were making money fast, planning Protectionist tariffs in order to enable them to make money faster, and calling on the British exchequer to relieve them from all risks at the expense of the British taxpayer.

We thought the relation one-sided, and said so very plainly. We were soundly rated for our presumption by the British imperialists, and by the colonial squatters, many of whom were beginning to return to England with fortunes rapidly acquired under the system. But our views were taken up, and the situation rapidly improved. The colonists recognized that if they were part of an empire, they had duties of self-defence, and a further duty in the direction of general defence, and at the present time I do not know that there is a British regiment in colonial quarters. Whether we are making a better use of these regiments at present, I do not care to inquire. I am sure that the moral tone of the Colonies has improved, and that our controversy was justified. At that time, however, Mr. Goldwin Smith and I were credited with a design of breaking up the unity of the British Empire, and had to pay the usual penalties for premature wisdom.

The British Colonies were for a long time governed from Downing Street, and by the permanent officials of the Colonial Office. They had a nominal system of Parliamentary and responsible government, but were subjected to a thousand checks. Discontent naturally followed, and discontent gradually ripened to rebellion. As you will find happening over and over again in English history, the rebellion was chastised in the open field, the leaders tried, convicted, and sentenced to the penalties of high treason. The next act in the drama was to pardon them, and surrender to their demands, to surrender, in fact, more than they asked. An attempt had been made to secure a provision for the English establishment, in order to keep it on a level with the rich and guaranteed establishment of the French Catholics. But an attack was made on the clergy reserves, and the Colonial Office yielded. The rebels of the Canadian rebellion rose to high political office in their country, and were finally decorated with the distinction of knighthood. I played a little part in the slaughter of the fatted calf for those political prodigals, for I got the University of Oxford to make them Doctors of Law. We have not as yet united the other customary substantive to our honorary degrees.

When the British Parliament or, to be more correct, the Colonial Office (for it is very hard to keep a House for a colonial question), entirely surrendered to the colonial demand for free institutions,

responsible governments, and entire relief from the Colonial Office veto, a surrender was made of two principles, for the maintenance of which at least some struggle should have been made. In the United Kingdom, the Crown, *i.e.*, the executive, is still the reversioner to all land, and until land is declared to have a private owner, is the absolute owner of all unassigned land. This was surrendered to the colony, and the colonists in Parliament are entitled to make what regulations they please for its sale, grant, or distribution. I do not say that they have used the power unwisely. In some particulars, I am strongly of opinion, from what I have seen, and from what I have heard and read, the American Congress would have done well had they followed colonial practice, especially that which Mr. Gibbon Wakefield instituted, under which a high minimum price was fixed for public lands. The scheme was abandoned, but left a habit behind it. On the other hand, the Federal Government at Washington has never surrendered its rights over the public land to the States, however much it may have consulted their interests or wishes.

The second part of this total change of front is the discretion of levying what tariff the Colony pleases. In the history of English politics, as I have had to show you more times than once from 1381 onwards, uncompromising resistance has been constantly followed by unconditional surrender. In 1772, the inhabitants of the American plantations would willingly have contributed to the imperial exchequer. They knew perfectly well that they had been the principal gainers at the Peace of Paris, and that debts had been piled up by Great Britain to an extent beyond previous experience, and as was believed, beyond the capacity of the British taxpayer. They were perfectly willing to have taken their share in the charge, but they claimed that it should come from their own action, not from the autocratic will of the British Parliament, or, to be more correct, for the unreformed Parliament was a legislative farce, from the British administration, acting as such administrations have constantly acted, with high-handed, unconstitutional, and disastrous pride. When it became necessary to throw this policy aside, they threw aside with it a perfectly sound principle, that in the common defence of mother country or colony, the colony should by its own action, pay its own contribution. Under existing circum-

stances, the Colonies having very properly refused to allow us to tax them, we have permitted the Colonies to tax us. Over and over again, for instance at the Cape, the local government has undertaken a war, in which it rarely had justice, and never the means for carrying on the war in its own hands, and having compromised us, have called on us to pay for what they have done. It is impossible to conceive any system more demoralizing to the colony and more unfair to ourselves, than to incur responsibilities, and put on the shoulders of others the obligation of meeting them.

After the Colonial Office had perpetually meddled with the Colonial Governments, and irritated them beyond description, they entirely gave in, and made no stand on a single point. I remember that, as a chief justice of the Cape told me, in the old days of the Colonial Office, a retired general demanded of the Cape representatives that they should provide from the taxes salaries for a number of archdeacons. The chief justice said that he was himself a Presbyterian, and being unacquainted with the special functions of an archdeacon, asked the governor for information as to their place and duties. All that he got from the old soldier was, "Archdeacons, sir, there were archdeacons in the time of Abraham." The chief justice was obliged to be satisfied with this assertion as to the continuity of history, which, from its modern aspect, my friend Mr. Freeman assures us, begins with the call of Abraham. But when the Colonial Office at last had to give, like Lear, they gave all, and England has been used by her prosperous offspring, almost as ill as the mythical king was by his daughters. I cannot see that the English Government, when it conceded the entire political freedom of the Colonies, and their right to raise a revenue and spend it at their discretion, should not have contracted with them that the revenue should be raised for the purposes of government, and not for that of local protection, since a protective tariff is to all intents and purposes an act of war.

"The rulers of Great Britain," says Adam Smith, in the concluding sentences of his great work, "have for more than a century past, amused the people with the imagination that they possessed a great empire on the west side of the Atlantic." Smith is speaking of the American plantations, then in the first struggles of the War of Independence. "This empire, however, has hitherto existed in

imagination only. It has hitherto been, not an empire, but the project of an empire; not a gold mine, but a project of a gold mine; a project which has cost, which continues to cost, and which, if pursued in the same way as it has been hitherto, is likely to cost immense expense, without being likely to bring any profit; for the effects of the monopoly of the colony trade, it has been shown, are, to the great body of the people, mere loss instead of profit." There is, as Adam Smith saw, a cheap investment to be made in popular delusions. I know no safer speculation. If the opinion of such men prevails, quite irrespective of their personal efforts, they have taken a part in the nation's salvation, and deserve reward. If their advocacy is seen to be untenable, and is expended on a discredited cause, they trust that their personal obscurity will secure them forgetfulness, or that they may rely on a vested interest. I have lived for forty years among such people, and for as long with others who understand them. The hardest work of my life has been to save them from contempt.

There is however one tie between England and her Colonies, of which even Adam Smith, despite his far-sighted sagacity, did not dream. I am no judge of loyalty, of attachment to a central crown and empire, in the place which I hold before you. I only pretend, as an economist, to judge matters of business. We are tied to the Colonies by a bond, strong as adamant, as long as we are wise and they are prudent, but weak as a rope of sand, if we are unwise, and they become desperate, or perhaps become self-contained. They owe us a great deal of money. I do not mean money which the nation has spent in its collective capacity. That is gone with last year's snow, but with money which is registered and stocks which are negotiated on the Exchange. The Stock Exchange is the weakest in one sense, the most powerful force conceivable in another. It can be wronged by a repudiation of obligations created by it, and due to it, and it is unable to avenge its injuries directly. It cannot immediately punish its defaulting debtors, or enlist its own Government on its own side. This policy is now abandoned. It was tried, I believe, for the last time in Mexico, twenty years ago, and in Egypt ten. But it is not the business of the State to collect debts due to the subjects of the State. So far, then, the Stock Exchange is weak.

But from another aspect it is strong. It is unforgiving to defaulting communities. Now most, perhaps all, communities want at some time or the other to borrow. They will seek in vain if they have made default in past time. A taint clings to them even if they make good past breaches of faith, even if they appear likely to commit such a breach, or put themselves into a position of being able to commit the offence. Thus a sharp lesson was taught the defaulting States of the American Union when they repudiated their obligations to their foreign creditors, and I do not suppose that a defaulting State would get what is technically called a quotation on the Stock Exchange, until it had satisfied its ancient creditors, principal and interest. The same experience has come to diverse transatlantic Governments, and to Turkey. A short time ago, and it was well-nigh coming to Egypt. There is always some danger of repudiation if the stock is held exclusively by foreigners, as is the case with Russia, or if the loans are dangerously near the possible margin of the borrowing country's powers, or if the loans even for public works of a remunerative character are suspected to be premature.

Now the interest on this money is paid in goods. It is no doubt a strain to pay, and only large natural profits render the payment possible, even when the profits are derived from distinctly remunerative undertakings, as railways and dues. But if we were to decline to receive goods from them, or burden the exportation of such goods with heavy import duties, or even light ones, we may make that impossible which is already difficult, and the fair traders might find, if they can persuade a majority of their fellow countrymen, that they have broken the bond between the Colonies and the mother country, and have ruined their investing and too trusting fellow countrymen in the process. By natural profits, I mean the exceptional bounty which new settlers are able to appropriate.

XVI.

LAISSEZ FAIRE: ITS ORIGIN AND HISTORY.

Man a wolf to his neighbour—The weakness of the social unit—The principle of contracts and their enforcement—The ideal of government—Its disappointing attitude—Half truths in politics and political economy—The economists of France—The publication of "The Wealth of Nations"—Gradual reforms—Laissez faire no panacea—The case of the working classes, of railways—The Factory Acts—Lord Shaftesbury and the children in agricultural service—Education, primary, and the present system—Land and the tenant—Restraints on bankers—Adulteration—Technical education—Sanitary restraints.

"*Homo homini lupus*," said Plautus, perhaps Demophilus, from whom he borrowed the Asinaria. This is the comment in which the historical relations of man to man have been, in the practice of life, and by the observation of publicists, condensed. You will notice that the aphorism is universal. It is not directed against the selfish spirit of competition, or the arid cynicism of the metaphysical economist, or the tyranny of capital, or the aggressions of labour; but against the dangers of civil society, the risks which communities and individuals incur from fraud or force, or a combination of both. It applies to monarchs who, like Philip II. or Louis XIV., or Napoleon, aimed at Universal Empire, and to Vikings, pirates, buccaneers, and heroes generally. It is equally true of criminals who pursue gain, and of statesmen who pursue glory, generally, it must be confessed, with an eye to the purely criminal motive. Even the instinct of domestic duty, the education in the

sacredness of family ties, is no efficient guarantee against predatory impulses. "The price of liberty," said Mr. Mill, "is eternal vigilance." But it is true of everything else which is worth keeping, and therefore worth stealing, or otherwise appropriating. The economist, who takes no notice of the selfishness with which aggressive rulers and statesmen cover their action, is constrained to identify, too often, the hero with the burglar, the minister of religion with the buccaneer. In point of fact, the two who have in past times accepted the alternate occupation, have also, with a clear knowledge of the fact, been mentioned with eulogy in their own generation, and have had the benefit of some contemporary Smiles.

The weakness of the social unit, however strong he is when matched with any one of his fellows, however shrewd he may be at a bargain, however successful he may be in the conduct of business, is so marked, and so readily confessed by himself, that every one admits the necessity of a government which shall protect the weak against the strong, which shall punish the violence of foreign and domestic foes to the best of its ability, which shall arbitrate equitably between contending interests, whether the contest is one of general principles or of particular details, which shall chastise the highest offender as well as the lowest, and shall be entirely impartial. Above all things, this government has to abstain from allowing its powers to be utilized for particular interests, and against the general good. Even when it has, to the best of its judgment, formulated a law, it should remember the maxim, *summum jus summa injuria*, and modify in practice the generality which it sanctions. It is perfectly true that unless contracts are enforced, society becomes a chaos of universal distrust. It is plain that men are very slow to learn the obligation of paying what is due, especially when the article or service which is conceded, on the understanding that the price must be refunded, and profit or interest paid, has served its immediate turn. This insensibility to the obligation of a just debt, occasionally exhibited in our own experience, is, I do not doubt, the explanation of the excessive severity with which contracts are enforced under the codes of an early civilization, the Draconian legislation and the laws of the Twelve Tables. To be sure, in time, it is found necessary to relax the rigour, and to modify the contract, occasionally to

rescind it. But no rational person ever doubts that the law should, as a rule, enforce contracts. So convinced was the great analytical philosopher, Aristotle, that the centre of civil government is the satisfaction of contracts, that he makes even crimes to be involuntary contracts, in which the State should compensate the injured party at the expense of the criminal.

The State, then, is bound to enforce contracts. But it is also entitled, indeed is equally bound, to declare what contracts it will enforce. In all civilized societies, for instance, it refuses to recognize contracts under which one of the parties agrees to sell himself, or members of his family who are in his power, as a slave or slaves. We treat the traffic in human beings as piracy, and punish it as such, or profess to do so. Again, a contract based on a criminal proceeding is not only void, but punishable. An arrangement by which a burglar engaged to sell his plunder to a tradesman would not only be avoided *ab initio*, but, if detected, would bring thief and receiver under equal penalties. Where a contract is based on an immoral consideration, it is also void. Contracts which are shown to come under what is called the restraint of trade are voidable. Contracts which create perpetuities are said to be contrary to legal policy, though the practice of courts has not been consistent. In many cases, certain contracts are declared illegal. Thus a landlord cannot include income tax in rent, cannot compel his tenant to preserve ground game, cannot determine a tenancy arbitrarily.

In the same manner the State modifies contracts, or interprets them equitably. Nothing can be more complete than the transfer of a mortgagor's estate, when he fails to fulfil the conditions of repaying money lent, and interest due, to the mortgagee. But the law, from the time of Chancellor Ellesmere, in James I.'s reign, has stepped in, and secures the mortgagor his equity of redemption. Recently, the usury laws have been entirely abolished. But the law relieves a borrower, who is in expectancy of a life interest in land, from an oppressive or usurious debt. Unfortunately these acts of equity or generosity are limited to certain favoured classes. The interest of the Irish tenant, though declared his own in law, is not secured to him after eviction on the non-payment of rent, though its market value may be greatly in excess of the rent due. A dis-

tinguished statesman has latterly shown himself to be very ill-informed on this subject. But distinguished statesmen are very apt to be ill-informed in particulars. They should be criticized with much consideration, for foolish folk insist on their being omniscient, and with the natural consequences.

In brief, the State must protect the weak against the strong, not only by national defences on sea and land, by police against domestic violence, by the mechanism of criminal justice against some offenders, and by the agency of civil justice against torts; but by what is almost as important, by just legislation, and by just interpretation of that legislation. The American Constitution even protects its citizens against legislation which is asserted to be just, for the Supreme Court can, on appeal, reverse and annul an act of the Federal Legislature which it declares to be unconstitutional. In an ideal State, the legislature, the administration, and the courts would unite in enforcing what the highest human intelligence could declare to be absolute equity. The duty of the State is admirably expressed in the oath of the Manx judges that the deemster, as they call him, will decide as evenly between parties as the backbone lies in a herring. These honest islanders gathered their similitude from the fisheries which form their staple industry, and were assured that the reminder would be perennial.

Unfortunately, the absolute fulfilment of these great public duties is an ideal. No one has ever seen a set of human institutions which have been entirely just, in which no undue advantage was given to any class, trade, or calling, in which public burdens are evenly distributed, in which complete fairness has been the rule. It has over and over again been admitted that a change which has been demanded is intrinsically just, but that interests have grown up about irregular and indefensible practices, which it would be highly injurious to annul or even to frighten. Persons have even held, and economists among them—I do not challenge their conclusion—that in course of time an initial wrong becomes a subsequent right, which must not be questioned. I shall, in a subsequent lecture, illustrate what I mean, when I deal with the subject of Crown lands, and the ancient practice of resumption. It has been even alleged that continuous wrongs on others become in time the rights of the wrong-

doer. The late Lord Palmerston had a favourite adage, that tenant right was landlord wrong, though the maturer conscience of the British Parliament, shortly after Palmerston's death, determined, in 1870, at least to modify this position. So in 1820. Lord Liverpool declared that he entirely and cordially concurred with every principle and every sentiment in the Merchants' Petition. But he could hold out no prospect of great or immediate alteration, because, as he alleged among the reasons, "So many vested interests had grown up in the country, which he imagined would be imperilled" by accepting and acting on the principles of the petition. The objection is a very old one, for it was adduced by Demetrius in the theatre of Ephesus. The majority of the House of Commons shouted their sympathy with the worthy silversmith of the nineteenth century.

The fact is, the practice of parliaments and governments has differed widely from what each would admit to be the *raison d'être* of their existence. All the forces of government have been diverted from time to time towards the sustentation of particular interests, and not a few of them are still diverted, so hard is it to reconcile the conflicting claims of conscience and self-interest, of the public good and private advantage. I always treat the arguments of those who, being interested, sometimes greatly interested parties, defend what my convictions and my experience prove to me to be indefensible, with patience and consideration, for I know nothing more difficult than to get a person, all of whose interests lie in one direction, to accept the disagreeable necessity of examining facts, and finally of going in a just direction. I should, had I lived in old days, have, in this frame of mind, excused the bias of those ruined landlords who devised the labour statutes; of those adventurous spirits who claimed trade monopolies; of the restored royalists who created our present land system; of the merchants in the last century, who, essaying that enormous novelty to the English people, mechanical invention, demanded that their venture should be guaranteed by protection; of those patriotic persons, who, having founded the Bank of England, and restored the finances of the country at a most critical time, claimed, and obtained, the benefit of that currency law, in accordance with which the second charter of the Bank of England was granted. There were plausible arguments for each

of these departures from true and just principles. There were people, when these concessions were made, who recognized that the good which the favoured objects of this legislation secured was infinitesimal, even to them, was in some cases even ruinous, and that the evil which they inflicted on the rest of the people was great and permanent. Had I known what I know, I should have resisted the proposal in each and every case as a disinterested person, and should, no doubt, have incurred much obloquy. But I do not think it can justly be inferred that a man is deliberately dishonest because he cannot see the public interest as clearly as he can see his own. If his own interest in the end is to be superseded, one may leave him the privilege of protest, and the utterance of discontent, with a hope that matters will not turn out as serious as the subjects of the change anticipate.

The fact is, there is a plausible argument which may be alleged for many of the most serious errors which governments have incurred, and many of the most serious injuries which they have unwittingly inflicted. Half or partial truths are the bane, the *ignes fatui* of political life, and by implication of political economy. It has been for many years my practice to point out that most of the economic errors or fallacies into which people fall have a certain basis of truth in them. Whatever they may effect in the end, they are not in the beginning mere impudent brigandage. The most selfish of rulers, the last Henry and the second Charles, did not seriously design the dishonour and ruin of the unhappy country which they governed. The sordid managers of the Reformation, the sordid patriots of the Revolution, did not want to do mischief, though they could not help doing it. Somerset plundered the poor, but perhaps he thought that a purer faith was a full compensation for their losses. Leeds and Seymour, Macclesfield and Walpole, and a host of others robbed the taxpayer and enriched themselves, but perhaps concluded that their gains were a cheap price for the inestimable boon of the Revolution and the Hanoverian succession. In most men, especially in those who must be trusted, good and evil are strangely mixed, and they are themselves very often entirely unconscious of the mixture. Clive, you will remember, amassed an enormous fortune in India at an early age, and within a few years. He afterwards declared, perhaps

with perfect sincerity, certainly with a proud consciousness, that he was amazed at his own moderation.

Now towards the end of the first half of the eighteenth century a body of Frenchmen, who called themselves Economists, or Physiocrats, struck with the infinite misery to which France had been reduced, partly from the expedients of Colbert, partly by the extravagant wars of Louis XIV., the more extravagant misconduct and profligacy of the Regency, and of Louis XV., determined on examining into the causes of wealth and poverty, of waste and beggary, especially in France, where the contrast was violent. The eighteenth century, as you are doubtless aware, was one in which people were beginning to inquire into the foundations of authority, and of the power which authority claimed as its due. The bitterness of religious feuds had worn itself out. It is true that after a scandalous youth and middle age Louis XIV. became *dévot* in his later years, and signalized his piety by persecuting the Huguenots, expelling them from France, and rooting out the Camisards. But all pretence to propriety, and all, or nearly all, the homage of bigotry, passed away with the regency of the Duke of Orleans and the administration of Dubois. In England toleration was followed by apathy, apathy by inquiry, inquiry by scepticism. The Puritans of the first Revolution became the Unitarians of the early eighteenth century, the fierce Churchmen of the Restoration the Latitudinarian divines of the first Georgian era. The ancient orthodoxy was conceived to be disaffected, and perhaps Bolingbroke, who was above all an intriguer, wished to show that a man could be a Tory, even a Jacobite, and withal a freethinker. In France the very foundations of society were discussed. There, topics long reputed too sacred for handling were freely and sceptically criticized. During the long and peaceful administration of Fleury, the Court became more scandalous, France more adventurous, the merchants and manufacturers richer, and the peasantry more beggarly. The economists, with many errors in principle and detail, were thorough. They did not quarrel with the Government; but they severely criticized what I may call the control of French industry, and especially agriculture by the administration. They concluded that private and personal interests, as long as they were innocent, were judged of better by the individual than

they can be by the State, that if men were left free to work, free to bargain, free to trade, the result would be that in the choice of industry the fittest, to use a modern phrase, would be selected, and that the country would prosper much more under competition than it had done under regulation. In a word, they affirmed that *laissez faire* should be the rule of an economic society. Smith, who was travelling in France as tutor to the young Duke of Buccleuch, the descendant of Monmouth and of the considerable heiress to whom Monmouth was married, said, "I was attracted by three philosophers, and influential people they were—Turgot, Quesnai, and the elder Mirabeau;" and after his return to England composed, to a great extent on their principles, "The Wealth of Nations."

It was a great advantage to the Economists that their doctrines were accepted as sound in the abstract, however difficult it might be to allow them in practice. It is quite probable that the greatest profligate living would admit privately that the Ten Commandments are excellent in the abstract, the Sermon on the Mount an admirable exhibition of theoretical virtue, but that vested interests compel the hearer of them to limit his acceptance within the bounds of respectful admiration. The tenets of the French Economists were listened to with speculative acquiescence, but Pompadour and Du Barry prevented their acceptance in statecraft. They were out of the range of practical politics. By and by came the cataclysm, in which everything was submerged in a common ruin, the residue of the Economists, of the Encyclopædists, of the *dilettante* statesmen, of the financiers and the harlots, king and church.

The English version, or rather comment of Adam Smith on this new departure, was the beginning of a new era. The publication of the great work was delayed, as I have recently discovered, by some negotiations which were undertaken by Pulteney with the East India directors to get Smith an office in the Bengal Council. They failed, and to their failure we owe the publication of "The Wealth of Nations," which would never have seen the light had he obtained the appointment. Mickle, who translated the "Lusiad" of Camoens, and dedicated it to the company, thought it would suit his patrons if he reviled Adam Smith, who reflects rather plainly on the East India Company's trade policy. But the opinions of

the author gained him the respect of the younger Pitt who, after ousting Fox on an India Bill, brought in nearly the same measure himself, and gave a striking and early example of that policy with which expectant statesmen rail at measures when they are in opposition, and adopt them when they are in office. For a time it seemed that Pitt would not only accept the theory, but put in practice the tenets which Adam Smith inculcated. But the French Revolution came, and Pitt, after a struggle, threw in his lot with the *emigrès* and the Bourbons and the affrighted herd of kings and kinglets. He died of chagrin, having at his death-bed the affectionate sympathy of his king and the spiritual consolations and offices of his bishop, one Tomline.

This is not the occasion on which to go through the history of the long delay which attended the acceptance of the principle *laissez faire*. It reappeared, as I have told you, in the Merchants' Petition, was accepted in the abstract by Liverpool, and cautiously adopted in the concrete by Huskisson and Canning. The trade in bullion and the foreign exchanges were relieved from vexatious restrictions, while the national honour was maintained unimpaired in the integrity of the currency. Next the laws regulating labour were swept away. Next an inroad was made on the taxation of raw materials, and on some peculiarly vexatious excises. As time went on, trade was freed from monopolies. Then the most grotesque tariff conceivable was greatly altered. Then the most important of all raw material, food, was liberated from selfish attempts to regulate its price in the interest of landowners. The shreds of colonial preference went shortly afterwards. All but one of the materials of human labour, land, have been made free. This is still stifled by protective regulations. But the system is breaking down from its own inherent perversity, folly, and mischief. *Laissez faire* became triumphant, and this in little more than a quarter of a century. I can well remember the last struggle against it. The advocates of the old system were first very contemptuous, next very angry, then very ill-tempered, and lastly, very ill-mannered. But the bravest act, and that which disarmed opposition more than anything else, was the resolution taken to break the weapon with which the victory was won. The League which enforced the repeal of the Corn Laws was dissolved as soon

as the Legislature had swept those acts from the Statute Book.

But complete as this victory was, it was soon found that *laissez faire* was not a panacea for all social mischiefs. Much of the evil which afflicts society is due to causes whose effects survive and are profoundly noxious long after the cause has ceased to be operative, and even has been forgotten. The maxim, *Cessante causa cessat effectus*, is only partly true in the physical world, where the energy of a transient cause may have permanent effects. The desolation of parts of Calabria have been prolonged since the earthquake of 1782 to our own day. In the political, the economical, the moral world, effects long survive causes. The prolonged survival of effects is the centre of Mr. Darwin's theory. The publicist affirms that precedents are valid long after their occasion has passed away. The historian, philosopher, constitutional or romantic, white, grey, and black, is fond of tracing present phenomena to ancient beginnings, even if he refrains from connecting British institutions with the call of Abraham. The laws regulating wages, the justices' assessment, and parochial settlement, the old Poor Law, the new Poor Law, the Corn Laws, have left marks on labour for which the doctrine and practice of *laissez faire* is no detergent, even though it were advertised as copiously as the soaps of our day are. You cannot, like the adventurer in the Greek comedy, take the nation and by some magic bath restore it from decrepitude, disease, vice, dirt, drunkenness, and ignorance, to manliness, health, virtue, self-respect, sobriety, knowledge, forethought, and wisdom by a mere wash. Some of us who have essayed remedial measures have found that we have not in the schoolmen's phrase, *materia prima* to deal with. Our progenitors in the art of legislation have left us their failures to remedy, as well as our own work to do. We have to clear away the effects of old wrong-doing. Half of our legislation, more than half, is remedial, not of what is the genuine present, but of the historical, the inveterate past. It is only when you learn the past that you cease to be impatient at the present. If you would do well in your interpretation you must not be deterred by the long chain of causes, for every discovery aids your remedy.

Laissez faire, then, is no more than natural justice postulating the absolute and entire freedom of all contracting parties, in which all

the agents are fairly equal in their competency to interpret their own interests, and give effect to their interpretation, being of course constantly corrected by other interests, which they equitably balance against their own. I need hardly say, that, at the best of times, it is as ideal as the legislative and administrative body which we heard of just now. It is almost as superfluous to point out that, if it existed, it would so curtail the functions of the legislature, that we might leave all debates to the two front benches, who might discuss those questions which Milton referred to Limbo, and Swift to the grimy philosophers of Laputa. The chance of mending society by *laissez faire*, is as rare as the capture of the golden bough. Is it entirely without a meaning, when Virgil tells us that the lucky acquisition only gives us an introduction to Proserpine? And yet there is a select body of speculative philosophers, with Lord Wemyss at their head, who seem to be as far away from the facts as their president was, when he tilted at the Eglinton tournament, and dreamed of a revival of chivalry, which I fear, and I have read the private accounts of the chevaliers—was the most pretentious of shams.

As *laissez faire* cannot do all, it will be well to point out where it totally fails, and always must fail before we come to more debatable ground. And here I may say that so enthusiastic have been some advocates of the doctrine, that they would have applied it without discrimination to every economical fact. Thus Malthus would have extinguished all relief to destitution, Newmarch all diplomacy on trade, while Mr. Herbert Spencer carries the doctrine of individualism so far that I remember him lamenting the excessive police protection which the law accords, as he thought, to the average Englishman. I need hardly say that these are *idola specus*, the speculations of an armchair and easy circumstances.

In the first place, then, as you will anticipate, the application of the doctrine *laissez faire, laissez aller*, is impracticable in cases where the present situation is directly traceable to the action of that government or administration which has been permitted or encouraged to commit the mischief. No question is, indeed, more difficult in the whole range of the ethics of social life than the modern doctrine of vested interests. It is obvious that if we were to extend the principles which some persons have laid down, that we must per-

sist, even in the near prospect of national ruin, in continuing what we have once allowed. If Charles II., for example, had given the son of Louisa Querouaille, French prostitute and spy, the whole revenue of the Crown, we should be obliged to go on paying the proceeds to the Duke of Richmond. If it be true that the bounty and the Corn Laws, as many contended, were as much the inheritance of the English landowner as his acres were, no reforms could have been permitted. If, on the other hand, maintenance out of the rates were, as was alleged, the absolute right of the British labourer, in consideration of his having been ousted, without compensation, from his commonable rights in the land, occupiers would have been bound to keep paupers until they became paupers themselves. No reform in our social system could be possible if full play were given to the doctrine of vested interests. Fortunately, as yet, the claim is seriously affirmed, some few cases excepted, in the case of life interests only, and in some of these only, such being, as a rule, intrinsically the least defensible. But I shall have to return to this subject in another lecture.

The most marked of these cases in which *laissez faire* breaks down is in the case of the working classes. I have pointed out to you, from the indisputable facts of economical history, that the beggary of the working classes was the direct and deliberate work of the legislature, and that it is excessively difficult to retrieve the fortunes of these people by the principle of free competition, and by their own collective efforts. But the utmost freedom should be given to those efforts, the fullest sympathy should be accorded to them, the kindliest criticism should be given to their errors and failures, and, beyond all, they should be allowed to witness no class privileges, bestowed and fenced for their more fortunate fellow countrymen, in the struggle of life. The strength of socialism is the injustice of government, it is weakened by every act of equity, and becomes an extinct or at least dormant force, when all rights are respected. I have a great aversion to legislation on behalf of adult labour, except, of course, when, as in the Employers Liability Act, the abominable doctrine of common employment, a mere fiction of judges, had to be extinguished. But I entertain this aversion, not because I hold that the legislature may not be bound to compensate in the present for wrongs in the past, but because I am

convinced that concerted action is a far more remedial measure than legislative restitution. In the fifteenth century, and in the teeth of restraining statutes, the workmen secured an eight-hours day. I am sure that an eight-hours day is worth more to the employer than a ten-hours day, is cheaper at the same money. But I would far rather that the workmen got it by their own combinations, and by their own exertion, than by a gift of the legislature.

There are some services the price of which must be controlled. A railway, for instance, has over a given district a monopoly of conveyance for passengers and goods conferred upon it by the legislature. It is true that Parliament never surrenders, and I trust never will surrender, the right of permitting competition. But in practice it declares against competition, when it permits imperilled companies to appear by counsel against new projects. It does this for two reasons. In the first place, it is quite alive to the famous dictum of the younger Stephenson, that where combination is possible, competition fails; and it next knows, in the light of this fact, that if it permits unnecessary rivalry, its still more important right, that of regulating rates and fares, is in peril. It is to be presumed that the railway, having been permitted to come into existence for the profit of its shareholders, has a right to make profit. But if it is to share a limited profit with a rival, it must, in all likelihood, both in the stage of competition and in that of combination, make less profit. But less profit can be supplemented only by less cost, or by slower and scantier accommodation, or by higher rates. The first will be shared by all the competitors, the latter are achieved by the inconvenience and cost of the customer.

When, in 1886, the Railway Rates Bill came before the House of Commons, and, in my opinion, the projected changes, passionately, but not over wisely, demanded by landowners and manufacturers, seemed to me to be likely to injure the railway projectors first, and would infallibly in the end react on the public, I spoke in the House as follows: "The carriage of goods and passengers should first pay the unprofitable costs or working expenses, and, secondly, should yield a profit on the traffic. If the freight of the former did not cover cost, the shareholders must suffer, or the

conveyance of the latter must be rendered dearer. But much of the travelling on railways is voluntary, and an excessive fare would check business. Now if profits were seriously curtailed, one cannot expect that railway proprietors can carry goods at a loss, or at no remuneration. You are then," I argued, "in a vicious circle. You have a right to regulate rates and fares, but you must do so with a view of leaving a margin of profit. Your clients wish to save some of the costs of freight. But if you have established a set of conditions under which you cannot seriously reduce cost without extinguishing profit, you will assuredly find in the end, that you were better off under the old system than you will be under the new." The Government expected that I should move the rejection of the Bill. As it was sure not to pass, I thought this action superfluous. But I am quite convinced that legislation is necessary. Perhaps some compensation should be made to railways in view of the great value which they have given all land, and to some, enormous value, and this at the expense of those who have been benefited by no outlay of their own, and sometimes after preposterous compensation for disturbance. It is not unfair to fix the price at which a monopoly of service shall be accorded, but this restraint should precede the grant of the monopoly, and be very cautiously exercised afterwards. If you fix the price, or better still, require the agent to fix the price, and abide by it at his peril, and leave the person to undertake the service or leave it alone, you do no wrong. A cabman is not wronged when his mileage price is fixed, nor is any other person who is granted a monopoly, actual or regulated, for he can take the calling or leave it alone. It is quite a different thing when you have instigated the producer to invest his capital in the undertaking.

There are, or have been, some occupations, the result of evil laws or customs, the outcome of bygone wrongs, which have been prohibited; and, in particular, the premature employment of children and of women in some severe and degrading callings. These were the outcome of the past restraints on labour. It is very rarely that I find in the earlier accounts which I have inspected entries of children's or women's labour in the fields. When the detestable assessments of the justices were legal they became common. When machinery began to supersede human labour, and adult strength was no longer

so necessary, they became commoner. At last the practice became intolerable, and it was attacked by the earlier factory legislation. Since that time, to the dissatisfaction of the *laissez faire* people, the legislation has been extended, and there is strong reason to believe that greater restraint will be put on certain very continuous employments. When I served on Sir John Lubbock's committee, I was surprised to find that the greatest amount of overwork was exacted in the wholesale City warehouses, which close to appearance with or shortly after daylight, but sometimes continue with closed doors to very late hours.

The argument for the Factory Acts was that the children were in the power of their parents, and eked out miserable earnings by their premature toil, that it entirely prevented education, and that it weakened the vital powers of the child. It was further alleged, and truly, that this labour was not advantageous in the end, that long hours, apart from other considerations, were a loss, and that employers did not know their own interest when they exacted them. The workmen passionately demanded the Factory Act, possibly because they foresaw that their own wages would be bettered if the labour of children were prohibited; and in my opinion justly and rationally demanded them. The employers resisted, and angrily too. They were offended, perhaps reasonably, at being told that they did not understand their true interests and their own business. They looked on the onslaught as a direct attack on their own calling, and with justice, for the employment of children in agricultural labour was not similarly restrained. Now the agricultural gangs of the eastern counties were worse than any labour in the factories. They were defended by Mr. Clare Read, among others, on the old plea that cheap labour was required in order to enable farmers to pay rents. They were exposed, denounced, and finally extinguished by a Norfolk clergyman, at his own personal risk, but to his great honour.

I once asked my friend, the late Lord Shaftesbury, why he did not extend the sphere of his Acts to the agricultural children, as well as to the young people in the factories, for that he must have known that the work of a child in the fields, ill-fed, poorly clothed, and exposed to the worst weather in the worst time of the year was to the full as physically injurious as premature labour in the heated

atmosphere of a factory. He told me that he well knew the evil, but was powerless to meet it; that if in the struggle he had engaged, he had at once enlisted the hostility of the manufacturers, the farmers, and the landowners, he should be incapable of doing anything at all, and that if he procured the liberation of one class of children, time would ensure the emancipation of the rest. Lord Shaftesbury was a courageous and persevering man, as you know, and his answer showed how well he knew what are the difficulties of practical politics. People blame compromises, when they do not know how rarely it is possible to get anything else. Nor do men ordinarily see that all guaranteed interests are of suspicious justice, and that just or not, they inevitably invite attack.

Again, it may be plausibly argued, that the bestowal of education on a child by a parent is as natural a duty, in the light of civilization, as that of food, clothing, and shelter. But the question is not solved so simply. Most parents do bestow one kind of education on their children, that by which such children hereafter get their living. The children of the peasant generally follow their father's calling, and if he be an expert farm-hand, readily and rapidly learn the many and varied accomplishments which every person experienced in agriculture knows to be included in such an expression. The children of mechanics also generally, indeed obviously, grow up to the same pursuit, unless ability and opportunity combine to raise either out of an hereditary calling. In point of fact, occupations are more hereditary than people imagine, and I suspect, Mr. Galton, in dealing with hereditary genius, has confounded hereditary occupation with it, for I should think that the son of a judge, or the son of a bishop, has more chance of becoming eminent in the law or the church (and Mr. Galton seems to think that success is genius) than the son of another man who had neither influence or patronage in either profession. So again with special learning, the acquisition of which has a market value, because the communication of it to others, by speech or writing, has a price. I need hardly tell you that there is scarcely a single endowment in public schools or in either of the universities, given by benefactors in England up to the end of the last century, which was not intended for the poor, the beneficiaries of which were to be carefully selected all over the country, and transferred

for higher education to Oxford or Cambridge. The grantees of the monastic lands were put under the condition of endowing schools with part of that which they received, in order that the education conferred by the monasteries, much more general than modern ignorance imagines, might not be lost, and the pious founder is generally only paying a debt, which he seldom pays fairly. Now all these endowments are appropriated by the rich. The reason is plain, the higher education came to have a merchantable value.

The case is wholly different with primary education, or the ordinary education of the poor. In the main this is elementary. Now if every working man, without exception, were taught up to the standard required, say, for passing the Oxford or Cambridge "little-go," it would not make any difference to the wages which such a person would earn. Add what you please to the capacity of all industrial agents, in the way of physical and intellectual power, and you will add nothing to the wage-earning power, as long as no individual is differentiated by the instruction. It is possible that the educated workman will do his work better, more briefly, more efficiently. This will be obviously to the advantage of the employer. It is only when he employs his acquired intelligence in his own calling, and makes it by combination the means of exacting better terms from his employers, that his acquisitions are a source of profit to him. Now this I suspect the workman knows as well as I do. I am bound to have a theoretical knowledge of the fact, he is led to have a practical knowledge of it. The gain of his child's education is not personal, it is national. The individual is not better off by virtue of a universal and compulsory education, except very indirectly; the nation is all the better off, because a well-taught race is *cæteris paribus*, stronger in the competition of nations, where *laissez faire* is supreme, than an ill-taught one is. I say, *cæteris paribus*, for the best educated race may be crippled by unwise financial legislation. Bismarck's protectionist policy is rapidly neutralizing all the efforts of North German education.

Now the peasant or artisan is first bidden to dispense with the the earnings of his child, pitiful and paltry to us, but notable to the men who can often only live by stint, to whom spare diet is a habit. Next, for the sake of the state, the nation, he is bidden,

out of the clipped earnings of the family, to have his child taught, Then out of our ridiculous system, of which I believe Mr. Lowe, examination mad, was the author, the poor child is crammed in order that he may earn grants for the school by his answers to the inspector. I can conceive no more rational contempt and disgust than that which peasant and artisan must feel for this precious scheme. I know no system which is better adapted to defeat its own ends, none in which a shallow pedantry is more ridiculous and more transparent. The education of the poor ought to be free, it ought to be inspected, as it is in the United States, by a committee of competent persons, who attend to the master's tests and, if needful, apply their own. I have no doubt that if the change were made, the teaching would be more solid, the learning more attractive, and the selection for a higher grade more satisfactory than it is under our preposterous system of extortion, cram, examination, and grant.

There is another case or two which I must briefly refer to, in order to illustrate what I have said as to the limits of *laissez faire*. The doctrine is become an exceedingly useful one to the strong, an argument for the oppression of the weak. Under the English land system certain families—all I grant if they could do so, a state of things manifestly impossible — are permitted to settle land. They are protected against their own errors, vices, misfortunes, by the machinery of an estate for life, with remainder in tail. Land is limited in quantity, while population, *i.e.*, of the customers for land grows. The landowner is further assisted. All local taxes are paid by his tenants, and his own charges are put at an absurdly low amount. If his land is not let, it ceases to pay local taxes. Land was formerly, till recently, liable to certain charges, which are now to a great extent put on the general revenue, *i.e.*, on the income-tax payers; for Chancellors of the Exchequer are threatened with revolt if they venture on taxing the succession of real estate as personal estate is taxed. Everything is done which the law can do indirectly to save the great estates, and not infrequently they are further secured from dispersion by private Acts of Parliament. In other words, the law of England does its very best to make the landowners a ring, as it is technically called in trade, to curtail the trade in land, and to give the man who is to sell

the use of land an overwhelming advantage in all contracts for its use.

It is inevitable under these circumstances, that the tenant will either be outrageously fleeced, or that the law must regulate contracts for the use of land. We have done so, imperfectly enough, in Ireland. We have done so still more imperfectly, only tentatively, and with a serious failure of common justice in England, for we permit a landowner to raise a rent arbitrarily against a sitting tenant, and so allow him to confiscate his tenant's capital. At first sight, a contract for the use of land seems to be an excellent, an unimpeachable field for the principle of *laissez faire.* It is only so in appearance, as every civilized government has discovered, and ours must, it may be hoped, before it is too late. For we may be perfectly sure that as time goes on, for every advantage which the existing law gives the landowners, an equivalent will be exacted by the tenant from the law of the future. People complain querulously that the tendency of recent legislation is socialistic, and most of all they complain whose position and the advantages of whose position are distinctly anti-social. The tenant, in brief, when he makes a contract for the use of land, except in so far as he is constrained to carry on his occupation in a market which is rigged, is momentarily a free agent. But immediately on his completing the contract he ceases to be a free agent, and is at the mercy of the landowner, to whom the law gives an exceptional power in many ways. The abuse of this power is sure, sooner or later, to bring retaliation. The existence of the power is in itself a terror. We may be sure that when those who elect legislators learn what they can do, they will retaliate. *Laissez faire* when it can be most excused, or most defended, postulates equality of conditions in order that it may affirm equality of contracting power.

The English law has condemned truck, *i.e.*, the right of an employer to pay his workmen in goods, or in orders on particular shops. At first sight the practice seems justifiable. Money is only a pledge of purchases to come, of goods to be acquired, consumed, or turned to further use and profit. The employer may be able by the command of his capital, and by the fact of his custom, to secure the greatest advantages to the workmen in quality, in cheapness, in variety. He may inculcate upon them the excellent prac-

tice of not running into debt, by insisting that his tallies shall square with their consumption. But, on the other hand, the employer may, and the temptation is exceedingly strong to do so, make a further profit out of the retail transaction. He may argue that, as he gives the shopkeeper a large custom and a safe trade, he has a right to some of the advantages which the shopkeeper calls his good-will, and may find that his investment in the tally shop is as good as that which he makes in his business. And as the dealer is made to pay for his business, he may reimburse himself by selling inferior goods, by giving short weight and measure, and by making use of his professional skill for the purpose of cheating his customers with impunity, since he has a sole and secure market. You will see at once that the evils of the system counterbalance the advantages. I heard the other day of most ingenious scheme of truck, which perhaps does not come under the Truck Acts. A large employer of labour pays his workmen every fortnight in tickets. These tickets are, to all intents and purposes, equivalent to checks drawn on his bankers, the payment of which is deferred. They are known to be equivalent to a deposit at the bank, and to be therefore well covered. The employer makes no conditions as to the place in which they are negotiated, except finally at the bank. The tradesman takes them for goods and gives change, or exchanges them for money, probably at par, as he can make up the loss, if any, out of the custom which he gets. At the end of the third week the employer sends a clerk round and exchanges them for cash. In this way, for I am told his sole reason is that which I am about to state, he gets into his hands the capital of his workmen's labour for three weeks in advance.

For a long time the legislature permitted private individuals, or partners, the number being limited, in consideration of the privileges accorded to the Bank of England to trade in money, to take deposits, and to issue notes payable on demand or deferred, without giving any security by an independent audit as to their solvency. It gives, for reasons now historical, very many of these powers now. I referred to these reasons when in one of my lectures I treated of paper currencies. Now such a trust ought to be reposed in no person whatever, for it has been justly said: "Free trade in banking is free trade in swindling." Look at the latest exposition of

the system. Messrs. Greenway, a quarter of a century ago, as one of the partners said under examination, had with a note issue, limited to £30,000, a capital of a little over £600. They had as much moral right to carry on a bank under such circumstances as a street sweeper has. But they put a face on it. They lived handsomely on the property of their customers, took an important political position with the property of their customers, traded and speculated with the property of their customers, and failed for a quarter of a million or more a few weeks ago. They published balance-sheets, they simulated solvency as well as virtue and patriotism, maintained the sacred rights of property, and abode by the cause of law and order. But their debts were returned as assets in their balance-sheets, the notes which they put into circulation on faith in their virtue were in innocent hands, and the indignant and defrauded gentlemanlike party in the district had the poor consolation of hearing their bankers' confessions, and burning the confessors forthwith in effigy. It is not an invasion of *laissez faire*, you will probably conclude, to insist on an independent audit of the assets of private banks. Had it been taken twenty-five years ago, the trio might have remained poor, but have also remained honest.

There are some other invasions of the principle of *laissez faire* which are admittedly, some which are probably, some which are doubtfully, defensible; some which are entirely and absolutely indefensible. I have a little to say on the former, I must reserve the latter to a later lecture. You will always remember that every invasion of economical liberty is on its trial, that those who maintain the right of free action are merely on their defence, and that just cause has to be shown by those who allege that private right should be suspended or curtailed. And here I may observe that private right postulates that the individual is not by his conduct undeserving of ordinary rights. I will illustrate what I mean by an action of my own. When the Criminal Law Amendment Act was in committee I got inserted among other, I venture to think necessary, amendments, a clause by which a criminal parent should be disabled from exercising parental rights, though he still remained liable to parental responsibilities. I had, in my experience of the action of certain criminals, reason for an amendment, which the House of Commons accepted.

Now you will probably agree with me that laws punishing the adulteration of goods are just. I have already explained to you what are the economical relations of trader and purchaser, and if I am right, you will admit that the customer has a right to expect truth from the dealer. If I buy bread I mean to get bread, not stones, perhaps not potatoes mashed. If I buy meat I want meat, not carrion. And, to quote a recent and much-debated topic, if I buy butter I do not mean to buy butterine. So with a thousand articles. There are, I know, people in high position who have defended these tricks of trade, on the somewhat feeble ground that purchasers prefer adulterated articles. I very much doubt the truth of this statement. That people will be smart in shoddy who cannot afford to be smart in cloth, I know to be a fact. That a dandy whose means are small will adorn his breast with Abyssinian gold when he cannot buy sterling is a fact, and may be a lesson, by disappointing a pickpocket. But I doubt whether any one is willing to pay the price of a genuine article for what he knows to be a sham. And this is what adulteration means to make him do. Besides, *hæ nugæ in seria ducunt*. Army contractors have been known to ruin a campaign by frauds. I have heard it said that the collapse of the French armies in 1870 was due as much to the frauds of the contractors as it was to the superior discipline of Germany. We, too, had our experiences in the Crimea and Egypt. It is only recently that we have heard of flexible bayonets and brittle swords. It may be wise to turn a bayonet into a reaping-hook, but it is not satisfactory to find it turning itself into one. Depend on it the principle of *laissez faire* will not justify adulteration, and should not be cited to condone trade frauds.

Should the State be at the expense of the higher education, and particularly of that which is called technical? There is a considerable amount of fallacies uttered about the latter term. I hold that a well-regulated apprenticeship, such as in practice I understand engineers in England have to go through, is a good, almost a perfect, technical education. Such is the system prevailing, for I have witnessed the process, in the American technological colleges, where the teacher, sometimes only a skilled workman, watches the pupils' efforts, and gradually imparts to him the requisite knack. Such, as I have told you, was the mediæval apprenticeship in the

art of architecture and agriculture. Now if everybody is to be taught this in his degree, the State may, for reasons given above, be called on to pay it. If a few are to have the benefit, the State may perhaps start the institution, as they did at Boston, perhaps pay part of the management, but the pupils ought to supply the means for its continuity. So with grants to universities. I never could see what claims the Scotch universities had on a Parliamentary grant. From the Tay to the border, Scotland is as rich as any part of the United Kingdom. The English universities, from the oldest to the most recent, have been founded by private munificence, and are largely supported by the taxation of their members. I am pretty sure the Scottish will not be as long as Parliament gives them money. Myself, by a moiety a Scotchman, I am assured that we are the better for their appearance here, where they no longer say, *tenui meditamur arena*. But it might be argued that Scottish wealth should of its abundance give to Scottish learning in Scottish universities.

More disputable still is the obligation, in the reputed interest of the laws of health and of public safety, to compel vaccination and to insist on the notification of infectious disease. I know that I am treading here on dangerous ground, on the fire, as Horace says, which lies below deceitful cinders. Medical and sanitary science say Yes; but there is a strenuous, perhaps an uneducated, opposition, which says No. I have been in my past experiences, when I was losing my health in the public service, to regain it by losing my seat in my own, put to great straits in debating and acting on this question. Much opposition is irrational, but, strange to say, I have found that you do not always abate it by calling it irrational, or even by proving to your own satisfaction that it is perfectly fatuous. On the other hand, much science is bigoted and intolerant, and I have found that eminent men of science have much of the temper of an inquisitor when you are slow to accept their conclusions. Besides, they are occasionally contradictory, and are not free, even in the pure ether of their minds, from the passion of advocacy. I have been in my time amused, and finally shocked, at the conflict of scientific witnesses, even in matters which appeared to be demonstrable. And when the doctors disagree, and even quarrel, *laissez faire* is pretty certain to re-assert itself.

There are subjects on which it is constantly alleged that the principle of *laissez faire* should be suspended or rejected, which are, in my opinion, no way to be dealt with on such lines. But I shall be dealing with the history of the Protectionist movement in my next lecture.

XVII.

THE HISTORY OF THE PROTECTIONIST MOVEMENT IN ENGLAND.

The revival of the Protectionist cry—The aim of Protection a higher price—The means, heavy import duties—The object of the producer an increasingly wide market—Protection gives him a narrower one—The effect of Protection on prices and labour—Protection and rent—The early protective laws—The Pensionary Parliament—The policy of retaliation—The futility of retaliation—Protection in Europe and militarism—Protection in the United States, and in the British colonies—Mr. Mill's defence of Protection examined.

It is difficult to approach the subject on which I purpose to lecture this morning without a definition, and yet the definition of Protection, owing to the vague language of those who advocate this unquestionable interference with *laissez faire* (in what appears to be, under all or any circumstances, the most violent invasion of human liberty conceivable, short of slavery), renders it very difficult to realize, and thereafter to grapple with, what its advocates intend. Again, the very shifting ground taken by those who advocate a reversal of the policy which this country adopted above forty years ago, the singular abstention from the body of those who are claiming a change of any persons who are acquainted with the principles of business, the entire absence of any one from their ranks, who can be, by the wildest stretch of imagination, supposed competent to form a judgment on the subject, is extremely puzzling. The leader of this new movement is a gentleman who, before he sat in Parliament, was a superior officer in the criminal detective de-

partment. Mr. Howard Vincent is probably a very capable judge of details, and I daresay was an accomplished person in his own line. I am told that he has exercised, from his own past experience, a power by which he knows every person in his constituency—a rather questionable honour for them. All I know about him is, that before he came in Parliament, he got the Home Office to propound a Bill which would have made every pawnbroker a *prima facie* criminal; a Bill which I effectually extinguished; and when he got into Parliament, he took on himself to move a grant for a very deserving object. You are perhaps aware that it is contrary to Parliamentary rule for any one but a Minister to ask Parliament for a grant.

As, however, Mr. Howard Vincent has been among us, and has got his associates to vote for a return to Protection, and has resolved to revive a controversy which we all thought dead and buried, he therefore should be met. I purpose in the next two lectures—on this and next Monday's—to deal with the history of Protection up to 1846, when it received, as it deserved, its *coup de grace* here, on its continuance, perhaps its extension in foreign countries and some of our colonies; and, in the next place, to show you how you must interpret the tables of exports and imports, in other words, the foreign trade of England, so as to give reality to the figures which appear in the small annual Blue-book known as the Statistical Abstract. The widespread, but at the same time extraordinary, delusion which possesses many nations on the subject of Protection, is almost as much an ethical as it is an economical portent. In the United States it is a widespread opinion, especially in New England and Pennsylvania, and I am informed that a New England or Pennsylvanian free-trader is almost a *caput lupinum*, a man whom Mr. Howard Vincent, in his old capacity, would have had to take care of, or, in technical language, to want. But in the earlier and more pious days of New England there was a similar horror of Quakers and witches, and the sceptic as to the supernatural wickedness of these two imaginary malefactors ran the risk of a probable tarring and feathering, and a possible hanging.

Now in our search after a definition we must always remember that Protection is a password. When the expression is complete it means Protection to native industry. Industry means work, and

native industry must be that of the British workman and the capitalist, in so far as he is a workman. But in early times, and for the matter of that in later, as far as England was concerned, it always meant, not a workman, who was not in the least thought of, but a merchant and a landowner—one of whom was conceived to be the indirect means of manning the British navy, and must therefore be indulged with a sole market, and a monopoly of freight; the other, the recipient of rent, who is not, in that capacity at least, industrious, but is merely living, without reproach, in my opinion, as long as his receipts of rent are fair, on the industry of others, or as he has been profanely described by an eminent and versatile statesman, of the class "which toil not, neither do they spin."

Now it is easy to discover what Protection does to real industry, *i.e.*, to the labour of the workman with educated hands, and to the labour of the capitalist superintendent with educated head, respectively, either by an economical analysis, or by a historical retrospect. We shall be able to show what, from the conditions of industry and the interchange of industrial products, must be the effect produced on the two forms of industry by restraint in that particular direction which Protection implies, and we shall be able to show, from the indisputable evidence of facts, what it always has been. There are parts of the economic theory in which the relation of the parts is so obvious, so intimate, and so inevitable, that they may be proved apart from facts, just as there are relations of numbers and plane figures which can be proved to exist without the concrete objects which illustrate those numbers, and the actual surfaces whose relations are capable of a practical test. But for all that, the abstract is always the better for the concrete, the principle for the fact which demonstrates the principle, the major premiss for the minor, the universal for the particular, the inductions of reason, for the inductions of experience. What I propose to show is, that, taking society at large, a policy of Protection could not benefit industry, and has not ever benefited industry, meaning by industry those on whom society depends for its existence and the continuity of its existence. I do not say that some individuals may not be temporarily benefited by Protection. A thief is temporarily benefited by stealing a watch, but

we do not on that account give a legal status to the pickpocket, except in the dock. A swindler is temporarily benefited by successfully forging a check. But we do not on that account condone forgery. Unless Mr. Howard Vincent has entirely abandoned all sympathy with his ancient calling, he must admit that we must consider the general good of society, and not individual advantage.

And now to deal with the analysis of these relations. No one will deny that what Protection aims at is to secure, by the operation of law, a higher price for certain articles which are produced, or presumably could be produced, in the country which is invited to adopt such a fiscal change as would heighten the price. The object of Protection is to make articles dearer, more inaccessible, or at any rate, to demand from the purchaser a greater sacrifice than he would have to make, if no protective taxes were imposed. If any one gains, it is clear that the purchaser of the article must suffer. In the next place, to make the protection of any use at all for the objects which it is intended to serve, it must be imposed on articles of general consumption, that is, on those which the poor must consume, and cannot evade by going to the place of their origin and getting them there. For example, the American people put a tax on the price of foreign wool and foreign cloth, for the sake of compensating the farmers, who could not export a pound of American wool, as no rational spinner would buy it, and for protecting the industry of the native spinners and weavers. The late message of the President of the United States to Congress, says that no objection can be made to taxing luxuries. To this I might answer, What is a luxury? and I think it would puzzle a dozen Presidents to give an answer. But the fact is, the system does not tax high-class goods or rich consumers. I have crossed the Atlantic four times, and coming and going, I have always met people of American descent, highly patriotic citizens, who declare that their country is superior to the rest of creation, and that their institutions are as free and enlightened as themselves are, who reckon that they will pay the price of their passage-ticket by the difference at which they will buy stores at Poole's in Savile Row, as compared with the price they will give in Broadway. I do not mention this to advertise Mr. Poole, who is, I am told, an excellent,

but rather expensive tailor, but to show that they who admire Protection, and defend it, are always eager to escape from it when it comes home to their own pockets; that what they take to their bosoms and their hearts in the case of the labourer, the tradesman, and the farmer in the States, they reject and evade, when it touches a far less vital part of their own surroundings. Protection to be of avail must be got out of the belly and back of the great mass of consumers. There is no use in trying to protect the industry of those who produce articles of voluntary use. You must impose it for the advantage of those who produce articles of necessary use. The reason lies in the two words. Consumers will stint or forego articles of voluntary use, but they cannot those of necessary use. I know and foresee that there is a similar difficulty about "articles of voluntary use," that there is about "luxuries." It is hard to define either. It is less hard to define "voluntary use" than it is luxury. But you will see how, even though undefined, these words make for what I am engaged on, the effect of production on industry.

Again, there is no use in putting on small protective duties. Every country has a natural protective duty in the cost of freight. In some cases it is so heavy as to be prohibitive. For example, no one would dream of importing bricks or draining tiles from America or India. Even in an article like wheat, the cost of freight from Chicago to London, freights being ruinously low, is 9s. a quarter. Now wheat land is ill cultivated in England which does not produce thirty-two bushels or four quarters to an acre. But 36s. is a very large natural protection to the British farmer for an acre's produce. I could multiply instances and tire you with them. Whether I should convince a fair-trader is another matter, if the instances were infinite and all cogent. If we keep in mind, then, that protective taxes, in order to be effectual, must be of articles necessarily used, and that they must be pretty large in order to have the desired and reputed effect of aiding native industry, we shall not find it difficult to conclude that the tax must be put on what men, women, and children must all use, especially the poor, and that the tax must be, in commercial language, stiff. A small tax, too small to assist native industry, would be of no use, except to the Chancellor of the Exchequer, and to those who

profit by taxes, and I presume that Mr. Howard Vincent does not want to merely increase taxes. In my opinion the distribution of the taxes already levied, might well be put under the view of a financial director of criminal investigation, with considerable advantage to public morality and to the taxpayer's pocket.

Again the advocate of a policy which is the reverse of that which has been adopted in this country for the last forty years assures us, in solemn and prophetic language, that his expedient will heighten profits and wages. He dilates on the land which has gone out of cultivation, on the numbers of the unemployed, on the stint of profits, on the decline of wages. But an inquiry has latterly shown that the land which has gone out of some sort of tillage or the other, is less than ·00006 of the area of England and Wales, a very low fraction. Mr. Goschen, who is not a friend of Mr. Howard Vincent (he would belie his own income-tax returns if he did not admit it), shows that profits, especially in incomes between £1000 and £150 a year are increasing. The savings-bank returns are also increasing, the average of each depositor being rather lessened. And I should like to know a little about the statistics of the unemployed. They are not yet forthcoming, except in so far as I obtained a Parliamentary return of the Oxford and Cambridge professors. I do not much care for vague statements, especially when there is a suspicion about the motives of the vagueness. For many years, in the infancy of my researches into English agriculture, I used to examine the reports of each year's harvest in the *Mark Lane Gazette*. I dare say that I noted them for near twenty years. The report invariably stated that the harvest was below an average. Now as such a statement, annually repeated, constitutes an arithmetical impossibility, I ceased to study the *Mark Lane Gazette*. Do not imagine that I learned nothing from the statement. The *Mark Lane Express* was a farmer's paper, and I saw that the farmers were playing at hide-and-seek with the landlords, and that the newspaper was assisting them in the game. You will frequently find, as you live, and get shrewd in interpreting the second or secret meaning of what people say, that even fictions may be instructive.

Everybody produces in the expectation of a market. Sometimes he produces more than the market will take off his hands, by mis-

calculation or even by necessity. He may find that he cannot sell all he makes, and yet, for reasons familiar to men of business, must go on making, storing goods, employing labour. He does so in hopes that the market will sooner or later lift his stock, and in the interval he tries to induce economies on production, to lessen cost, and if he can, to lower the charge of freight. He seeks above all things to sell, sometimes by improving the produce, sometimes by eliminating middle men, sometimes by lessening some of his profit. There is nothing which he dreads more than the risk of selling less, for he has, we must suppose, extensive buildings to keep in repair, expensive machinery to keep going, skilled hands to keep together. The estimate that he makes of his business is based on the width of the market, and his hopes that it may get wider. My late friend, Mr. Babbage, long ago pointed out to me that the division of employments, which all economists are agreed is the most potent agency in the diminution of cost in production, is principally aided by the width of the market. As he is longing for a wider market, and chafing most naturally at the artificial restraints which foreign countries, encouraged by metaphysical economists, have put on his market, Mr. Howard Vincent comes to him, and offers him a still narrower market, as a priceless boon; for, to every man out of Bedlam, a higher price means a narrower market. There must be something seductive in a proposal which at first sight offers him a certain loss, in place of a possible gain.

But the fair-trader is not an absolute fool. He recognizes the difficulty which I have referred to above, the tendency of goods in these days of competition, of cutting prices, of imperilled, perhaps of lessened, profits, to accumulate. He sees how serious a hindrance hostile tariffs are to the British producer, and he dwells on the inconvenience and wrong. He probably does not know that the folly of British governments has made these hostile tariffs possible, folly committed years after the free-trade policy was affirmed. Now he says, "Levy a customs duty on foreign imports, and you will raise prices, increase your profits, and give employment." It is just possible that the possesser of these accumulated goods might, if such a policy were adopted, sell what he cannot sell now, though this is far from certain. But what becomes of the continuity of industry then and afterwards?

I have told you that it is no use protecting by taxes what people may decline to use. The serviceable or, to be more accurate, effectual protection is of what they must use—food, clothing, cheap luxuries. And the new school is candid. They want to tax food, alleging the decline of British agriculture, which mainly means the diminution of rents, though, as I shall show you presently, raising corn to 60s a quarter would not necessarily raise rents. They want to make a raid on the cupboard and the wardrobe of the poor. But to sell agricultural and manufacturing produce at artificially high rates is not to give employment. It is not to secure profit, for price does not guarantee one or the other. In the seventeenth century wheat was at an average 41s. a quarter, rent 4s. 6d. an acre, wages of agricultural labour at first 4s., and after the Commonwealth was established 6s. a week; artisans 6s. and 8s. After protective duties were levied on corn with a view of improving rents, with the pretence of stimulating agriculture, the police of labour, the justices in Quarter Sessions, strove to bring back the two kinds of labour to the old prices. They never told the workmen, who had no votes then, that Protection would increase wages, nor the tenant farmer, who was also politically voiceless, that high prices would keep up farmers' profits. They were too contemptuous of these interests to be sophistical.

Let us now suppose that the new fiscal policy is accepted, that taxes are put on imported food in order to assist agricultural industry; taxes on cotton, woollen, and linen goods, in order to assist textile industry; and similar imposts for similar ends imposed on other products reputed to be manufactures, on products of industry, and not raw materials, though, of course, without giving a definition of this puzzling expression, and which is really an intermediate product—wool and flax, are as much a product of industry as cloth and linen are, and cloth and linen are raw materials to the tailor and shirt-maker. At once the stint begins. The labouring man gets a single loaf where he got a loaf and a half; a single boot where he got a pair of boots; a coat once in two years when he used to get it every year. He has of course, for the bread must be got, even less power to buy a pair of boots, especially at the enhanced price, and the coat than ever. Now the leather dealer during the artificial inflation, has perhaps sold his stock of leather,

the shoemaker his stock of boots, the cloth weaver his stock of cloth. All want to be busy, but the market is gone, or so shrunken, that there remains only half the old occupation for the employer and the labourer. The army of the unemployed is doubled at a stroke, and it is fortunate if the teacher of this new gospel, in which a possible temporary gain is followed by a certain permanent loss, is not invited again to assume his ancient functions as a director of criminal investigation. For it is certain that if prices were trebled, and three men were taking the wages of one man, the employer will give no more wages than he need, be he farmer, manufacturer, shoemaker, tailor, builder, or indeed any one of the multitudinous traders or employers who figure in the census. A workman does not get wages because a trader informs him that he will get them, but because his labour is needed, since there are people ready to buy or use what his labour produces. Employment is not of spontaneous growth, but is the result of definite and intelligible impulses. Take away or curtail the impulses, and you do not stimulate employment. You might as well say, if you closed up your window shutters in broad daylight, you would have light in your dwellings, by some spontaneous action, independent of yourself. You would have to put up with a candle or a lamp, to pay for it, and therefore have less to buy other things with. But worse would come. You would in human industry have destroyed its continuity, have brought into irretrievable confusion the complicated, but, on the whole, beneficent agencies of modern society, and have effectually beggared the labourer and the capitalist employer.

There is one occasion, and one only, on which high prices will induce higher wages. This is when there is an urgent demand for something of which the supply is short. This generally happens after there has been some great destruction of the products of wealth or some prolonged suspension of ordinary industrial action. Such is ordinarily the result of a great war, in which much property is annihilated, workmen have been employed in mutual slaughter or in providing the means of mutual slaughter, but—the condition is all important—the recuperative power of the nation or state is not seriously impaired. Such a state of things ensued, for example, after the civil war in America, and after the Franco-German struggle. It did not ensue after the Thirty Years' War, after the war of the Spanish

succession, after the great Continental War, for the principal combatants were absolutely exhausted after the struggle. But when such high prices prevail, protection is entirely superfluous. Native industry has its own way, and does not need to be guided or fostered. To offer protection at such a time as this, would be like offering a strong and healthy man a pair of crutches. The offer or suggestion of protection comes when trade is dull, stocks are accumulated, profits are imperilled, and quacks talk. The acceptance of it would make trade more dull, stocks more unsaleable, and profits go out of the category of peril into the actuality of extinction. It would be a small consolation for quacks to be silenced.

I have told you that exalted prices of agricultural products, due to artificial causes, would not raise rents. They would enable sitting farmers to get rid of their stocks, and even enable them to pay existing rents. But they would not recover rents. For rent is the resultant of two forces, of which one has been dwelt on disastrously as the sole cause of rent; the other, to which the greater part of rent is due, has been studiously ignored. The former is, the natural powers of the soil, judiciously used and renovated. This source of rent was known to Pharaoh and Nebuchadnezzar. It is commented on very properly by Herodotus, when he describes Egypt and Mesopotamia. The latter is agricultural skill, which is the capacity of the tenant. This may be shortened, even destroyed. You can no more extemporise capitalist farmers by artificial prices than you can, as the polite but dilatory Frenchman thought an astronomer could, *encore* an eclipse. A destroyed interest is more difficult to revive than it is to create one. The agricultural landowners of the eighteenth century created British agriculture. The horseracing landowners of the nineteenth century have destroyed it. And of all the mean things which mischief-makers can do, none is more mean than to claim that the rest of mankind should meekly set to work to pay them for the mischief which they have done. It is possible that the injury which has been done to British agriculture is not so serious after all, as people who are smarting with the consequences of their own folly would have us believe. But of the fall of British rents there is no doubt. Of the recovery of them there is the gravest doubt, for the source of them is seriously impaired. But if

the capitalist employer has, in great degree, disappeared from agriculture, what is the prospect of agricultural wages rising under artificially enhanced rents? Will the farmer give Hodge, from spontaneous good nature, a shilling a week more for his work, when he can get Hodges in plenty, because the price of corn is doubled? Why, at the end of the eighteenth century, when farmers were getting 150s. a quarter for wheat, agricultural wages were at 7s. a week (you may read of them in Sir Frederic Eden's "History of the Poor") and farmers were grumbling because they had to pay so much.

The old free-traders of forty or fifty years ago used to say that all Protection meant robbing somebody else. The expression was plain spoken, homespun, perhaps coarse, but it was very accurate. The object of protection is to enhance prices. Prices are what a man has to pay, for it is no use to enhance a price which no one will give. But to make me or any one else pay more for what I must have than I need pay, and to put this compulsion on me in the interest of the third party, which is most falsely called native industry, is as violent an invasion of my personal liberty as I can easily conceive. I do not object that prices are heightened against me, in order to provide funds for the administration of public affairs, for internal and external defence, for the proper dignity of the collectivity, which we call the United Kingdom or the empire, though every one has the right, a right too rarely exercised, of criticizing taxation and expenditure. But I object very strongly to being called on to pay for one man's profits and another man's rent, especially when I have grave doubts whether profits or rent will be improved by these means, and I am quite sure they ought not to be, if they could. It is bad enough to be plundered for the best of causes, but to be plundered for the worst is more than irritating. I might wince if my own savings, or my own harmless enjoyments were curtailed in order to increase the wages of employed or unemployed workmen, though I might bear the calamity with equanimity, but to have them curtailed when I am quite certain that the process will only make the condition of labourers worse is a good deal more than a grievance.

But it is time, especially as part of this subject is postponed till the following lecture, that I should say something about the

history of that fiscal policy which was exploded some forty years ago. And here I may observe, that the assault which Adam Smith made on the Protectionist policy of his time was chiefly directed against the mercantile theories of his time, and not very notably against the landowners. "The mean and malignant sophisms" which he denounces were put out by the trading interest, who were then the advocates of the sole-market theory, "the sneaking arts of an underling tradesman," has only to be quoted to show its aim. He was under the impression that the landowner was, on the whole, high-minded and patriotic, a little too fond perhaps of artificially cheapening labour, and possessed of an income, the origin of which would not be well defended, after an economical analysis, but one, who, on the whole, used his position honestly and fairly. He was very much in the right. The great landowners were still engaged in the highly serviceable work of teaching agriculture. Their rents were by no means extortionate. Arthur Young, who has no words too strong for the absentee and grasping Irish landowner, blames the excessive leniency of the English; for though he held that a tenant farmer ought to have adequate security, he also held, and with considerable reason, that a fair rent was a stimulus to progressive agriculture.

A search into the early statutes would lead the student to the discovery of many laws which were intended to assist new departures in English industry. Our early kings and early parliaments were really anxious to assist in the development of new energies, and in the improvement of old ones. They encouraged Flemings to settle in England, though curiously enough the craft of the weaver (textor) was long a synonym for the depraved appetite of a heretic, of one who hungered after novelties of faith, or as the weavers themselves said, after the earlier gospel. The Plantagenet kings, early and late, faced this risk, if haply they might improve English textile industry. But owing, as I believe, to the unparalleled backwardness of the English intelligence, the expectation was baffled. Of course the prohibition of foreign goods was more intended to discourage than to prevent their importation. The administration must have been aware that it could not stop smuggling. Hints occur over and over again in accounts, that the officers of customs were by no means uncorrupt,

and that a judicious present was not without its effect. Infinitely more effectual than the preventive service of the ports were the sumptuary laws. People who broke these laws went about with the evidence of their offence on them. But the clothing which a noble alone was allowed to wear was not an English product, and therefore did not call for protection.

Protective laws in England have been of two kinds—those which controlled the importation of foreign food in the interest of the landowners, and those which taxed or prohibited the introduction of foreign manufactures, in the interest of dealers or merchants, and to some extent of manufacturers. The early policy of the English Parliament was to favour imports of food and to check exports. The Government had a reasonable anxiety that foreign countries should be encouraged to make up the occasional deficiencies of English harvests, and wished to preclude loss in bad years by checking exportation. Thus in 1438, the only serious scarcity of the fifteenth century, the administration actually forbad the inland water carriage of corn, on the ground that occasion would be taken if it were once on shipboard to export it. In dear times, corn ships, putting under stress of weather into English harbours, were bound to dispose of the whole or part of their cargo in English markets. The laws against forestalling and regrating, *i.e.*, buying corn on the way to market, and selling corn in the market at which it was bought for a higher price, were really due to a desire on the part of the Government, to secure, as far as possible, plenty for the consumer.

The first really important legislative Act, the object of which was to raise rents at the expense of the consumer, and in the interest of the rent-receiver was that of the Pensionary Parliament of Charles II. I have referred to it before, and pointed out that it was a failure, for shortly after the passing of the Act occur a series, on the whole, of very cheap years, and as we learn from the literature of the age, there followed loud laments about agricultural distress, this being, historically, the landlords' name for cheap food. After the Revolution the legislature granted a bounty on the exportation of corn, an expedient which was intended to heighten prices. As the new agriculture was developed, it had an opposite effect. It stimulated production, for it was a premium on which

the producer could speculate, and for which he would sow a larger breadth. Exactly the same complaint is now being made in those countries which give a bounty on beet-root sugar. The producers are urged into producing more than the market needs, by the chance of getting this premium on production. I doubt whether the English refiners, who are constantly clamouring about the bounty, have suffered so much as the continental farmers have, who are supposed to be benefited by it. The favours of Government are like the box of Pandora, with this important difference, that they rarely leave hope at the bottom. During the greater part of the eighteenth century the Corn Laws were inoperative, the bounty, as far as the consumer was concerned, was innoxious. I shall revert to the later history of these Corn Laws hereafter.

The growing importance of the American colonies, to the fiscal theory of which I referred in a lecture of last term, and the development of the sole-market project, led to the whole system of manufacturing protection. But it is plain, from Adam Smith's language, that the most odious part of this system was not the manufactures which it forced on the colonists, but the restraint of trade which the traders insisted on and extended, under successive amendments of the Colonial Trade Acts. One thing proves this incontestably. The American colonists smarted exceedingly under the losses, I may say the atrocities, of the War of Independence. But they were better customers of England after the war was over than they were before. To be sure, the English were becoming the weavers of the world. Their trade grew and their fortunes with the growth. Now such people do not want protection. They do not care for it. They would prefer free trade, because they get a profit on both exports and imports. They were jealous of one place only. They feared the rivalry of one country only. This was Ireland, and they destroyed her manufactures piecemeal. Is it not written in the English and even in the Irish Statute Book up to 1782? With this exception, the English manufacturers are, on the whole, free-traders during these early years. At last they became all but unanimous, enthusiastic on the subject.

The case was very different with the landowners. Land, thanks to the experimental cultivation of the eighteenth century, was exceedingly well tilled at the end of that century. The evidence

on this subject is conclusive and abundant, as one can see by studying the country reports sent to Arthur Young, as Secretary of the Agricultural Board. But the landowner, as a rule, ceased to be a cultivator. Rents rose rapidly, partly owing to the generally diffused skill of the farmers, partly to the extremely high prices of corn, partly to the forced paper currency. Population increased in numbers and in misery. The determination to keep up rents, by keeping up a high price of corn, became a passion as keen as that which is said is the appetite of a tiger who has tasted human flesh. I lived in my youth through the time of this fury. On one side of my household I consorted with the free-traders. On the other, I consorted with protectionists, and heard the maledictions of both parties. It was a battle of giants. They who were in the fray were of very different stature and thews from the fair-traders. It is superfluous to pursue the subject further on this occasion. In my next lecture I shall hope to deal with what has happened to English manufacture and trade since 1846. But there are matters connected with the practice of other nations, referred to with admiration by some writers and speakers, with the analysis of which I may fittingly occupy the rest of the time which I may claim of you.

The pleas on which a reversal, more or less complete, of our present policy has been advocated, as far as England is concerned, are chiefly based on the expediency of retaliation. Foreign countries have excluded the goods of our production from their markets. Our own colonies have done so with even greater stringency. There is just so much reason in this, because these colonists are generally producers of nothing as far as we are concerned, except undeniably raw material, such, say as wool and wheat, and other countries are producers of manufactures which they want to sell; and therefore, to adopt a policy entirely exclusive, would destroy their own export trade, or at least force it into roundabout and less profitable channels. Now these people argue, and they are supported by a most erroneous and mischievous utterance of Mr. J. S. Mill, that retaliatory tariffs are real remedies against prohibitive or protectionist tariffs. "Let us then," they say, "give these people a taste of their own doctrine. Let us handicap them in our own country and in those countries

in which the administration is still the master, for instance, in India and the Crown colonies."

But there is a difficulty at the very beginning. The worst offenders against us are our own kinsfolk, whom we have defended in their infancy at our cost, and who retort on us by repudiating all the products of our industry but our money. It is certain that any attempt to retaliate upon them would be resented, and that the result of the attempt would be, that the Imperial Institute and all that it symbolizes would be shattered. If Great Britain wants to keep such a hold as it has on Greater Britain, it must submit to Greater Britain's financial petulance. Hence the project of retaliation excludes the British colonies from the scheme, or revives the old differential theory of the Colonial Empire, without securing any compensatory restrictions. We are to buy of our colonies only, or, on advantageous terms to them; are to consent to other nations buying of them as freely as we do, and those other nations permit; and are to bear, on the hypothesis of retaliation, greater injuries from them, with patience, serenity, and persistent consideration for the greatness of the empire, whatever affronts they put on our trade. Talk about one-sided free trade. That may be a calamity. I do not dispute, but I do not exaggerate the inconvenience. But one-sided retaliation is a most pitiful absurdity.

But Mr. Mill is wholly in the wrong. Retaliatory duties never did and never will avail. They are essentially personal. They are easily met by trans-shipment. Let us, for instance, meet—the figures are a mere hypothesis—a bounty of 10 per cent. on French refined sugar by a "countervailing duty." The French refiner will forthwith ship his sugar to Bergen or Christiania. No sugar is, I believe, produced from beet-root in Sweden or Norway. It is thence trans-shipped to Hull. Now no country has ever in its fiscal system been able to grapple with the origin of goods. It would not be the duty, inclination, or interest of the port authorities of the Swedish kingdom to assist us in tracing the origin of goods, and they would assuredly resent custom-house detectives prowling about the waters over which they have jurisdiction. Besides, retaliation has the inconvenience of admitting that the offender is in the right. Again, nations have never been known to revise their tariff laws by reason of *force majeure*, and I doubt whether the

strongest nation could coerce the weakest in this way. Again, the smuggler is sure to reappear in the interest of the consumer, and with his sympathy and covert assistance. But most powerful of all is the argument that a community which adopts a protective system deliberately or unconsciously puts itself under a commercial disadvantage. Every country wants to sell something, even if it determines on buying nothing. The more completely it carries out the latter resolve, the worse price does it make for what it wants to sell, the more of its goods must it offer in order to make any market at all, since, for example, it loads itself with a double freight in order to effect a single transaction. If it took nothing but money, as Russia is striving to do, it would in addition, sooner or later, depreciate by over-supply the only article which it will accept in exchange. The country, on the other hand, which takes its produce, gets what it buys on the easiest terms, or as Mr. Mill says, by a happy inspiration, in marked contrast to much which he has written on the subject of international trade, though here he does not specify the cause, it gets articles more cheaply than they are procurable in the country of their origin. But to retaliate would be to lose this advantage. We do not, it is true, sell as much as we could under the present system. But we buy much cheaper. Retaliate, and you sell no more, and buy on far worse terms. And as much of what is sold is raw material, in the strictest sense of the word, which Great Britain keeps or re-exports, to heighten the price of what you buy would be to straiten supply, to check manufacture, and to diminish the demand for labour, and with it wages. Even agriculture, which is always demanding Protection, and has lately affirmed it with naked selfishness, is blind to its own interests. For a wise agriculture is that which busies itself with its own best products. Let us conceive this to be stock-raising. But a plentiful supply of cheap food for stock more than compensates for the low price of the food itself, in so far as it is produced at home.

I shall, however, I hope, in my next lecture dispose of most of those allegations which are made for the purpose of suggesting retaliatory measures, as I deal with details. In this lecture I am concerned with principles. I cannot see what right any producer has, or any landowner for the matter of that, to pretend to strike

at another and wound me. One of the commonest and, I may add, one of the most impudent of fallacies is that a private interest is a public duty. If in the competition of foreign agricultural produce, all the agricultural rent of England were to disappear, what is that to the mass of Englishmen? We might have to deplore the loss of a class of men whose existence has been characterized by lofty probity, by patriotic aims, and by unselfish devotion to the common good, by the unvarying exhibition of public and private virtue, by an elevating example of refined culture, of ennobling pursuits, of passionate devotion to a lofty ideal, of a long record of just and painstaking service, of an order so self-restrained and faultless that no scandal has attached, early or late, to any of its members during its historical career. But, beyond doubt, abundance for those who work is better than full rents to those who merely afford us a shining example. And if, as I have said, wheat land is protected by the cost of freight, to the extent at least of 36s. an acre, there is something wrong in English agriculture which no duty on corn, Mr. Chaplin's proposal, will remedy.

Europe is, I admit, increasingly protectionist. It is also increasingly military. I am not clear that the waste of its resources in one direction should make us admire it, still less follow its example, when it wastes its resources in another direction. It is an open secret that the finances of nearly every European Power are strained to the uttermost, and that the margin between solvent and bankrupt exchequers is perilously narrow. When governments are in straits for money, they may make loans, claim a part of their subjects' property under a direct tax on their means, or levy new customs duties. There is a limit to the first process, though where the limit is is hard to say, for the fact of its being reached lies in the vast region of the unexpected, and the limit is ruin or repudiation. The second is always unsafe, and generally unprofitable. It is especially unsafe now, for it greatly resembles the most offensive, and to the well to do, unpopular demands of communism. Besides the wealth which would be most conveniently attacked can seldom be attached. When it is imperilled, it can satisfy the Scythian's conditions of passing imperceptibly through earth, air, and water, and so escape the Scythian's arrows. The most resolute

and Bismarckian of financiers would think once, twice, or thrice before he came to quarters with owners of Stock Exchange securities and bankers' balances in his own country. There must be some warning of the intended effort, and then *cantabit vacuus*.

There is always in reserve a new tax on consumption. This was nearly the whole of English finance during the terrible struggle of the Continental War. The person who pays is helpless. He is offered the alternative of abstinence, often the power of consuming at a cheaper rate, an inferior home product. The payment is almost insensible. The custom-house officer, it is true, cuts a large slice from the loaf, weakens the coffee, lessens the supply in the sugar basin, makes a great hole in the habiliments, and so forth; but he is invisible, and this is some consolation. And then the manufacturer is to be consoled by the most agreeable combination which can be offered him, patriotism plus profit. Taxes on food are to be levied in aid of the farmer, and compensatory duties are accorded to everybody, in consideration of these taxes on food. The people are assured that they are independent of foreign nations, and under all there is increasing misery, decreasing wages, increasing discontent, increasing repression, socialism of the most menacing kind, and an utter distrust in the providential functions of government. The result is not encouraging. Everybody is to be benefited, and everybody is dissatisfied, impoverished, and discontented. From the Ural mountains to Gibraltar, Europe is seething with social volcanoes.

The history of Protection in the States of the American Union is entirely different. The people, though high-spirited, proud of their country and their institutions, and resolutely determined to permit no meddling with the northern half of the New World, are not disposed to keep on foot a large army or formidable navy. They have no mind to interfere in European politics, or ape, as they say, the inevitable folly and extravagance of monarchical institutions, but they are quite resolved that no one of these powers shall interfere with them. They have, therefore, no urgent necessity for exceptional taxation, no excuse for an impolitic and vexatious fiscal system. But they are none the less the victims of sophistry, supported, it cannot be denied, by corruption and even by terrorism. The American people pretend to be the freest nation in the world,

and they permit themselves to be fleeced and plundered by a few interests, which dictated their own terms at a supreme crisis of the national history, and found spokesmen and agents when the country was aghast at the political perfidy which was visible everywhere. The protectionist tariff of Mr. Morrill was in great part, as I have heard alleged by eminent American statesmen, the price paid for the allegiance of the manufacturing East. I have been told this so unanimously and so uniformly that I cannot doubt it. I do not conceive that these persons put, as the phrase goes, into black and white the terms of the treaty, but many men half consciously act on what they would be ashamed to openly avow.

There were, of course, other reasons given. The American financiers copied the precedent of the War of Independence, and raised their loans by a floating debt, which was funded as a paper currency. This is, of course, a most extravagant way of creating a debt, because it creates an over-issue of inconvertible paper, depreciates the stock in which the debt is ultimately founded, and necessitates in the end the concession of a prodigious premium to the virtual lenders of the fund, the public which circulates the notes. The greenback finally was quoted at over 250, gold being at 100. No more wasteful way of creating a debt could, I think, have been devised than that adopted by United States Treasury. The evil too of a forced paper currency long survived the occasion of its issue, and numerous and shameful advantages were taken of the situation by Wall Street gamblers, to the infinite misery of the American working classes. The fact is now confirmed by the record of prices.

Now how was the people to be reconciled to a tariff, which, in the nature of things, and in accordance with the inevitable conditions of indirect taxation, must press with far greater severity on the poor than on the rich? The people was instructed that, under this policy, the country would be self-contained, and independent of foreign supply (though America has borrowed more in Europe than any other country), that this policy was certain to lead to the development of all kinds of industry, and would exhibit the varied and versatile character of American genius, while without it, the people would be limited to a few common pursuits, that prosperous America, the paradise of labour, would, under a free market, be

handicapped by cheap foreign labour, by the famished slaves of European despotism. It was necessary therefore that the better-off workmen should be protected by protecting the employers' profits, as though employers paid wages in proportion to their profits, and not in proportion to the bargains which they could force upon workmen. I remember telling my friend, Mr. Cyrus Field, when the new tariff was passed, that before many years were over, America would be visited with an anarchic and socialist trades union, and the experiences at Pittsburgh and Chicago, the knights of labour, and the followers of Mr. George, are a justification of my prediction. The system, which has been enforced, over and over again, by American economists and statesmen, has been maintained by terrorism, for honest men have had to choose between reticence on free trade and the threat of social and commercial excommunication; while corruption, not only that known as lobbying, under which the manipulation of members of congress has been made a fine art, but lavish and equally corrupting expenditure on harbours and ports, canals and the like, has been freely practised, the excessive receipts of the treasury being freely employed in order to demoralize localities. At last, though even now the President has not felt strong or bold enough to utter the word, the whole question of Protection and Free Trade is made an issue to the American Republic.

The action of the British Colonial Governments, who have generally adopted a Protectionist trade policy, is based on different grounds. The advocates of the system have sometimes stated, what does form an apology, though not a good one, for high custom duties, that in a thinly peopled country it is difficult, if not impossible, to collect direct taxes, especially from the mass of the people, or to levy countervailing excises, and that therefore the only remaining source of revenue is considerable customs. But if it be hard to levy an excise, because the power of collecting it is scanty, and the law might be evaded, it is hard to see how smuggling is to be checked. Then the fallacy, so often exposed in these lectures that high prices make high wages, has been industriously disseminated and insisted on. This can only happen when prices are naturally raised in a free market, when the situation tends to increase the demand for labour. It does not happen, when the rise

is artificially induced, because the demand for labour is not increased, but if anything diminished. But their chief reliance is on a famous passage in Mr. Mill's "Political Economy."

I am referring to a statement which will be found in book v. chap. x., of this classical work. Mr. Mill, after stating it to be "the only case in which, on *mere* principles of political economy, protecting duties may be defensible, is when they are imposed temporarily (especially in a young and rising nation), in hopes of naturalizing a foreign industry, in itself perfectly suitable to the circumstances of the country. The superiority of one country over another in a branch of production often arises only from having begun it sooner. There may be no inherent advantage on one part, or disadvantage on the other, but only a present superiority of acquired skill and experience. But it cannot be expected, that individuals should, at their own risk, or rather to their certain loss, introduce a new manufacture, and bear the burden of carrying it on, until the producers have been educated up to the level of those with whom the processes are traditional. A protecting duty continued for a reasonable time will be sometimes the least inconvenient mode in which the nation can tax itself for the support of such an experiment. But the protection should be confined to cases in which there is good ground of assurance that the industry which it fosters will after a time be able to dispense with it; nor should the domestic producers ever be allowed to expect that it will be continued to them beyond the time necessary for a fair trial of what they are capable of producing." Perhaps there is no passage in any work which exhibits so much ignorance of human nature, and so much ignorance of facts.

I don't quite know what Mr. Mill means by "*mere*" political economy, a term which I emphasize. What is called political economy is true or false. If it is "mere," it is of no validity or force. But to pass this by. In every young and rising nation there are a number of capacities, which are as yet undeveloped, perhaps unknown. The best way to make them known and develop them is to let them come to the front spontaneously. The best way to leave them unknown, and to develop them unhealthily, is to allow Government, at the instance of individual, and probably mistaken self-interest, to give them assistance out of people's pockets. Be-

sides, in what does the suitableness consist? Is it in the circumstances of the country, or in the superiority, as the passage seems to imply, of acquired skill and experience, which is the capacity of the applicant for this qualified protection? If the former, the circumstances will soon assert themselves; if the latter, is the applicant to be the judge of his own skill and experience, and inform the Government, or how is the Government to put him to the test? Sum it as one will, the situation is one in which the conditions cannot be satisfied. On the other hand, every country has in nearly every industry the enormous protective duty of the cost of freight. Nor is the passage in which the writer cannot expect that "people should at their risk or rather to their certain loss" initiate a calling, to the purpose. Mr. Mill has evidently in his mind the East India Company. That as a trading association was a failure, as Mr. Mill lived to see. But there was this apology for the protection accorded to the East India Company, that the basis of operations was ten thousand or more miles off. In that of the protected young country the disadvantage of distance counts against its rivals. And why should the nation tax itself for the support of the experiment? Why undergo a certain loss in order to force a confessedly unprofitable industry?

Who is to give the assurance that the industry which is fostered will be able after a time to dispense with the protection? Not the applicant certainly. He never did and never will assure the country. On the contrary, he will tell those who have been rash enough to give him his head, "that the action of the Government has given him," as Lord Liverpool said, "'a vested interest,' that the shock to the industry would be fatal, that workmen would be discharged and ruined, capital would be lost, and the latter end would be worse than the beginning. You might have refused us a trial, if you pleased. It is base, cruel, dishonest, to induce us to start this industry and then desert us. We may have erred in believing that a short time would set us on our feet, but is our error to be expiated by our ruin? We are the creation of the State in its wisdom, do not let us be the victims of its caprice. Mr. Mill saw the necessity for creating us, he could not have foreseen or contemplated the expediency of destroying us." Had I lived in a country where the State, in deference to Mr. Mill, had protected me, I think I should

reason in this way, when I was threatened with the withdrawal of the protection.

What too is a fair trial? Is it in the judgment of the domestic producers, or of the Government, or of a court of law? It may be pleaded with justice that the circumstances precluded a fair trial. The origin of the industry was an unnatural stimulus, and you have no right to expect a healthy life. By constituting the State as the judge of the occasion on which an industry may be protected, you deprive the person who prosecutes the industry of learning what are the only natural conditions on which he may practice his industry with success. You blind him, and ultimately insist on his exercising the function of sight. The fact is the whole passage is metaphysics, mere political economy, very bad metaphysics, and no political economy at all.

XVIII.

THE INTERPRETATION OF EXPORT AND IMPORT TABLES.

The present subject dull and difficult, but important—Alarms about exports and imports—Causes of the decline of nations—Effects of debts on exports and imports—Effects of the cost of freight—Customs and bonded warehouses—Walpole's scheme—Re-exports and their effects—The United States, and the figures of its trade with the United Kingdom—The trade of France—The business of warehousemen—Fallacies derived from comparative figures—Alarmist fallacies—The case of leather, and the lecturer's analysis of the trade.

You may naturally anticipate that, in dealing with the topic which forms the subject of my lecture this morning, I am inviting you to consider the most unattractive and dreary of social facts. Here, you may say, are the relations of political communities condensed into a set of figures, which may interest merchants, financiers, statesmen, politicians, because they are obliged to get up their subject, or at least pretend to have got it up. But it must be possible to learn the economical relations in which divers peoples stand to each other, the principles and practice of exchange, the mutual interdependence of different countries, without demanding that one should analyze the national ledger, and to see how exports and imports are balanced against each other. The information is for the expert, not for the student of economical forces. There is, I cannot deny it, some ground for these objections. But there are far stronger reasons why I ask you, if not to undertake the criticism of a particular set of figures, such as, for instance, the Blue-book which is before me, the Statistical

Abstract for 1885; at least to understand, in order to refute or be proof against the popular fallacies which are frequently uttered about such statements, what, in this concrete form of the volume of foreign trade which this country undertakes, are the facts and principles which must be before you in order to understand any such publication. For, after all, in these figures, and in the interpretation of them, lies the very essence of practical economics. Here is the picture in little of British activity, in so far as it is concentrated in the United Kingdom, and has within a couple of generations become the most extensive creditor of foreign communities that has ever been known, and thereby has become the centre of trade transactions with the world.

I once asked a Parliamentary friend of mine, Lord Rothschild, whether certain speculative stocks were not held extensively on two of the most active of the foreign bourses, Paris and Berlin, and I instanced Egyptians and Suez Canal shares. He told me that in his opinion, by far the largest part of these stocks were held in the United Kingdom. I asked him how he came to the conclusion, and he replied, that if an extensive order was given to purchase in either of these securities in Berlin or Frankfort or Paris, say £100,000, no broker in these cities would undertake the commission at a price, for some hours, that is, till he had telegraphed to London, and received a reply. I was a good deal struck with his statement, and admitted that there was great force in it. But it does not seem to me to be a quite conclusive inference. The fact seems to me to point quite as much to what I have already referred to, that as Great Britain is a centre to which merchantable goods are transmitted, and in which they are purchased, so, even if a stock were not procurable in plenty on the London Exchange, it would be highly expedient to get a price from thence, because a price in a central mart is the best price which can be got anywhere, and because, for reasons which I will give you later on, the London Exchange has a power of attracting both goods and securities to an extent and rapidity which is possessed by no other analogous institution.

The exports and imports of England, then, after 1706, of Great Britain, and since 1800, of the United Kingdom, have been an object of great curiosity, and not a little concern to economists and

statesmen, the latter having learned from the former, very slowly and with great hesitation, what is the interpretation which should be given to them. Now from the very first it was seen that the exports must pay for the imports, though in early times, under the theory of the balance of bargain, and by the machinery of the king's exchanger, persistent attempts were made to secure that this country should derive a money profit on the aggregate of the country's commercial transactions. I described to you in an earlier lecture on metallic currencies how futile the attempt was, and how it was inevitably baffled in the interests of trade. But though every merchant saw that as far as he was concerned, the vital object was to get a balance of profit, and quite a subordinate and temporary matter to secure a balance of cash, the dread that we should be drained of all our money by an adverse balance of trade, as it was conceived to be, affected merchants collectively, and led, after the old mechanism was abandoned, governments to adopt, and merchants to sanction, various expedients for securing that to the mass of trade which individual traders saw would be mischievous or injurious in each individual trade. It is, as it was, and I fear as it will be, very hard to induce people to see that what their experience has proved to be prudent in their own case, is prudent for the whole country; and it appears that this is as inveterate an error as the far more mischievous fallacy, that on which I have already commented, and shall often need to comment, that a private advantage should be assisted by government help at the expense of the great body of the nation.

As long as the trade of England was confined to the Baltic and the French coast, and subsequently extended to Seville, no serious attempt was made to examine the real principles which underlie the balance of trade doctrine. I have little doubt that the reason lies in the individual evasion of that which was still conceived to be collectively sound. But with the development of the trade with the East the difficulty at once arose. It was plain, and could not be denied, that the export of silver was essential to any trade at all with the East Indies. India has been engaged for centuries in importing silver, this not being a produce of the peninsula. Besides there was nothing produced in England which

could be exchanged against the coveted produce of the East. It was necessary that permission should be given to export silver, and the concession was justified on the ground that the exchange of Eastern produce would bring back into the country far more silver than the ships took away. But this argument would be equally valid in favour of permitting the free circulation of money between all countries which trade together, for trade is undertaken with a view to profit; and money is the instrument by which trade is measured, and just as in a progressive community no more money is kept than is necessary for the wants of commerce, internal and external, so no country which is not declining ever finds itself at a loss to procure all the money which it needs for its mercantile transactions. But though the government of the seventeenth and eighteenth centuries were ready to allow the minor premiss in their syllogism when India was in their minds, they shrunk from accepting the major premiss, and from allowing the consequences of permitting mercantile money to be fluid, a principle of trade which Oresme saw to be fundamental as early as the fourteenth century, and Roger North in the seventeenth. And so people went on speculating on imports and exports, and wondering when the collapse would come, which was evidently impending as long as the country imported more in return than it exported. The shrewdest men were alarmed at the risks of an adverse balance of trade, and no doubt many of the protective laws on the English Statute Book were enacted originally, not so much for the purpose of sustaining particular interests at the public cost, or the public loss, but in order to obviate what they honestly thought to be an impending danger. It may be doubted whether the alarm at a depletion of money is even now an extinct delusion. Of late years I would fain hope ignorantly, the old doctrine of the balance of trade has, it appears, taken possession of some people's minds, or what is called their minds.

A nation, like an individual, can spend more than it earns. It often does so, through the action of its government, in this case, collectively. It cannot do so, by the whole number of its people, distributively, else it would exhaust itself. If some people in a community are wasteful, others who are not wasteful get the product of their waste. I do not mean to say that a nation may not

decline from opulence to poverty, even to nothingness. Many parts of the earth were once occupied by rich and industrious peoples which are now wholly waste. Such a decline may come from the effect of a destructive conquest, of long and ruinous wars. But in almost all cases, the ruin of a race is the fault of its government. The exigencies of society, perhaps its weakness, compel nations to have governments. Men should be eternally on the watch against them as Mr. Mill argues. Nations will not ruin themselves, said Adam Smith, but governments may ruin them. If a nation through this agency spends more than it can earn, it inevitably begins to decline, and if the process goes on too far the nation is exhausted and perishes. This happened, it appears, with whole districts of the Roman Empire. The military government of Rome spent the resources of its subjects, and wide parts of the world became desolate. I will not say that spectacles of this kind will never be seen again, of nations perishing by the vices of those who administer its affairs. But such a consummation is not displayed in the exports and imports of a people, for the very significant reason that the process I have referred to leaves the miserable community nothing wherewith to traffic, every energy remaining being devoted towards the mere sustentation of life in a declining population. In modern times, the malevolence of a government rarely goes further than to arrest the natural progress of a people.

There are occasions in which a government spends, not more than perhaps its people could pay, but more than it is politic to exact. In such a case it borrows. It may borrow, as has been done in England, from its own people, that is, from those whom in theory it might tax, but does not think it would be wise or just to put to such sacrifices. Or it may borrow from other people, where there are large stocks of accumulated capital in existence, the owners of which can be induced to part with their property on condition of the borrowing government paying interest on the loan. Governments may borrow for the purpose of carrying on a war, or of defending themselves against aggression. The government generally asserts that it is the latter motive which influences it, when every one sees that it is the former. Whether their subjects or citizens see it or not, governments generally, almost invariably,

avow it so persistently or savagely, that their subjects are brought to agree with them. Or they may—as is constantly done in new and thriving communities, where there is plenty of use for all the capital which the country has, with a good profit—borrow in order to develop the public works which are a great assistance to the employment of such capital as they do possess. In such countries, to borrow from their own people would be to cripple themselves, and to procure what they want on far less advantageous terms than they may, if their credit is good and the security stable, in other countries. This is the way in which most of our colonies have borrowed of us for their public works, railways, docks, harbours, and the like. Now it will be plain that in all these cases, the future earnings of the people are pledged to pay interest on the past outlay of the government. I say earnings, for we know by this time, that all wealth is the product of capital and labour, though in the distribution of that which is earned, others besides the capitalist and labourer are sure to share. Such is the origin of public debts. You will see that they are represented by very different present facts. In most cases and in old countries, there is nothing to show for the debt, in the shape of property. In some, especially in new countries, there may be very solid and valuable assets, the value of which may be increasing. But in every case the country which holds the debt is supposed to obtain interest on it. The amount of foreign debt held in England is enormous. In Stock Exchange securities there are said to be two thousand millions, known or ticketed as English property. But this by no means exhausts the debts owed to people who live or accumulate in the United Kingdom. English capital has gone over the whole world. English houses of business are settled in most countries, and the profits due from them are part of the indebtedness, which has to be annually paid. You will see, then, that every year a vast amount of cash or property has to be imported into England to pay the annual charge of foreign debt held here.

Now let us see how this affects imports and exports. There is, we may be sure, quite apart from the operations which I have described, a certain amount of trade going on between England and another country, say, for instance, cloth of English make to Australia, wool of Australian growth to England. If this were the

only business going on, these two articles would infallibly, whatever the figures may allege, of which presently, balance each other, *i.e.*, the English cloth and the Australian wool are an equation, for otherwise trade is inconceivable. But the effect of these borrowings and payments of interest creates an apparent confusion. The loan is not paid in money, but in goods; for it is to the interest of both parties that it should take the latter form, since both the producer and exporter and the consumer and importer get a profit from the transaction. Now if many such loans are made in a short space of time, the volume of exports is greatly increased, the production of the exporting country is greatly stimulated, and trade is exceedingly active. Such, for example, were the exports of England to America after the Civil War, and to France after the Franco-German war, when, as was said by Mr. Gladstone, trade progressed by leaps and bounds. Goods went out and debts came back, for whenever the expenditure of a country exceeds its production, it takes goods and export securities. Now the goods appear in the exports, the securities do *not* appear in the imports. Hence the appearances are all on the side of the country whose trade has been so stimulated. When you look below the surface, you will find, as I have shown you, that the country has been giving away its property, for pieces of paper on which the indebtedness of the other country is expressed. These securities are of course transferred from those who received them in payment of their goods to those who accept them as investments.

But in course of time, especially in the case of a country which goes on lending, as this country has done for a long series of years, the interest payable on these loans exceeds all the new loans which are made in any one year. Thus if the rate of interest on the loans I spoke of is 4 per cent., the annual interest is 80 millions, and to this we may add 20 millions more for profit on investments which do not pass through the Stock Exchange. Now 100 millions sterling would be a vast sum to lend every year. Suppose the loans cease, because the colonists and foreigners do not want to borrow any more, or our people do not feel inclined to lend. The valuing of what I may call natural exports and imports remains unchanged, but the latter is swollen by the compulsory imports which are sent to this country in payment of interest, for,

as before, the payment is not made in money, but in goods. To find fault with its appearance in what people call the national balance sheet of industry and trade, is to find fault with the debtors of the country for paying the interest on their debt which they agreed to pay, and to adopt any means which would put a hindrance or a stopper on these exports is to provoke the debtor into repudiating his debt, because the creditor country has thought proper to make it difficult for him to pay it. Wherever any country is a large foreign creditor, and the dividends on the debt which it holds are paid punctually by its creditors, its imports will greatly exceed its exports, for these exceptional imports represent the dividends which it has to receive. The quantity of imports is heightened if the dividends are due from non-productive debts, for here the imports are of the profits only made on the goods sent, whereas when the dividends come from productive debts, the profit paid on the investment in the borrowing country is included in the payment, and may or does represent the whole value of the goods. You will see, therefore, that a vast excess of imports over exports does not mean that the country is spending more than it receives, but just the contrary, receiving more than it spends, and receiving it, as I shall take occasion to show, in the most advantageous manner.

There are, to be sure, occasions, I have already stated what they are, in which a country is spending more than it earns or produces. But the evidence of this is always being made clear to those quick-witted people whose business it is to explain the movements of Stock Exchange property. Such a country exports securities, or, as some people say, throws them on the market, where they do not generally experience very favourable treatment, for the operation is invariably followed by a fall in their market value. Now, it is perfectly certain that English holders are not doing this. There is plenty of loanable money in England, rather too much, as people desiring to invest will pathetically tell you, when they can only get a low rate on sound investments. For though the rate of discount and the rate of interest are not influenced by the same causes, they are parts of the same aggregate, and what persistently affects the one is sure, in the long run, to affect the other. Besides, if there were a strong desire to part with some of these in-

vestments, and to thereupon export them, they would be exported in exchange for other investments which are more sound or otherwise more attractive.

But there is a further fact below these returns of exports and imports which cannot be exhibited, but must be recognized. When an article is imported into London its value is declared, and I will assume, for the sake of argument, accurately declared, at the port of entry. When an article is exported from London its value is declared at the port of exit. Now, in the first case, the import, its cost of carriage or freight, is included. But in the other, the export, the cost of freight is not included, for it is not yet defrayed. Hence the value of the imports is always increased by freight, that of exports lessened, as far as freight is concerned. The freight must be included in the import, for it is part of the cost. But in the export, it is expected that the market of destination will pay the cost, and in the end it does so, else the trade would not be worth having. This addition to values is called by Mr. Giffen, very felicitously, the invisible export and import. In an earlier lecture, I took a hypothetical figure, 10 per cent. all round, as representing the cost of freight. I find that it has recently been calculated, by different persons, of high eminence in such estimates, at from 11 to 15 per cent. Now, in interpreting the relation of exports and imports, this addition to value which does not appear, except on analysis, is of great significance, and must be reckoned. If it represented foreign shipping, or freight earned by foreigners, it would still appear in the article which has been shipped, but the profit contained in the price would be appropriated by foreign capitalists. As it is, the shipping owned by British capitalists is 70 per cent. of that engaged in the carrying trade, despite foreign Navigation Acts, and is therefore a British asset in the volume of exports and imports, not the less real because it is invisible.

But there is a further item in the account which needs explanation. I have already stated, that owing to its free-trade policy, this country, excepting some half-dozen items, is a free port. Owing to its prodigious mercantile operations, it is the market which gives the price, and the market that gives the price attracts the dealer. But if the dealer is attracted the commodity dealt in

is attracted. Furthermore, even in those articles which are liable to duty, the system of bonding warehouses is so perfect and so easy, that the United Kingdom, even for duty paying and exciseable articles, is virtually a free port. I ought perhaps, however, as you cannot be supposed to be conversant with the mechanism of trade, to say a little about the warehousing system.

In old times, all goods imported and exported equally paid customs. The system probably arose from the theory, that the king by virtue of his position as commander-in-chief of the national forces was under the duty of defending the narrow seas, and, indeed, English commerce wherever it went. In time, the customs became part of the private revenue of the Crown, and the duty of maritime defence was imposed on the Cinque Ports, then on the whole mercantile marine of the kingdom, and by ship-money on the inland counties. The reason for this extended impost was plausible, and had the tax possessed a lawful origin, conclusive; for if a country is to have any trade at all, there must be a police of the seas. So clearly is this recognized, that there is no part of the law of nations more indisputable than the dictum that piracy is an offence, not only against the person who is plundered, but against civilization in general, every state by the law of nations being entitled to attack, capture, and punish pirates on the high seas. But the English were very slow to accept a principle which accorded ill with their practice. As I have often stated, our early maritime heroes were all pirates, and even after the government determined on putting down the practice, and actually hanged a number of adventurers who became a scandal to it, mainly because they had originally been sent out by government, and had been old-fashioned enough to strain their commission; even after this, I say, a preliminary apprenticeship in this lucrative and invigorating business was no bar to the subsequent employment of a buccaneer, who had abandoned his special calling, in Church and State.

It was very difficult to get rid of customs on exports. Nations, like individuals, overrate their own importance, and the importance of their own doings, and are apt to conclude that when a foreign trader wishes to do business, he represents a foreign necessity, instead of a prospect of making a profit. Besides, there had been a time, long remembered, in which the demand was a ne-

cessity, and England could carry on a war with a wool tax, which the consuming country paid. Nothing is harder to persuade certain governments than that they do themselves mischief by levying export duties. Again, it was the object of government to naturalize manufactures in England. They saw clearly enough that a dozen pounds of cloth was worth several times over a dozen pounds of wool, and a prohibitive duty on the export of wool seemed the best way of stimulating the home manufacture of cloth. An export duty, therefore, seemed to be a form of patriotism, and it is almost impossible to reckon up the list of crimes and follies which have been committed under the plea of patriotism. And, lastly, it was, and had been, from the earliest times, a branch of the revenue. Now, it is true that the management of the revenue has been undertaken by the Parliament. But the fiction of the king's taxes seemed to imply a kind of property in these imposts, and more reasonably, it was seen that if one branch of revenue be remitted, another, and a new tax, must be put in its place.

Walpole, George the Second's great finance minister for nearly a quarter of a century, saw that if he could establish a system, under which foreign duty-paying goods could be put under lock and key, and, for the matter of that, exciseable home products as well, the duty and excise being paid only when the articles were taken out for consumption, he would save the pockets of the consumers of goods in Great Britain, and do a great deal towards making this country a free port for all produce, for he contemplated allowing these foreign goods to go out free of customs. But Walpole, like other statesmen of very comprehensive views, had a good many enemies, who were discontented with his ascendancy, and when he propounded his new Excise and Customs Bill, these enemies found their opportunity. They wanted a pretext for humbling him, and if he had brought forward the Ten Commandments, they would have tried to raise an outcry against them. The great London merchants were under the impression that if the warehousing system were permitted, persons of small capitals would become their rivals in business, as they would be relieved of the necessity of paying duties at the moment of importation, and could, therefore, carry on business with less cash. Walpole, who loved office more than he did financial good sense, when the retention of the one and the

exhibition of the other, were incompatible, yielded to the clamour. In the same way the younger Pitt sacrificed financial justice to office, when he yielded to the country gentlemen on the legacy duties. Perhaps statesmen may be pardoned for considering themselves to be a necessity. It is not in human nature to resist the flattery which assures them that they are.

I have no doubt that had Walpole's project succeeded, his policy would have been identified with the rapid progress of English commerce. Like every financial expedient of the time, the idea of bonding goods was derived from the practice of the Dutch, in the days of their commercial prosperity. But by this time the Prussian and the British monarchy were doing their very best to ruin Dutch trade, Dutch credit, and Dutch finance. At last they succeeded, to the disgrace of both countries. But even if the scheme had been adopted, people were still so stupid that they believed that the only prosperous trade was one in which the visible sum of exports exceeded in value the visible sum of imports, *i.e.*, that people are prospering when they give more in value than they receive. There are such people in existence even now. Mr. Giffen, in his excellent essays on finance, states that he read an alarmist calculation in which the writer, having counted up the difference between exports and imports for twenty years, came to the conclusion that the English nation had run into debt with foreigners to the extent of 1,000 millions, and that ruin was imminent. The writer was not aware, of course, that during this time England had been constantly lending, and not borrowing, and that, were this terrible process of debt going on, there would have been daily evidence of it on the Stock Exchange. You are now aware that if a community has credit enough to get into debt, and cannot pay in goods, it pays by the export of securities, *i.e.*, by pledges to liquidate indebtedness at a future date. We in England have, however, been constantly importing securities.

Now a considerable quantity of what we import we export again. This country has become, for reasons which I hope that I have made plain, a great *entrepôt* for foreign products, particularly for raw materials, by which I mean such products as are not available for consumption. For instance, we export an enormous amount of cotton to other countries, apart from what we consume our-

selves. A trader will deal in anything from which he can get a profit, and naturally seeks the market in which he knows that prices are most exactly defined, and from which, therefore, he can best anticipate his profit. This was the case at Amsterdam two centuries ago; it is the case with London now, and not only London, but with many other great centres of trade in the United Kingdom. Besides, not a little of the imports are absorbed in that invisible reservoir of the mercantile marine—ships want stores, provisions, and a number of other conveniences. It is reckoned that the annual cost of a vessel is about £13 12s. per ton of freight capacity, and Mr. Giffen reckons that the mercantile marine of this country earns some 80 millions annually by freights. This sum is added to the value of the imports, but is not discerned in the exports. It appears in them when they are landed at their destination.

It will now be convenient to illustrate what I have said by a few figures, extracted from a single year of trade. I will take the year 1885, the return for which happens to be before me. The imports for this year are valued at £376,967,955. The exports of produce, British and Irish, are valued in this year at £213,044,500. The re-exports of foreign and colonial produce for the same year are valued at £58,359,194. So there appears to be £318,608,761, bought with £213,044,500, and there remains £105,564,261 to be accounted for. But you will see that, in the first place, one must take from the imports all the cost of freight. At 13 per cent. this leaves £56,558,418, with which to explain the interest on debts held in the United Kingdom, and due annually from foreign countries.

I do not pretend to say that I have given you an exact analysis of the figures which were presented to Parliament and the public as illustrating the foreign trade of Great Britain in 1885, the returns of which is over 590 millions, for the values are only declared. They rest entirely on the authority of the importers, and as our customs duties are not *ad valorem*, there is no motive for the importer to understate this value, but, on the contrary, there are motives for exaggerating it. For example, some years ago there was a very active trade between this country and Hamburgh, in shipments of sherry from that port. I do not

know whether the trade still exists, but the attention of the Custom House was called to this strange trans-shipment of Spanish wine from a port in the German Ocean. Further inquiry led to the discovery that, whatever the origin of the liquid might be, it was not Spain, and, in brief, the article was manufactured at Hamburgh, from materials in which the grape was not included. Now if the imitative and enterprising Teuton who hoped to find a market for this abomination among the too-confiding Britons entered his product, as he was obliged to do, he would certainly give a value to the article which the facts would not justify, and experience would not confirm. I give one instance; I might cite many. But, on the other hand, there is every motive for not exaggerating the value of the exports, for under the protective tariffs of foreign countries *ad valorem* taxes are general, I had almost said universal; and in accordance with this system, and in order to prevent undervaluations, Custom House officers, for example, in the United States, are empowered in the case of goods imported, on which an *ad valorem* duty is imposed, to elect, if they should see fit, to purchase the article at the owner's valuation.

Again the imports are those of a year from January 1st to December 31st. But it by no means follows that they represent consumable commodities within that year. There are stocks of goods which do not deteriorate with keeping, some which improve by time, some which ultimately represent, when they are exchanged, a different value from that which was declared at the port of entry. This may arise from an over-estimate of that which the dealer has to sell. This over-estimate may be in the thing itself, or in the turn of the market. In short, the estimate of imports is far more liable to exaggeration in value than that of exports is. This is particularly the case with raw materials, of which, as is inevitable, a very large proportion of the imports is composed. Besides, you will see that the debtor country is much more obliged to sell than the creditor country is obliged to buy. I should be very much surprised, supposing one compared the declared value of imports with the prices current of the articles so valued, if it were not found that these registers of business done would show less figures than are given as their value. Such an examination would be very laborious, and to me, at least, who

know the facts, would be superfluous. It is sufficient for us to know that these elements of dubiety do exist, and why they exist.

The country which has the largest exports is the United States. To the United Kingdom, in 1885, it exported in value nearly 87 millions, and imported in value 31 millions. In some years the discrepancy is far more considerable. Now for not a little of this produce the United Kingdom is only a temporary port, the commodities purchased being trans-shipped and distributed by traders in this country, and by foreign visitors to our markets. The commodities which we receive from the States are chiefly raw materials, strictly so called, and among them cotton, corn, and preserved provisions, for food is the raw material of labour. Comparatively few manufactured articles, and those mainly of cheap and ordinary construction, reach us from them. Now how is this discrepancy explained? But before proceeding to this, I should observe that it is the custom in America, as would be natural under *ad valorem* duties, to value the articles at the port of departure, and not at their arrival. Hence the American imports do not, like ours, imply, but disclaim the cost of carriage, and therefore, as a question of balance, the 31 millions should be increased by this item. The United States do not tax freight. But to give the solution of these figures, on the lines which I have already indicated, and by the facts of the case. In the first place, the citizens of the United States annually expend a large sum of money in travelling abroad. There is a considerable American colony constantly resident in Europe, and drawing on the States for their expenditure. There is, every year, a perfect host of migratory Americans in Europe, and especially in the United Kingdom, looking up the old country. It is reckoned that the expenditure of such persons is not less than from 10 millions to 15 millions in excess of what Europeans expend in travelling about America. Then, as is the case with new and growing countries, there is a prodigious amount of interest due from the States to British investors, and one may also add a vast amount of money annually sent by the American Irish to their kinsfolk in Ireland itself. In every country which progresses rapidly, which adopts expensive means for expediting intercourse between distant parts

of the same political union, and does so wisely, if it can afford it, enormous debts are necessarily and indeed advantageously incurred. It is said that America has reduced her indebtedness abroad. Undoubtedly she has as regards her public debt, which under the banking system of the country is made the basis of the paper issues, and is therefore held by bankers only in the States, but the loans created in the United Kingdom and held here are enormous. If we take these two particulars into consideration, we can easily see how a difference of 50 millions is accounted for, by the expenditure of foreign travel and the payment of interest on loans.

Such evidence as is forthcoming on the position of France leads to the conclusion that the people not only save, but in some degree invest in foreign securities, not indeed to the extent which they seem to indicate by their protestations, but sufficiently for my inference. But the curious fact about the French balance-sheet is the singular oscillation which there is in the exports and imports of the country. From 1862 to 1865 inclusive, the exports were greatly in excess of the imports; from 1866 to 1871 the reverse phenomenon was exhibited; in 1872 and 1873 the exports were again in excess; and since that year the ordinary course of trade has been exhibited, under which the imports exceed the exports. But the difference is slight. In the first place, the shipping of France is very small, for it is only in tonnage a fifteenth of the British amount. But no country which depends for its carrying trade on other nations can show a large margin of imports over exports, unless indeed it is an extensive creditor of other nations. But I must not weary you with details; my object is to show you what are the principles which you must have before you in interpreting export and import tables, and what are the grounds on which you will hesitate before you accept superficial interpretations. I will, for the rest of this lecture, point out what are the errors into which people are apt to fall, who for no worse motive than alarm, err in interpreting the facts, and a few practical inferences from the facts.

In an earlier part of this lecture I mentioned that the system of bonded warehouses had a considerable significance in making the United Kingdom a free port or market. A bonded warehouse belongs

to an individual, to partners, or to a company. The owner or owners store goods which are liable to duties at a rent, and are under government inspection. The keys of the warehouses are distributed among the owners and the government officials, so as to make a simultaneous visit of the owners and the revenue officer necessary when goods liable to duty go out. I know that the system works well, that there is neither smuggling nor pilfering from these warehouses, in which the government license is a notable addition to the value of the premises. Now a few years ago, at the end of a session, the government introduced what is technically called an omnibus Bill, one which makes amendments in existing statutes, mainly in procedure, and at the instance of the departments. Now I have, I hope not uncharitably, a profound distrust of the permanent officials in London, in Edinburgh, and even in Dublin, and I always examined omnibus Bills. I soon found out that there were certain alterations introduced into the bonding system which would infallibly destroy the property of these warehousemen, so as at least to discourage them from housing dutiable goods. I warned them of their danger. They were no political friends of mine, I must confess. But I became the Good Samaritan, and took care of them. I do not say that they did me a wrong, but I am sure that I did them a service, for I compelled the Treasury to throw overboard its subordinates in name, its masters in fact.

I have indeed adverted to some of these errors, the misconception as to the place which freight bears in declared values; the necessity there is, if the figures are accurate, for recognizing that, if profit is to follow trade, the exports must ordinarily be below the imports; and the importance of allowing in the imports what is due to the liquidation of interest on debt. But there are other fallacies into which the indiscreet manipulation of figures may lead one. We may think, for instance, that because a country is always exporting much more than its imports, that it may be engaged in a losing trade, or that because the volume of exports and imports is a higher percentage in one country than another, that the progress of the former country is more rapid than that of the latter. Or, again, we may be confronted with the fact that, in appearance at least, we are losing part of our supremacy in manufactures, and

therefore run the risk of a decline in our industrial eminence; we may be pressed by the citation of details; we may even find some paltry and easily-interpreted fact made the ground on which to urge national action or a fundamental fiscal change.

Let us eliminate from the declared value of exports and imports that which is to be ascribed in the latter to the liquidation of interest on debt, that which must be assigned to the cost of freight, that which has to be deducted in consequence of a different custom, due to traditional as well as fiscal reasons, in the valuations assigned to goods in different countries, and let us also discount the motives which might lead people in England, for instance, to heighten the value of that which they import, on paper at least, whatever may ensue on the market when they sell. To these we may add, as disturbing causes, the inclination which people have to make a sacrifice in order to gain a footing. Traders know that a large business on a small profit is better than a small business on a large profit. I have been told that the great business which Mr. Whitely has established makes only 5 per cent. on a turnover of a million. Now part of the machinery by which people make business, in the hope of establishing a wide connection, and of associating the habit of customers or the fashion of the public with their undertakings, is to incur a certain present loss, with a view to future gain, for example, to advertise extensively, to pay large rents for the opportunity of display, and the like. I have heard, on the best authority, that Bradford light woollens were being supplanted by French articles, because the Bradford manufacturers clung tenaciously to obsolete fashions and materials. Now, in such a case, a Protectionist country has a peculiar advantage, for the producers of such a country can press the sale of their goods at an apparent loss, and reimburse themselves by heightening prices, and lowering wages, at the expense of the consumer and the workmen in the country where they carry on their manufacturing operations.

After all these deductions are made from the aggregate of imports, every country which has by course of time become fully settled, and in which a variety of operations are naturally and necessarily —not artificially—carried on, will exhibit an excess of imports. The difference is due, a fair return being made of prices, to the

profit which the traders make in their business. Let me illustrate what I mean in common life. A trader, say a grocer, carries on his business with his own capital, on his own premises, and without the assistance of a loan, directly or indirectly, from any one. He exports his capital. It passes away from him in the purchase of goods. He imports the goods. But in the nature of things, the goods which he buys as a trader figure in his mind, if they do not in his books, at a higher rate than that which they cost him, else he would be carrying on his business at no profit, but a loss. He intends in the very nature of things that his imports shall be worth more than his exports, and the higher he can make their value, the more is the profit which he contemplates and, I will assume, achieves. Now this illustrates the position of the exports and imports in the balance-sheet of a nation which really trades. The imports are bought with the exports, the transaction, as far as the nation goes, being complete. If the former did not exceed the latter in reputed, and in real as well as reputed, value, the balance-sheet would show no profits, and the shareholders in the concern would have reason to be greatly alarmed. The profit is of course increased if the exporting country is obliged, whatever price may be realized, to sell to the importing country, as is the case with all debtor countries.

People sometimes point to the rapid growth of other countries as a proof that our own trade is declining. For example, the imports of the United States have increased during the last forty years by 700 per cent., and the exports between 500 and 600. But in the United Kingdom the exports have increased during the same period 335 per cent., the imports (for the last twenty-six, since before this date there was no computed or declared values given) 186 per cent. Here, then, they may say, you have a Protectionist country progressing at a more rapid rate than a free country does. Of course concurrent facts are not necessarily causes, and causes are rarely single and simple. But you will notice that the United States is a country of almost indefinite expansibility, and of rapid growth. One of its imports, that of adult and trained immigrants, is never reckoned in its statistics, but would be in an economical analysis, under-estimated at 100 millions pounds a year, this coming from the old world. With this mass of potential wealth annually put into

activity in that country, the growth of trade is inevitable. But it is recent, and is nothing as yet like ours. Forty years ago it was small, less than ours at the beginning of the century. Even now it imports 150 millions as compared with 400 of the United Kingdom, and exports 170 millions, chiefly raw material, as compared with 223 millions. In fact, the United Kingdom has appropriated one-third of the whole world's trade. Now it will be plain to you that if a man starts in business with £1,000, and at the end of ten years has a capital of £10,000, his percentage of increase is greater than that of another who ten years ago had £100,000 and now has £200,000. But no person would doubt which of the two was the more opulent, and which was doing the largest business.

The last subject in connection with these statistics of exports and imports which time allows me to deal with, has an historical interest with me, for I was constantly obliged to expound the facts during my Parliamentary connection with a very large constituency, which was also a vast manufacturing one. People are very apt to forget that London is not only the largest trading city in the world, but that it possesses the most numerous and varied manufactures. Now among the industries which I represented, the greatest was leather, and some of my constituents constantly took counsel with me as to the alarming imports of leather. But before I deal with this matter, I must remind you that raw material, in the language of economists, is any product of human labour or skill, which is destined to be further manipulated by human labour and skill, the further operation being a fresh, and, in some cases, a very large addition to its value. Thus leather to a tanner is finished goods, to a saddler and shoemaker raw material. Now, if a tanner cannot supply leather enough in quantity and quality to keep saddlers and shoemakers at work, it is to my mind hard to keep such men out of work till the tanners can come up to their demands in these two articles, and quite as hard to keep people without boots and shoes while the master tanners are getting an unnatural profit out of the public want.

Now, we are often told that some article in which we hoped we should have pretty well a sole market is being imported into England. When you hear these statements, you may fairly ask, not with a view to disparaging your informant's veracity, but for the

sake of accurate information, Is it true? And it is very often found not to be. A short time ago it was said that a large area of British land, formerly occupied for agriculture was now unoccupied. On inquiry it was found that the proportion of unoccupied land to occupied stood in the proportion of ·00006 to unity. But when people are anxious to establish a position, especially when they think that, if they succeed, they will be rescued from an alarming or an adverse situation, it is amazing how vigorous their imagination is, and how eagerly they enlist irrelevant facts, and even entirely baseless fictions, into their cause. Again, we are told that large quantities of manufactured iron from Belgium is being imported into England. But when I searched in the expanded volume of exports and imports, the fact was not mentioned. If the import did take place, it was too trivial even for a large volume of details. I heard the other day of a man who was alleging that £100 worth of Belgian glass was imported into England, where it can be produced 5 per cent. cheaper than in this country. But is it true? I am sure that the carriage would be close upon 5 per cent. of its value, for glass is a hazardous article, and if the figures are as stated, the English and Belgian producer can cry quits. But granted that it is true. There is, I admit, a good deal of foreign glass brought into England, much for trans-shipment, on which the English trader makes a profit. I do not see that the profit should cease till such time as English glassmakers and workmen can or will fill up the void which prohibition would cause. Besides, it was a raw material, wanted for something, and among other matters certainly for glazier's work. Is the glazier to be kept idle because the glass-blower will not supply him with what he *prima facie* wants?

We have become no doubt a very clever people, having been, as I have told you and proved to you, for generations, for centuries, as far as invention and adaptation went, about the stupidest and slowest race in Christendom. But we cannot as yet do everything better than our neighbours. In some cases the climate is against us; in some cases, you will I am sure pardon me, our want of capacity. The English climate disables us for weaving and dyeing silk as they can in Southern Europe, and therefore we wisely import silk goods, giving employment by this means to tailors, and dressmakers, and the like. We have not the taste of the French in

knick-knacks. We cannot rival the Italians in ornamental and coloured glass. The result is visible even within our own limits. For generations the Barnsley damask weavers have been trying to rival the Scotch and Irish in table linen, and Barnsley is a good deal behind Dunfermline and Belfast. But there is no knowledge more valuable to man, I state, than the knowledge of what you can do best.

I may further illustrate what I have said by that leather manufacture in which I have an historical interest. There was a great deal of leather imported into England in 1885, over 5¾ millions in value; and a little over 4 millions worth of leather and leather goods exported. Now, not a little of this leather, 1¼ millions, is re-exported, so that in reality the balance apparently against us is £500,000, no serious matter in such extensive transactions. Now when I came to inquire into the matter, I found that a very large portion of this leather was partially tanned hides. The material was in such a condition that it was not available for manufacturing use, but the partial tanning made the article more manageable and more merchantable than raw or salted hides could be. Hence this competition against English labour turned out to be in reality a partial preparation for the higher and more perfect skill of the English workman, and, as a distinguished but very ignorant politician has said, a blessing in disguise. Further research into this leather business disclosed to me that there was only a small part of the whole import, which for some reason or the other was not, and, as yet, could not be manufactured in England. It was a produce of Pomerania, and I am glad that a branch of the Teutonic race has invented something besides metaphysics and testimonials. Now, I cannot see why, if people want shoes, or boots, or gloves made of Pomeranian leather, English makers of these useful articles should be disabled from manufacturing them, and English customers from buying them, especially when English tanners cannot supply the article. Again, I found that it was a common custom for French dealers to buy and export boots and shoes of Clerkenwell and Southwark manufacture, and having stamped them in France with the name and trademark of well-known French firms, to re-export them to England as genuine Paris goods for our highly intelligent West End men and women.

I have, I hope, pointed out to you some of the uses which can be made of exports and imports, some of the errors into which a superficial study of them may lead disinterested inquirers, and some of the fallacies which are, consciously or unconsciously, derived from them by interested parties. The latter-named class we must constantly expect. Painters and poets, says the Roman Horace, claim much for the efforts of their imaginations. So, I assure you, do Protectionists.

XIX.

THE ESTATE OF THE CROWN, AND THE DOCTRINE OF RESUMPTION.

The earliest liabilities of the Crown estate—The king an extensive agriculturist—The causes of the risings against John, Henry III., Edward II.—Provision for younger sons by wealthy marriages—The alien priories—The impoverishment of the Crown during Henry VI.'s minority—The partisan feuds of the fifteenth century—The practice of parliamentary attainders—The poverty of Edward VI., of Mary and Elizabeth—The growth of the revenue under James—The grants of Charles II.—Davenant on Resumptions, and his line of argument—The action of William III.—His want of judgment—The act of Anne—The present estate—The ancient interest in the subject obsolete.

In the early ages of English history, the estate of the Crown was an object of great interest to the politics of the time. A cursory inspection of Domesday will show how large it was in the Conqueror's time, and how considerable it was in that of the Confessor. It contained many manors and estates, many towns and rentals of towns, besides large and almost indefinite rights of a casual or extraordinary kind. The king's land revenue was very great, many times in excess of that possessed by his richest fellow adventurers and subjects. But the estate of the Conqueror was not acquired without a stubborn resistance. The waste of England after the Conquest, and by reason of it, has not, I believe, yet been estimated from that remarkable survey which the compilers of Domesday set in order as a monument to succeeding times. The author of "The Dialogue on the Exchequer," says, that the Conquest was a wholesale and righteous confiscation,

but he writes in the interest of those who had succeeded to the inheritance of the older English stock, and did not procure this inheritance without an effort.

The estate of the Crown was, however, liable to serious charges. It maintained the king's household, the officials of his household, and the officials of the exchequer. It bore the charges of justice, of such police as the king exercised, no trifling matter among and over nobles, who held that their title to the lands which they had won was as good as that of the tanner's grandson was to the throne, and were reported to have expressed themselves to that effect. It was charged as far as we can make out with the cost of such an army, or guards, as the king collected; the liability to service, except in the case of invasion, being disputed and disputable. It needed a good deal of vigour to keep the new nobility in check, and it was thought politic to use considerable severity when their uprisings were anticipated or suppressed. I believe I am right in saying, that at the accession of Henry II., most of the nobles of the Conquest had been extirpated. A good many people say now, that their families came here with the Conqueror. I believe that similarity of name, how acquired one cannot tell, is commonly alleged to be evidence of lineage. But I imagine that the descent of the English people, high and low, is as confused as that of the Jews, whose pedigrees Nehemiah vainly tried to investigate. But throughout this dark period the estate of the Crown is a substantial fact, for the record of it, from the date of the second conquest, that of Henry II., is contained in that remarkable series of documents known as the Pipe Rolls.

The English sovereign was not only expected to maintain his state, his establishment, and his authority, from the estate of the Crown, but to make provision for his descendants from the same source. Hence in the earliest times you will find that the king, without creating or intending to create independent principalities for his children, gave them parts of his dominions. Henry II. associated his eldest son with him in the kingdom, and got into such trouble by it that he did not, on the young Henry's death, repeat the experiment with Richard. But Richard got Guienne; Geoffrey, Brittany, then a dependency on Normandy; while John, who had his first nickname from his landlessness, was made Lord of Ireland.

In this reign, too, the fashion began of wedding the cadets of the royal house to wealthy heiresses, for Henry wished to make a provision for John by betrothing him to the heiress of Gloucester. We shall see in course of time how general this custom became, and how much the royal house intermarried with the English nobles. It is said that the custom of the Crown, in addressing all lords who are of and above the degree of earl as cousin, originated at a time when the statement was very much one of fact.

Land then, and charges upon land, were the principal source of revenue in the king's estate. Where the king possessed manors, he cultivated them by the agency of his own bailiffs, just as the other proprietors did, and like them was anxious to see that the peace was kept, not only in consideration of his own authority as head of the State, but as a producer of corn, stock, and wool. This remarkable habit of early English life—in which all classes, from the king to the peasant, were interested in the successful pursuit of agriculture, a habit resumed on a large scale, and with most excellent results, in the eighteenth century—was, I am persuaded, the chief reason why social order was so well maintained in England, and outrages on property so rarely recorded. At two periods, then, of English economical history, very remote from each other, the propertied classes in land did a great service to agriculture. In the thirteenth and fourteenth centuries they were the cause why, alone among European nations, the English were great breeders of stock, especially sheep, and therefore became the sole source of wool, the selection of which, as the schedule of 1454 in the Rolls of Parliament informs us, had already become precise and varied. In the eighteenth century, though here they mainly imitated the Dutch, they again took up with progressive and experimental agriculture, and carried the art of husbandry in England to perfection. They did not do the like in Scotland or Ireland. Besides, during this long interval, though nothing new was developed, nothing old was forgotten. During the long period which intervenes between the earliest authentic records of the older English agriculture, *i.e.*, from the middle of the thirteenth century down to the beginning of the seventeenth, land and its products were well-nigh the only source of wealth, and by far the largest part of the population was engaged in cultivating the soil regularly, while the residue were occasionally occupied in the same employ-

ment. So universal an occupation was not only due to the fact that land was, according to our experience, scantily productive, but also to its very general distribution. Every one, as I have often informed you, owned or occupied land, even in the towns. Most of the manorial rentals show that this was the case in the country. Hints and allusions make it clear that, in a less degree, the same fact characterized the towns, and it appears that the singular county of the town, in which a large adjacent area was reckoned in the town —as, for example, the whole county of Middlesex with London, a district of near 3000 acres in the City of York, and similarly large suburbs to Coventry, Southampton, and the like—are, so to speak, survivals of an ancient association of rural with urban life, the peasantry of these country towns being reckoned with the burgesses.

Now it is manifest that, between the periods alluded to, there is no trace of economic or competitive rent. That in the sixteenth century, the rights of the landlord were strained, there is evidence in the works of contemporary writers. Hence the rent which was exacted was a customary payment, a fixed due, and I hold it to have been an historical truth, which later researches of my own have entirely confirmed, that rent was, as Adam Smith sagaciously recognized, a tax. In later times, it became a product of competition, circumstances having altered. But Smith was more in the right than his critics were, who imported into past usages the facts of present action, the common error of ill-informed persons, who have no faculty of discerning what must have preceded present habit. It was also a peculiarity in these tenures that the tax was unalterable in itself. It might be indirectly enhanced, and this indirect exaltation by a fine on succession might be a grievance, or when the tenancy was a lease, renewable by corporation or individual a progressive fine, but the old rent of collegiate or corporate property is a survival, or was till recently, of universal custom.

Now I have referred to this in order to show that the main source of the Crown's ordinary revenue was fixed dues and rents arising from land, and that this revenue was inelastic, what was paid in the third generation of the Plantagenets being identical in amount with that which was paid in the second generation of the Tudors. I have, in an earlier lecture, pointed out the negative

significance of this custom in refuting the common idea as to the effect of reputed changes in the currency, and I have shown that the real change forced on Elizabeth by her father's action, which she was too poor to practically revoke, led to the competitive rent of the seventeenth century. If no encroachment occurred on the Crown estate, its income might be computed with fair accuracy. It is true that after the rise in wages in the middle of the fourteenth century the Crown, like every other great proprietor, was very seriously hit, and had constantly to appeal, apart from the necessities of the first great war with France, for extraordinary grants to Parliament, a practice which became even more marked during the short, obscure, and, to the interpreter of fiscal and economical action, difficult reign of Henry IV.

As soon, then, as the system of extraordinary grants in Parliament became the means for assisting the extraordinary necessities of the Crown, the importance of the Crown estate in the eyes of the tax-payer, and the necessity of preserving it intact, becomes manifest. During the reigns of John and Henry III., when the greater part of the Crown estate on the Continent was lost, discontent was general and energetic. Nothing, I believe, but the opportune death of the father saved the son from deposition, and he subsequently only escaped deposition by the judicious and patent good faith of Edward I. With insufficient means, John had attempted to maintain an enlisted army, officered by foreigners, on English soil, and had strained the rights of the Crown in doing so. Henry had similarly not only impoverished himself by nepotism, but had engaged in a wild political speculation, with still more insufficient means, and had aroused the profoundest discontent with his policy throughout the kingdom. He had conferred a large and important estate of the Crown on his brothers, he had given much to his half-brothers and his wife's relations, and had finally bestowed another large royal estate on his second son. The earldom of Cornwall was soon re-united to the estate of the Crown, and was thenceforward destined to a special purpose. More than a century later, the estate of Edmond reverted to the Crown, and was, with a similar policy, preserved intact. From the time of Edward I. the custom becomes general to match the younger sons of the king to the heiresses of great fiefs, so as, I believe, to prevent for the

future any notable alienation of the Crown estates by way of appanage, for it was impossible to prevent dangerous intrigues on the part of cadets of the royal house, as was the case with Lancaster in Edward II.'s reign, with John of Gaunt in the time of Edward III., with Gloucester in that of Richard II., and with Humphrey of Gloucester in that of Henry VI.

The first serious outbreak consequent upon discontents, which led to entire distrust in the king and his court, and were caused, I believe, by the indiscreet impoverishment of the Crown on behalf of favourites, was the action of the opposition faction in the case of Gaveston first, and the Despensers afterwards. The petulance of Gaveston, and the arrogance of the younger Despenser, would have hardly led to such serious issues had not the public felt that they were running the risk of making up the void which was caused by the lavish way in which these people were enriched at the expense of the Crown. The counter revolution of the palace which, shortly after Edward's deposition, overthrew Mortimer, was similarly instigated by the extensive appropriations of Isabella's favourite, and the re-appearance of an offence which was punished so effectually in a previous reign.

Edward III. provided generally for his sons by marriages with heiresses, and it is not improbable that the constant dying out of royal stocks may have been due to the prevalence of this custom. Thus his eldest son, Edward, married the heiress of Kent; his second, Lionel, the heiress of the De Burghs, the owners of Ulster; his third, the heiress of the house of Lancaster. I cannot but detect in this an anxiety to provide for a numerous family from other sources than the Crown estate. It was better, said the critic of the times of Henry VI., that the king should have married from among his own people, than to have brought a furious foreign woman into the royal house who added nothing to its wealth, but impoverished it. Again the discontent felt at the promotion and enrichment of De Vere by Richard II. and the extravagance of his household, as in the days of his great-grandfather, led in the end to the revolution of 1399, as former practices of the same kind did to that of 1327.

But it was in the fifteenth century that the great impoverishment of the Crown estate began. Henry IV., who had married an heiress

of the house of Bohun, merged the honour of Lancaster, with its very widespread possessions, in the estate of the Crown, though it was kept, and has thenceforward been kept, distinct from the rest of the Crown estate. But Henry was incessantly in difficulties. He had troublesome wars, disturbances in Wales which he failed to overcome, civil war with the Percies and their adherents, with whom he was more successful. But these troubles do not seem to me to account for the singular straits to which this monarch was reduced, straits which had no parallel in any other reign. The age was, no doubt, lavish and extravagant to excess among the upper classes, as contemporary testimony avers. I can account for the fact only in this way. Henry had to provide for a numerous family, and the hereditary revenue of the Crown was inadequate for this and for his other expenses. The language of his Parliaments seems to indicate that the charges of his household were more than ordinarily great.

His son added to the estate of the Crown the lands of the alien priories. Some of these he sold, others remained for a considerable time in the hands of the Exchequer. I have never been able to discover the extent of this addition to the Crown lands, and we only know the destination of two parcels of this considerable dissolution. Some were bought by Chichele for his two Oxford colleges, and the foundation at Higham Ferrers. Much more was long afterwards devoted to the foundation and enlargement of the great house of Sion, and to the creation of Eton and of King's College, Cambridge. But these would have absorbed only a portion of the funds. Of course Henry's French war necessitated considerable extraordinary grants.

It was during the reign of Henry VI. that the Crown estate was reduced to the lowest point. No doubt the costs of the French war were great, and the acquisitions which were made in France were not profitable. But other causes were at work during the young king's childhood, though his reign was always a minority. Now the report presented to Parliament, when the king was between eleven and twelve years old, on October 18, 1483, is to the effect that the revenue had fallen to little more than £9,000 a year, exclusive of the Duchy of Lancaster. The principal items of expenditure were the household at Windsor, £13,678; annuities to the mem-

bers of the royal family, £11,152; the government of the Marches and Ireland, £10,899, Calais, £11,913. The total charges are £56,878, or £47,877 in excess of the income. There were outstanding debts to the amount of £164,815, besides liabilities for which securities were held. Of course much of the Crown estate was permanently or temporarily alienated, and it is plain that, besides the cadets of the royal house, many of the nobility had quartered themselves on the revenue. The treasurer, Lord Cromwell, who died some years after, perhaps the richest subject in England, had no doubt assisted at the spoliation. He became a violent Yorkist before his death.

There can be no doubt that this wholesale plunder of the Crown estate, and the resentments of those who were excluded from the spoil, developed and kept alive the atrocious feuds of the fifteenth century. The civil war, which lasted for over thirty years, from the skirmish of St. Albans to the battle of Bosworth, was essentially one of partisans. The people took little part in it, except in so far as the Lollards of the eastern counties preferred the Yorkist to the Lancastrian faction; for the latter was the persecuting party, while the former appears to have been tolerant. But nearly all the nobles, except perhaps some on the Scottish border—where, however, the Percies were violently Lancastrian—took part in the struggle.

They undoubtedly obtained their partisans from those soldiers of fortune whom the cessation of the long war with France had sent back to England. And they seem to have worn each other out, for at Bosworth the forces on either side appear to have been insignificant. Now the proof that this civil war did not affect the mass of the English people is to be found in the singularly progressive condition of England during the fifteenth century, and the total absence of complaint during the murderous strife that was going on about any loss or disturbance from these military events. You will observe, too, that the war of succession was eminently one of pitched battles, not of sieges; and it is curious that during the heat of the struggle the strong castellated mansion of an earlier date gives way to the embattled house, which, though possessed of some slight defences, was by no means such a stronghold as the feudal castle was.

The war of the family succession gives occasion to those numerous acts of attainder, confiscation, and resumption, which

were perhaps intended to obviate the perpetual inheritances which had been created under entails and uses. The practice of employing Parliament as the means by which malcontents in high rank might be effectually crushed, began with the Coventry Parliament of 1459, when Margaret resolved on the wholesale attainder of the entire Yorkist party. This, it is true, did not take effect; for the acts of this Parliament were revoked in the following year. But the precedent was not forgotten. It was repeated in 1461, after Edward's accession; and in 1471, after he had finally subdued the Lancastrians at Barnet and Tewkesbury. It was revived after Bosworth, after Henry had determined to assert that he was *de jure* and *de facto* king, the day before the battle. The Crown frequently extended its estate from this time forth by forfeitures.

If there be any truth whatever in the common statement as to the real estate possessed by the monasteries, the addition made to the Crown estate by the Dissolution was enormous. It was said that Henry entered into the possession of one-third the area of England. It is certain that he promised, if this grant were made him, that he would ask his people for no further taxes. It is equally certain that he broke his word. It is quite as certain that the whole of what he appropriated disappeared in a marvellously short time, and that before he died he was reduced to the greatest straits, and resorted to the most disgraceful frauds in order to extricate himself. It has been said that the monks foresaw the storm, granted long leases, and invented the fine on beneficial holdings; and there is historical colour for this allegation. But the accumulated treasures in plate and jewels, possessed by the more famous and frequented monasteries, must have been enormous; and the trials of abbots and others for embezzling the monastic treasure, the diligent search made by the king's agents for it, and the extreme rarity of any discovery in later times of a hidden hoard, prove, I think, that the whole, or nearly the whole, must have been surrendered. I am of course aware that Henry made prodigious grants. The houses of the Reformation owe most of their wealth to their share in the plunder. But this share was but a fraction. Besides, the nobles whom he proscribed and ruined, could have almost afforded sufficient provision for those whom he created and left.

After this epoch the hereditary estate of the Crown was greatly

wasted. The infancy of Edward VI. was like the infancy of Henry VI., except that the later child-king was remarkably precocious. But the guardians wasted and appropriated much that Henry had not lived long enough to spend, and the young king's sisters—Mary and Elizabeth—were both exceedingly poor. Elizabeth was forced to supply the wants of the few courtiers whom she enriched from other sources than those of the Crown lands; and it is well known that some rich bishoprics were turned into very poor ones, in order to satisfy the claims of her favourites. Elizabeth insisted on the government of the Church by bishops, but she had no objection to compensating their spiritual dignity by shortening their temporal resources. It is a more disputable question whether she intended, or hoped to compel, an ornate ritual. It is perfectly certain that it was not enforced, whatever opinions have been recently expressed as to the fact. Had it been, I should certainly have been able to trace it in the college accounts.

The indirect revenue of the Crown was stationary during the reign of Elizabeth; it began to grow rapidly under James. That very absurd person chafed at Parliament most unwisely; for it was the means by which discontent evaporated in complaint. In the times of the Plantagenets, the favour shown to Carr and Villiers would have been resented as effectually as that exhibited against Gaveston and the Despensers. But Parliament became a mouthpiece through which popular indignation found a vent. James, however, discovered sources of revenue which his predecessors never dreamed of. Not content with straining the feudal rights of the Crown, he openly sold hereditary honours, instituting a new order —entrance to which was purchasable for a round sum. But, in fact, the interest which was anciently felt in the Crown estate was lessened by the graver question—which was not set at rest till civil war decided it—the right of the Crown to revise and increase the ancient customs which it had collected at the ports. The strife, which begun with Cecil's "Book of Rates," was only ended at the Whitehall tragedy. James appears, from the transactions between him and the City of London, to have died greatly in debt. It appears that the Irish estates of the City Companies were gradually acquired, and that some, at least, of them were taken in lieu of advances in the reign of Charles.

During the time in which he had quarrelled with Parliament, Charles attempted to enlarge the estate of the Crown by inquiring into the boundaries of the royal forests. The exemption of the Crown's title from any prescription is probably a very early maxim of law. It certainly found favour with Charles, who, we are told, wished to govern in entire accordance with law. But this laudable aspiration was, in the eyes of his contemporaries, marred by his coercing the judges, and subjecting juries to the old law or custom of attaint. I am not sure that a naked despotism is not better, as I am sure it is much more honest, than an affectation of legality from which all true legality is carefully weeded out. To supersede law is a manlier course than to use the forms of law as a cloak for absolutism. At any rate, Charles created against himself a party of aggrieved peers. I know nothing in the irony of history more striking than the fact that the son of the first Lord Salisbury of the house of Cecil took part, as he virtually did by sitting among the Lords on the memorable 30th of January, in the execution of the son of that king, whom the first Lord Salisbury instigated to quarrel with his Parliament, by doing what that Parliament conceived to be illegal and constantly resented.

During the Protectorate the incidents of the Crown estate were neglected, or silently abrogated, though the direct taxation levied on all landowners was searching and heavy. The estate of the Crown became the estate of the nation, and formed part of the general revenue. Cromwell had a modest establishment for his household at Whitehall, though the cost of protecting his Government by a standing army was great. At the Restoration, on the ridiculous and technical plea, that as Cromwell had not been formally declared king, the Act of Henry VII. did not protect his adherents, or legalize his government, all the Acts of eighteen years were declared void by the lawyers. But it was impossible to ignore the custom which had held good for nearly a generation, and the feudal dues of the Crown were extinguished at the cost of the poorest class of people, they who were customers or consumers of articles included under the hereditary excise. The estate of the Crown, now become a comparatively unimportant part of the royal revenue, was left to the discretion of the reigning sovereign, and conceived to stand on the footing of a private estate. It is not remarkable that Charles

gave so much away, the wonder is that he left any part of it for himself or his successor. The check on alienation was, I believe, the consciousness that if he left himself entirely without resources he would need to apply to Parliament, and it is plain that Charles II. was as bent, in the latter years of his life, on dispensing with Parliaments as his father had been before him. Fortunately I believe, for him, the project was fresh when his sudden death occurred.

Now during the actual reign of Charles, which lasted for near a quarter of a century, the estate of the Crown was largely burdened by grants to his numerous irregular offspring. He was not indifferent indeed to indirect means of enriching them. The eldest he married to the heiress of the Scotts, Earls of Buccleuch; another was matched with the heiress of the De Veres, an ancient and impoverished peerage; the youngest was married to Charles's own kinswoman, the heiress of the Scottish house of Richmond. But all were provided liberally for out of the Crown estate, some from what were conceived to be the hereditary resources of the Crown, some from doubtful taxes anciently imposed, but imposed, it would appear, with insufficient legality. But these grants in later times were the occasion of a singular controversy, and ultimately of a significant Parliamentary settlement, in which very ancient traditions as to the permanent alienability of the Crown estate were affirmed, and under strict conditions the descent of the estate was protected. There is not, I believe, a grant of James II. from the Crown estate, for Berwick went into exile with his father.

Now it was I believe an early doctrine, certainly as early as the fifteenth century, that a grant of the Crown, even when the sovereign was only the nominal founder or donor, was valid only during the life of the donor, or reputed founder, and could in theory be revoked on the demise of the Crown. Thus Colleges in Oxford and Cambridge, even though they were founded by the license of the Crown, sought a confirmation of their charters, as though such charters were invalid without such a confirmation from successive sovereigns. Magdalene College, for instance, in this University, obtained a fresh charter, and at no little cost, from Henry VIII., though there is no evidence that the Crown gave an acre of land to the foundation. With more reason the foundation of King's College, Cambridge, had to pay smart money to Edward IV.,

and to redeem the legacy of Henry VII. devised for the completion of the chapel from his magnanimous son. But the most significant illustration of this principle is to be found in the various acts of resumption. Here it was considered necessary to insert the colleges of Oxford and Cambridge, and the two ancient schools of Winchester and Eton, among the exceptions to a general act. A relic of this doctrine appears in the history of the judges' patents. By the Act of Settlement the judges are irremovable, except by an address from both Houses of Parliament. The protection is perhaps excessive, but long experience had taught the statesmen of the Revolution that these people could not be kept decently honest unless they had a freehold given them in their offices. In our day, perhaps, the privilege is too absolute, and well-proved partisanship, stupidity, or ignorance, recognized to the satisfaction of either house and affirmed, might be conveniently substituted for the double address. But notwithstanding the Act of Settlement, it was law, up to the accession of George III., that the demise of the Crown vacated the patents of the judges.

The evidence on the subject referred to was collected at the very end of the seventeenth century with great fulness and superficial moderation by Davenant, in his discourse on grants and resumptions. Davenant was a very capable pamphleteer and partisan writer in a time when a pamphlet could influence a policy, certainly sustain it. He knew well enough what were the conditions under which party writing alone could be successful, for during the Revolutionary time, and for a long time afterwards, the pamphlet was the most serviceable weapon of literary warfare. In our day, the opinions of a politician expressed in writing are more ephemeral than his speeches. No one cares, perhaps no one rightly cares, what was said yesterday in a leading article. No one cares, and probably with equal justice, at what a public man has alleged in a signed article or pamphlet for any long time. Even the trick of searching into Hansard or the files of a newspaper for public utterances in order to found charges of inconsistency on them is stale. But nearly two centuries ago political pamphlets were written with extreme care, were constantly quoted, and not infrequently reprinted. They often deserve to be, for they are the best index of contemporary opinion, since the writer had to catch public opinion at the

time when he wrote, and, if he would be successful, reflect it with fidelity. Then he had to give good reasons, historical, for matters in which he appealed to ancient precedent, political or economical, when he had to deal with diplomatic combinations, when he advocated or insinuated a line of policy or the reversal of one. Swift's "Thoughts on the Conduct of the Allies" did not bring about that Parliamentary change in England which led to the treaty of Utrecht, for the Tory party were bent on ousting the Whigs; but it was the best justification of their tactics that could be given. Davenant did not create the feeling which led to the action of Parliament in 1700, when he obliquely and inferentially challenged the grants of William to his Dutch favourites; but he brought considerable learning into the controversy on the question, and gave the air of a respectable zeal for the public service and public economy in a controversy which was in the main partisan, though the indiscretion of the administration had given a powerful lever to its enemies.

Davenant was the son of the playwriter whom some believed had inherited a little of Shakspere's genius and even of his blood. He filled certain places in the office of the revenue, and was for a time in Parliament. He was essentially a party writer on the Tory side, and the best writer which they had in the seventeenth century. To our habits of thought, his true picture of a modern Whig is a gross and clumsy lampoon, but it was highly effective at the time; for it charged the politicians of that party with no better aim than that of pretending to public spirit as a cloak for personal gains; contrasted them to their disadvantage with the Whigs of a generation or two before, for instance, the Exclusionists, and even the framers of the Rychouse plot, and suggested their proscription. It was most extensively circulated by the Tory leaders, and firmly believed to be a genuine account of such men as Somers, Halifax, Burnet, and the like. So highly did Louis XIV. value this timely lampoon, that he sent Davenant a handsome present. Davenant repaid the bribe by entering into confidential communications with Poussin, the French envoy, and was in his company when the famous supper of the Blue Posts was being enjoyed. But this event was subsequent to the essay.

The essay on Resumptions is exceedingly adroit. It dwells on

the importance which had been traditionally assigned to the Crown estate, and the discontents, insurrections, and resolutions which had been caused by the malversation of ministers of the Crown, their embezzlement of it in their own interests, and their corrupt complicity with those whom the king had unwisely favoured. He dwells with particular emphasis on the occasions when the reigning monarch had quartered foreign favourites on the Crown estate, and how uniformly the community had resented the enriching of these adventurers. He alludes to the fact that in all impeachments of unpopular and corrupt persons, the charge that they had enriched themselves by the disherison of the Crown, and to the waste of the royal revenue, had been strongly insisted on, that it was alleged in the case of Villiers, of Strafford, whom he ingeniously asserts to have been the victim of a section of the Court party who would screen themselves by sacrificing him, and touches on Danby's case, a public man still living, and one of his own party, though now under a cloud, with an exceedingly shrewd air of candour. To the partisans of that time and the students of this age who can read between the lines, the oaths of the servants of the Crown, quoted at length, were intended to charge Somers and others with corruption and perjury, while the cases cited are made to resemble as nearly as possible those of Bentinck, Ginkell, Rouvigny, and Keppel. Everything is cleverly insinuated, nothing is actually alleged. Even in dealing with the Irish forfeitures it is hinted that these ought, as the Irish Protestants and the English public have found the funds for the Irish campaign, to be disposed of for the benefit of the taxpayer, and not to be distributed at the pleasure of the Crown, even among the most deserving persons. Nothing could be more adroit and in terms less offensive than Davenant's volume, for it amounted to these dimensions, and nothing more serviceable to the malcontents. It does not seem to me that Macaulay has given sufficient weight to this remarkable essay. But he was dealing with this subject and this epoch just at the time when fatal illness attacked him. I will assume that you are familiar with the description which this luminous and conscientious historian gives of the Parliamentary struggle over the Irish forfeitures and the English grants in the wenty-fifth chapter of his history.

In dealing with the subject of the Crown estates and William's

grants, Macaulay utters some faint censure on his hero. Now I do not think that in estimating William III. this eminent historian has sufficiently recognized the position which William had occupied as Prince of Orange, and that which the Revolution put him in as king of England. In Holland William was the leader of a faction against which was arrayed not a little of the administrative ability of the Dutch nation, and nearly all its wealth. It was the misfortune of the house of Orange that two of its most eminent representatives had been strengthened or elevated to power by the judicial murder or assassination of their best friends and benefactors. Maurice, who in his own youth owed everything to the care and energy of Barneveldt, brought about or permitted the atrocious execution of that great man; and William III., who owed everything in his own youth to the fostering care of the De Witts, was thrust to the head of affairs after the assassination of the brothers, who had been deceived by the matchless perfidy of William's uncle. Now the De Witts were especially the type of the great Amsterdam merchants, jurists, and publicists, and though the eminent services of William to his country for the sixteen years between 1672 and 1688 effaced, to some extent, the memory of the events which caused his rise, and his association with the Dutch democracy, William was never at home at Amsterdam. But in England the case was wholly different. He had risen to power, and to the place of an English king, by the class which had been opposed to him in Holland, the mercantile interests of the great trading cities. He had been found exceedingly useful by that part of the aristocracy which had broken with James. But the country clergy and the country gentlemen were never reconciled to him, never really rallied to him. He entertained towards the two parties of the Revolution about as much respect as he had entertained towards the burgesses of Amsterdam, and they, in so far as they had escaped from the corruptions of the Restoration, a rare occurrence in any of the public men, could not be expected to feel personal loyalty to a foreigner, a Dutchman, a king, who, as they conceived, apart from his attachment to certain persons of his own nation, was certain to postpone English to Dutch interests.

Now Macaulay says that "in giving away the old domains of the Crown he did only what he had a right to do, and what all his

predecessors had done." But this was the whole question. It was alleged by Davenant, and alleged with historical truth, that it was not in the power of the Crown to grant more than a life interest in any part of the Crown estate, and the precedents for this construction of the law were numerous and cogent. The Rolls of Parliament, the journals of the two Houses, the Statute Book itself, looked on at that time, when precedents were of the greatest significance, were conclusive on the subject. Of course the occasion of the stormiest scenes, as Macaulay has shown, was not the favour shown to Somers and Burnet—in the former of which it might be contended with some reason that the Chancellor had been privy to a transaction which involved his own benefit; and the attack on this failed, even the malcontent Whig House declining to join in the attack. The services of Ginkell, Rouvigny, and Schomberg, the grants to the last of these being still a charge on the exchequer, were military, intelligible, and important; the grants to Bentinck and Keppel, to the former outrageously large, were made to needy Dutch nobles who had attached themselves to William, and were at best for diplomatic services, but mainly for personal reasons. Whatever were the merits of Bentinck, however justly he deserved William's confidence, English people saw at that time in him only an arrogant foreigner who, by the favour of the king, was suddenly raised to be the equal in wealth of the first English families, and this out of an estate the deficiencies of which would have to be supplied by a land tax on the country gentry and by excises on the expenditure of the poor, or on the development of trade. I may be wrong, but I believe that, even in our own day, the ennobling and enrichment of a personal favourite of the reigning sovereign out of any public fund whatever, say the duchies of Lancaster and Cornwall, would be met by an equally strong opposition, and that Parliament would not need the precedent of 1700 in order to give effect to its discontent. I cannot but think that but little of the sagacity which William possessed was needed in order to have enabled him to foresee the dissatisfaction which would be aroused by his grants to Bentinck.

Besides it might have been argued with great propriety that the relations of the Crown and the revenue had been totally altered by the Revolution. This great change had been effected, not only to

reverse the doctrines which had prevailed or had been taught, as to the administrative and judicial usurpations of the Crown, but at once and for ever to put a stop to equally noxious fiscal theories. The money, the revenues, the resources of the country, however ancient they were, however much they had hitherto been at the disposition of the sovereign, were henceforward to be under the control of Parliament. If, it was argued, the hereditary revenues of the Crown were wasted prodigally and on unworthy objects, the nation has to make the loss good. Now the English people has never failed to assist the necessities of the Crown, and it has never failed either to control a foreigner's greed when he has quartered himself, in appearance on the sovereign's favour, in reality on the public purse. And no one throughout his reign more misconceived the new departure than William did. He thought himself entitled to all the grants which a packed Parliament had made to James. He thought himself at liberty to appropriate the revenue to private purposes more largely than Charles, to the discontent even of those who hated the memory of Cromwell. Even in the age of unreasoning loyalty they had endorsed the impeachments of Clarendon and Danby, and included peculation in the charges made against both.

Again it was not to the credit of the king and his administration that no steps had been taken after those years of peace to deal with the deficits and the floating debts of the war. The people, the Parliament itself did not know what were the charges against which they had to make a permanent provision, and ignorance naturally exaggerated liabilities. If the Irish forfeitures could lighten this load of debt, it was not unreasonable for people, smarting under novel taxes, irritated at a great direct tax on land, to claim for itself the repayment of those funds, the advance of which had made the Irish conquest alone possible. It should have been the business of the administration to exhibit in a distinct and clear schedule what the liabilities of the nation were, and to take order for their liquidation or funding. Even now, it is exceedingly difficult to make out from returns presented to Parliament, what was the cost of the war of the English succession which ended with the peace of Ryswick, even from Postlethwayte's details.

At the beginning of Anne's reign (it should be noticed that no

such steps were taken in William's as a proof that the English Parliament was generous, perhaps just), a restraint was put by Parliament on alienations of the estate of the Crown, by what must be now recognized as the administration. By 1 Anne cap. 6, the Crown was disabled from granting leases of Crown lands for more than thirty-one years, and no renewal of the lease was allowed till the earlier had determined. Again, it could not make grants from the hereditary revenues of the Crown for a longer period than the life of the sovereign. This is illustrated by the case of Churchill, whom Anne made Duke of Marlborough at the instant of her accession, and on whom she at once settled for her life £5,000 a year out of the profits of the Post Office. When Parliament met in October, and Marlborough had been appointed commander-in-chief of the Dutch as well as of the English forces, and had captured some places in Flanders, though he had not as yet shown eminent proofs of his great military abilities, the queen, no doubt at the instigation of the duchess, sent a message to the Commons requesting them to settle £5,000 a year on the duke for his services in Flanders. The Commons admitted that he had retrieved the honour of the English nation, declining to accept the words "maintained or advanced." But they refused to make the grant and annex it permanently to his peerage, on the ground that "the revenue of the Crown had been so much reduced by exorbitant grants in the late reign," and carried these words, reflecting on William's action, by an overwhelming majority.

By this time, indeed, the estate of the Crown had sunk to the shadow of its ancient dimensions. Lessened as it had been in the early part of the fifteenth century to some £57,000 a year, and therefore the subject of anxious alarm to the Commons, who demanded that a resumption of grants should forthwith take place, it was still on a fair interpretation of rents paid in the fifteenth century, equal to two and a quarter millions of present revenue, for forty is a moderate multiplier of mediæval rents into modern money. I have no estimate of the annual value of the Crown lands at the beginning of the eighteenth century, but I have no doubt from the general rise of rents, between the restricting statute of 1 Anne, that it was not more than £40,000 a year by that time, and rents having risen about ten times since that date, the present value of

the Crown estate confirms this calculation. Of course it had become wholly insufficient for the maintenance of those objects to which it had been originally dedicated, and even for the royal household, which thenceforward depended on a civil list, voted and appropriated at the commencement of each reign.

Practically, the estate of the Crown has become part of the national estate. It does not belong to the present royal family by descent, for on mere grounds of hereditary right, there are many persons more near the Stuart stock than that which was declared after the death of the Duke of Gloucester, by Act of Parliament, to be next in succession. The doctrine that the Crown lands belong to the Crown is as obsolete as the doctrine would be that the hereditary excise of the Restoration does. These lands have been surrendered, or rather have never been given, and the estate is managed by and for the State, under the control of Parliament. Even in their present form they cannot be charged or alienated, although it must be allowed, the restraint was put on when there was little left to save, just as in Elizabeth's reign, the disabling statute, putting a check to the alienation of lands belonging to ecclesiastical and academical corporations was not enacted till many sees had been greatly impoverished by the exactions of Elizabeth's courtiers, and with the queen's connivance.

The Act restraining the Crown from alienating the royal estate in England did not extend to Ireland, and enormous grants of these forfeited estates, about which so much stir was made in William's reign, were conferred on the queen's favourites, notably on the Seymour Conways. But, in fact, the Irish exchequer, even up to the days of the Union, was loaded with placemen, rewarded for services which, even in Walpole's time, the English Parliament would have compensated very differently. Perhaps among the many Irish grievances which existed before and after 1782, none was more offensive to national feeling than the use which was made of the Irish pension list, and the lavish expenditure of Irish money on those who were fortunate enough to get a share in the distribution. Nearly as many families were founded and enriched from this source as from the Church lands in the days of Henry, and even the Irish Parliament which is associated with Grattan's name, contained persons in it, created under this system, who would not have been

endured in the very worst times of English Parliamentary corruption; men who merited the indignant contempt with which Wolfe Tone characterized the Irish House of Commons.

Two of the ancient Crown estates are still annexed to the reigning monarch and the heir apparent, the duchies of Lancaster and Cornwall. They are curious survivals of the old feudal tenures, and illustrate how strangely the possessions of the ancient estates were scattered all over the country, for the two duchies hold lands in most of the English counties. For example, there is a considerable estate of the Duchy of Cornwall in Berkshire, not half a dozen miles from Oxford. Up to recently those estates were generally occupied under the system of beneficial leases, but these leases have not been renewed, and in consequence no little discontent has been expressed by those who had purchased on the understanding that the traditional custom would be continued. But in fact, as these estates are appropriated to these royal persons, they are naturally, in their improved condition, to be taken into account in the settlement of the civil list, and so fulfil to some extent the purposes for which in old times the estate of the Crown was so suspiciously watched.

I have dealt with this subject then, partly because it plays in past history so important a part in that economic side of English public life which deals with taxation and revenue. Its indirect significance in the many disturbances and changes which have occurred in the English monarchy is of the greatest. As I said at first, revolutions in English history, the deposition of princes, the change in the succession, the control of Parliament over the executive, may have been brought about by a plurality of causes, but the fiscal or economic cause dominates the whole. In one way the shrunken importance of the Crown estate, now not as much as the two-hundredth part of the annual revenue, has made the succession infinitely stronger. It is now exactly two centuries since Parliament undertook to change the succession to the Crown, and to dissociate itself from the dogma of Divine or even of hereditary right. You will not find any two centuries of English history in which the position of the dynasty which Parliament established has been so unassailed as that of the House of Hanover. The constantly recurrent cause of disaffection has been taken away.

The personality of the sovereign, though by no means lost, is merged in that of Parliament.

The appropriation of the Crown lands by Parliament, and the limitations imposed by the statute of Anne, had much to do with the gradual extinction of Parliamentary corruption. People may, if they please, criticize the conduct of the House of Commons, its management of business, its appetite for undertakings which it cannot adequately deal with, its delays, its disturbances, its factions. But no critic can charge it with being corrupt, with its members being influenced by personal advantage in their political action, with any motive more ignoble than ambition. In this it can be contrasted to its honour with every other Parliament, with every other British institution, even with the University of Oxford. In this political purity lies its enduring hold on the English people. This reputation had its beginnings in the efforts of those who quarrelled, however unskilfully and unduly, with William, and anticipated by its own action, in the Act of Anne, the possible continuance of William's errors under the rule of his feeble successor. But the historical interest in the doctrine of resumptions is materially modified, if not extinguished, by the passing of the *Nullum Tempus* Act in 1768 (9 George III. cap. 16). By this Act, the Crown was disabled from resuming any grant after a lapse of sixty years. The occasion of the Act was an attempt, on the part of Sir John Lowther, to appropriate to himself through the interest of his father-in-law, Lord Bute, one of the grants which William III. had made to Bentinck.

XX.

PUBLIC DEBTS.

Early loans—The example of the Dutch—Their finance—The origin of their loans—The power which a government possesses of raising loans—The United States—France—India and the Colonies—Elements of safety and distrust—Loans in government paper—Inconvertible paper—Taxation of dividends—The ordinary object of loans—Permanent and terminable loans—The loans of the Revolution—The system of borrowing—The funding system, and the arguments for and against it—The return to cash payments, and the reasoning of those who wished to degrade the currency—Peel's action.

The Dutch taught European governments that part of finance which under the name of public debts pledges the future earnings of a people to the payment of interest on loans, and to the repayment of them in course of time. Governments have often borrowed money on the security of taxes. Thus our Edward III. raised large loans from Florentine bankers, giving them what they no doubt thought adequate security, and broke faith with them. It is not so long ago that the descendant and representative of one of these houses was entertained in London, when he alluded to the fact, though without any expression of hope that the liability written off five centuries ago as a bad debt would be recognized by the present generation. I mention the fact to illustrate how enduring is the memory of repudiation. In the same way Philip II. repudiated his debts in 1596, and nearly ruined Genoa, which had plentifully discounted his paper. From that time the Government of Spain has never been able to retrieve its credit. Public credit is

vigorous enough when the integrity of a government has been traditionally unblemished. But it takes a long time to restore a tarnished reputation in matters of finance, when the confidence has been that of a foreign creditor whose most effectual criticism of the past is a deaf ear to present applications. I shall try in the course of this lecture to point out, not only the acts which destroy all trust, they are fairly obvious, but also the circumstances which excite a hardly less dangerous suspicion.

The war of Dutch independence is, to my mind, the most striking fact in modern European history, perhaps in the history of civilization. It begins with the capture of Brill by the Beggars of the Sea on April 1, 1572, and ends with the practical acknowledgment of Dutch Independence in 1609. It is true that before this time William of Orange was resisting and negotiating, and no one doubts how important was his name as a rallying cry, and his counsel in success or in adversity: But the War of Independence was essentially one of the traders and the people. The Dutch nobility were constantly traitors to the cause which they had embraced, and to the men who trusted, honoured, and rewarded them. It was unhappily the case that two of the English commanders, Yorke and Stanley, were even more treacherous. It is only too true that the house of Orange has exhibited the most conspicuous illustration of how little hereditary political virtue, political intelligence, and true patriotism are. This house in its later times has clung only to the worst traits which disfigured some of the earlier members in the lineage. But during the whole struggle the Dutch merchant and the Dutch peasant were as true as steel, never discouraged, though constantly deceived.

The debt which modern civilization owes to the Dutch cannot be too overrated. They taught Europe the art of agriculture; for it is to their example that the new agriculture, which we adopted tardily in the eighteenth century, was due. They instructed Europe in the mystery of commercial credit, and the Bank of Amsterdam supplied what were virtually the earliest practical lessons in mercantile finance. They taught the world the whole of the scientific navigation which it knew for centuries. They were the pioneers of international law, of physics, of mechanical science, of a rational medicine, of scholarship, of jurisprudence. The geographical dis-

coveries of Holland were the basis of the first real maps. But above all things, they instructed during their long struggle after independence modern financiers in the art of taxation, for the exigencies of their position forced them to try every expedient for the discovery of ways and means by which the little republic could make head against the colossal armies and, as was believed, the inexhaustible wealth of Spain.

The Dutch did not borrow till they had exhausted every other financial expedient. During the continuance of the Dutch excise, and after it was made permanent, in order to secure interest on the loans which the Republic found it necessary to raise, every Hollander, from the cradle to the grave, for every act of his daily life, and even for the voluntary and involuntary incidents of it, was taxed. He lived under the *régime* of a perpetual, sleepless, searching octroi. No nation ever bore so much in the way of taxation without flinching. They had none of those foolish notions which possess the minds of many modern financiers, that a government can put on customs duties and make foreigners pay them. They were perfectly aware that trade to be successful must be free, that however much the Hollander might be pinched in his daily expenditure, thrift might overcome this evil; but that to deter the trader from bringing produce to Dutch ports was to cripple the very life of a commercial people, and make existence impossible. And so Dutch finance was a charge on consumption, levied at the purchase of the article, or on the event at which the impost was due, an income tax which dealt with all expenditure at the time in which expense was incurred. But trade was free, and Amsterdam with other cities were marts from which all European merchants took their price, at which all traders congregated. Nothing but a political education of the most stringent kind, a deference to authority which never was shown to power, would have induced this extraordinary people to submit to so searching a fiscal inquisition, and yet to remain so free from protectionist illusions. Their finance formed a precedent, but never became an example for other communities, perhaps because no other community has been animated by so intelligent a patriotism at that which marked the War of Dutch Independence. Cromwell imagined that he could graft the system on English finance. But notwithstanding the brilliancy of that great general's

career, his action, and that of those who were with him, was too narrow. The English people took no side in either the first or the second English Revolution.* They had been carefully excluded from all stake in the struggle. To them a change of dynasty was only an exchange of masters. Even now it may be well doubted whether many Englishmen rightly interpret the meaning of political struggles.

When the endurance of the Dutch taxpayers of excise was apparently exhausted, the Dutch Government took to borrowing of their more wealthy citizens, for there was no reason to believe that they could go out of Holland for money. If they had had recourse to a forced loan, as a special-income-tax from the wealthy, and the expedient had been successful, the money could have been raised and spent. But the Dutch knew that capital may be weak, but that it is very mobile, very agile, and that it is better to attract capital than to discourage it. When a government borrows money from its own subjects or citizens, it is plain that it could extort the money, for the success of the operation proves that what it is in quest of is present. But entirely apart from the equity of such an expedient, it is wise to examine its policy. Now every council-general of the Dutch states who had any sense, knew that it would be impolitic to do so, and the Dutch councils-general were very well acquainted with the conditions of business. It is very probable that many among them knew that to borrow on the future industry of the community is to incur a double burden, to diminish the present material of industry, by devoting capital to an object which would not increase the industrial powers of the community, and by forcing those industrial powers to pay interest on a loan which it would take the future industrial powers of the community to pay off. But they borrowed from their own people, and the rate at which they borrowed proved how considerable were the resources to which they appealed, and how judicious was the conclusion at which they arrived.

Assuming an intelligible necessity, a government has almost indefinite powers of borrowing from its own people, under the conditions that the habit of saving is in excess of the habit of expenditure among them, and that the community has a reasonable freedom of industry accorded it. Lord Rothschild once told me that the

reason why the Jews were the financiers or loan-mongers of Europe resided in the fact that the whole race saved, every one of them striving to accumulate half his income. M. Sylvain van der Weyer, the Belgian minister from the date of the Belgian separation to his death, told me that this was the secret of Belgian wealth, and the cause of Belgian agriculture, which should almost be called horticulture. Every Belgian, he said, from the Duke of Arenberg to the peasant, tries to save half his income. Now, such a people must either hoard and hide its savings, a custom nearly obsolete; or buy land with them, a practice said to hold in Belgium and rural France; or employ them under the joint-stock principle, in industrial undertakings, as is witnessed in many countries; or lend them to government. They may, in the last form, be lent to government for reproductive purposes, as in railways or similarly remunerative undertakings; or for objects remotely remunerative, as in defences, harbours, and the like; or in war, when whatever may be the pretext, or justification, they are for all that concerns future industry wasted, and remain a burden.

The power, then, which a government has of borrowing from its own people, however seriously the operation may cripple industry, is indefinite, under the above conditions. But a government may find it difficult or impossible to borrow from its own subjects or citizens. They may be too poor to lend voluntarily, as is the case with Russia; or they may be distrustful of the government, as in British India; or they can better afford to borrow abroad, because they can find a more lucrative employment for their savings at home, as in the British colonies. In these cases, the loan is held out of the country. Now, though it is not easy to say where the limit of possible indebtedness in such cases is to be found, it is certainly far narrower than it is when the government borrows of its own subjects. The Russian government, since it came before the European Stock Exchange, has fulfilled its engagements. It has paid its interest scrupulously and punctually, and we may be sure with prudential motives. But it is probable that every rouble of that debt is held abroad, and it is certain that all of it is believed to be. Its power of further borrowing is, therefore, doubted, and, if we are well informed, it has striven in vain to negotiate a further loan in the Stock Exchanges of Berlin, Paris, and Amsterdam.

Lenders of money to government are neither patriots nor politicians. The strongest assurance that the loan was wanted for a Slavonic purpose would not get cash from the most ardent Panslavist. Still less would a Dutchman or German, or Frenchman or Englishman lend his money to the Russian government for political reasons. It is lent to get an income, and if the prospect of the income is dubious, either because the government is incapable of bearing a further strain, or because the resources of the country are supposed to be near upon exhaustion, the applicant will visit the Stock Exchanges in vain. Even Pitt's "patriotic loan" was a failure.

Perhaps an indication of this possible exhaustion, not it may be exactly formulated, but not the less real or dominant, is to be found in the demand which follows on a war. The civil war in the United States was prodigiously costly, perhaps more costly than any recorded war. But the Republic had no difficulty in borrowing after the war was over, even when it was being waged, much of the stock being temporarily held in England, and only relinquished when the States determined on making their public debt the basis of their paper currency. Then the price of what was still irredeemable was forced up so high that holders found it more profitable to sell, and now, probably, every dollar of the debt is held by the States bankers. After the Franco-German War, great as the waste of it was, neither of the combatants were exhausted, and France found it easy to borrow the indemnity which it paid, and the charges of the war which it incurred. After the war between Russia and Turkey, both combatants were exhausted. The credit of Turkey was entirely gone, that of Russia strained so considerably that loans became impracticable. The test of this state of things is to be found in the exports and imports, for war is waste, and when the militant countries cannot relieve the waste from their own resources, they purchase what they want by the export of securities. Now the market for these securities was narrowed, if not extinguished. When the younger Bismarck told me, no doubt repeating what I knew to have been his father's criticism on the situation, that ten years ago, the Tzar invited revolution if he did not go to war, and bankruptcy if he did, he expressed in political language what I am trying to give you in economical.

In the government of British India, to those who look below the surface, the fact that its debt, unproductive and productive (and by the former I mean the costs incurred for wars, by the latter, those expended on railways) is almost entirely held abroad, is not reassuring. The mass of the Hindoos is poor, but there is great wealth among some of the native merchants and professional people. A Calcutta counsel is supposed, as I am informed, to rival his English fellow subjects in lucrative employment. The native merchants are many of them reputed to be rich. But India stock is generally, government and railway alike, held in England. Some of the native patriots complain loudly that the resources of India are diminished by the dividends transmitted to England in consideration of the capital invested in Indian railways. They have said as much to me, and I have told them that there is an easy remedy for the grievance of which they complain—they may buy the stock themselves. But for some reason or other, the advice does not seem palatable. The English nation, I presume, are reputed to be the government of India; of course I mean by Parliament. This is a fiction, I admit, for it is very hard to get a house together for the Indian budget. But it is a common weakness with nations, one from which our own is not exempt, to expect great things from government, and to grudge the sacrifices which are necessary in order to get the great things. Perhaps we have been in this country historically disappointed in our expectations, and have had to make the sacrifices.

In the British colonies, most of the loans have been for reproductive purposes. British capital has constructed most of the colonial railways, for the colonists, even when their finance is wise, and that is seldom, can do better with their own money than to lend it for public works. But even here a mistake may be made by the colony. If I were a British colonist, nothing would cause me to distrust a political advocate more, than reference to the illimitable resources of the colony, and to the importance of its taking an imperialist place in a great empire. Both may be true, but the translation of either into active business may be disastrously premature. For in new countries, whatever may be the future capacity, predicted by the geologist or the speculative physicist, the limit is unluckily economical, and is the capital, the population, the market of the settlers, and, of course,

its industrial skill, which, in deference to Mr. Mill's opinion, it almost invariably takes care to cripple or stultify by Protection. But all its debt is held out of the country, and if the impression gets abroad that it has spent more than it can earn wherewith to pay the interest, and that it is likely to do so, the colony's borrowing powers will soon be arrested. There is no little reason to believe that the policy which has been inculcated by ignorant or self-interested people on these young settlements is already leading to serious economical complications; and if these precipitate events, neither colonial borrowers nor English creditors will have reason to be satisfied with the counsellors of a rashly progressive policy, with their tools and with their dupes.

The safest of public debts, then, are those which are held almost exclusively by the inhabitants of the country which issues them. But I have not quite exhausted the elements of distrust. There is one which governments are capable of inflicting, and subjects are powerless to avoid. This is the issue of an inconvertible government paper, such an expedient being adopted in order to create an internal debt. Practically such an issue is a forced loan, to which the poorer classes contribute more heavily than the richer, particularly more than the mercantile classes, who know in the course of their trade how to discount the paper, and even to make a small profit. Now, if a government is moderate in the issue of such a paper, the necessity which every community has for a measure of value (coin invariably disappearing when an inconvertible paper is put upon the country) will keep up the internal or nominal value to a point considerably in excess of its exchange value, the true measure of depreciation. At the present time two European governments have a forced paper circulation, Austria and Russia. The exchange value of the Austrian paper florin is from 15 to 20 per cent. below the silver florin, that of the Russian rouble not half the silver value. But we are told that internal prices have not materially risen in either country. The reason is not that the redemption and retirement of the paper is anticipated, and that therefore an Austrian or Russian cherishes a hope which the foreigner cannot be expected to entertain, or that specie exchanges as other commodities do, for no less or no more than the amount which the paper nominally represents, but

because in their internal trade the inhabitants of these two countries have no choice in their circulating medium. But the fact remains that such a currency is a debt, which should be redeemed as much as a public debt is, forms part of the government's liabilities as much as that public debt is, and is to be calculated, as far as possible, when there is a wish to form an estimate of a government's solvency.

The extent to which a forced paper currency can be circulated without producing its effects on internal prices depends on the discretion of government. If it merely displaces the metallic currency but little effect is produced, for a slight difference will make the metal disappear. But if, through ignorance or necessity, the issues greatly exceed the public wants, the depreciation may be rapid, and internal prices may be so rapidly exalted that the paper is utterly discredited. Such was the case with the paper money of the French Revolution, when notes to an enormous extent were issued under the name of assignat or mandat, were ordered to be taken at their nominal value under the threat of capital punishment to the reluctant trader, were withal discredited, and were finally repudiated by the government itself. Such again were the paper moneys of the American War of Independence, when the colonies found it impossible to keep their pledge of redemption. In a limited sense such was the experience of the greenbacks in the Civil War, the forced circulation of which, owing to Wall Street intrigues, was carried on long after any justification of the policy had ceased. Such was the experience of the suspension of cash payments by the Bank of England in 1797. Now the bank note from this date till 1819, when the resumption took place, was in one sense a government paper, for the non-convertibility of it was an act of government. In another sense, it was the issue of a private corporation, for all the profits of the transaction theoretically remained in the hands of the Bank. For some years the note was not depreciated in exchange value. It is true all metallic currency had disappeared, except worn silver. But the notes had only filled up the void which the disappearance of gold had created. But at or about the year 1807, the Bank directors transgressed the caution which they had previously exercised, and issued notes in excess of the public

want. The consequence was that the exchange value fell, prices correspondingly rose, and the consequences of a forced paper circulation in a trading community made themselves exceedingly apparent. I shall show in the course of this lecture, what were its effects on the rapidly increasing debt of the United Kingdom.

Again, the credit of a country is affected by distrust when it taxes the dividends which it has covenanted to pay. This breach of faith, as it must be called, was committed by the Italian government. To levy a tax, however light, on the dividends payable on a public debt is, disguise it as one will, a partial repudiation, differing in degree only, and not in principle, from a total repudiation. We in England levy an income tax on dividends of government stocks. The awkwardness of this action was justified by Sir Robert Peel, and since that by Mr. Gladstone, on the ground that remissions of duty left a larger margin to consumers, *i.e.*, to the recipients of dividends, and that therefore they might be expected to make compensation. But a remission of duty, unless the remission is very large, is not necessarily followed by a lowering of price. It does not necessarily ensue that, if an excise is taken off bricks and tiles, the charge for house-rent will be lessened. No doubt, the abolition of taxes on food would more than compensate for the imposition of an income tax. But Peel's first tariff reforms rather benefited the trader and manufacturer than they did the consumer, and I shall have occasion in a further lecture to point out what have been the fortunes and what is the present distribution of the income tax. But the principle on which the income tax on dividends was justified or defended is still maintained. It is and remains a tax on consumers, for it is not enacted on the recipients of dividends on income when the recipients live out of the United Kingdom. The Italian government levies it on all indiscriminately. Now this is, I repeat, a partial confiscation or repudiation, and inevitably a cause of distrust. On the other hand, Italy has retired her forced paper currency.

The circumstances, then, under which a government can most easily borrow funds, and pledge the future industry of a country to the repayment of interest and principal are—1. That it borrows principally from its own subjects. 2. That it makes its loans

when the country gives every guarantee, either by its saving power, or by its progressive ability, that the burden imposed may be met. 3. That it preserves, in its relations to its creditors, unimpeachable good faith. 4. That there exists in the country a class of persons who are not only able to invest in such securities, but for various reasons are eager to do so. 5. That the borrowing government gives every facility for the cheap and rapid transfer of such securities from hand to hand, so that they may be the best possible security for temporary loans, and the most convenient form for temporary investments. Hence, it is not only just to the creditor, but expedient for the government to make its own securities exempt from all transfer taxes or duties. 6. That if possible its loans are effected for reproductive objects.

These, then, are loans negotiated under ideal conditions. I say ideal, for I do not believe that all the foregoing six conditions have ever been fulfilled in any of these borrowings. Of course, the most excusable loan conceivable is that which fulfils the last condition. But out of the great mass of public debt which civilized societies, and some societies which it is perhaps a more or less extravagant compliment to call civilized, very few loans have satisfied the last condition. Even when they have pretended to satisfy it, there is often a doubtful or second purpose in the professed object. For example, loans have often been made for the construction of railways, for instance, in Russia and the British colonies. But for the former, it is notorious that military communications were the principal objects of the loan, when the pretence was a mercantile one. For the latter, it has been too frequently the case, that local interests have induced or constrained colonial governments to make expenditure which will be so remotely profitable, that the interest on the advance will swallow up the principal before there is any prospect that the public works will be remunerative. Occasionally the true purposes of the colony have been sacrificed to what are called imperial interests, a fine sounding phrase, which may mean anything, and generally means nothing, but which has the support of adventurers in the colony, and unintelligent, because ignorant, politicians at home. Nations, like individuals, may be induced to launch out beyond their means, to recklessly discount the

future, to believe, as Adam Smith says, that their fortunes or their abilities can stand a greater strain than experience warrants. In such cases, there is apt to be a sudden arrest, perhaps an undue alarm, frequently the adoption of what is believed to be a recuperative process, which may be more disastrous than the original speculation. Unless I am greatly mistaken, the economical condition of many of the British colonies is far from satisfactory, and to bring this about, English statesmen have unconsciously lent themselves, and colonial adventurers have only been too willing to further folly.

There can be little doubt that nations, when a serious emergency overtakes them, are justified in using every and nearly any means, in order to avoid collapse, or even the enforced cessation of progress. But it is open to very great doubt, whether, on many occasions in the history of communities, the facility with which loans have been made is not a more effectual bar to progress than that which has seemed to an existing generation to be formidable, and whether it has not encouraged ventures in which success is almost as disastrous as failure. Again, it is a question of the greatest importance as to whether a present difficulty justifies the burdening of future industry, the restraint of a coming generation. There is a commonplace with some reasoners on this subject, that the generation to come succeeds to a splendid inheritance, which the wisdom of a past age has protected, but, of necessity, has burdened. But what may the future generation say about the legitimacy of the charge? They may retort that the charge was, after all, a gambling debt, which the riper intelligence of a later age has analysed and detected. Chatham imagined that in creating a sole market for the British merchant and manufacturer, he justified the permanent charges of the Seven Years' War. The experience of the war of American independence, by which that theory of a sole market was tested, in which another debt of even greater amount was incurred, proved that the theory was as baseless as the South Sea Bubble. Is the future to be indefinitely pledged to the errors of the past? And then when we remember that all finance in inevitably based on the contributions of those who work for wages, and cannot escape the tax-gatherers, what may they say in the future who have no share in the inheritance?

Surely the wisest course is to pay off debt as soon as can be, and incur as little as possible in the future.

In a well-known passage, Macaulay has commented on the alarms which bygone generations of Englishmen have expressed at the growing magnitude of the public debt, and he has pointed out with great cogency how the growth of wealth has been incomparably more rapid than the growth of debt. But I conceive that even in the ages when the debt was contracted, it must have been clear that wealth grew faster than debt did, else how could the debt have been raised? Beyond question during the great continental war, the debt grew with frightful, with unexampled rapidity, and wealth grew with it. But wealth was very unequally distributed, was the share of very few persons. Mr. Porter has shown, in his "Progress of the People," that the costs of that great struggle, as far as England was concerned, was borne by those who lived on wages, or were engaged in genuine industrial callings. In those times, the criticism of those who had to pay was unheeded. English finance was or became, like the Dutch finance of the wars of independence, a tax on every function of life, on all its enjoyments, on all its necessities. But such people had to endure in silence, or at best to murmur inarticulately for all practical purposes. I do not doubt that had they found a voice, and had their voice been effectual, the policy of Pitt and his successors would have been challenged. For, I repeat, it is a maxim in finance, that the sufferings of the nation, when taxation is heavy, are the sufferings of the poor, that beyond naked confiscation, or as a statesman has said, by the ransom of their property only, can taxation really touch the rich. Now it is an expedient which is full of danger to visibly increase the area of taxation, if that taxation is to be effective. I challenged the Chancellor of the Exchequer in 1886 to tell the House of Commons what new tax he could impose without risk to himself and to his Government, and I could get no answer from him. The days of Vansittart are gone by.

Loans based upon imperial or local pledges, are of two kinds, permanent or consolidated, and temporary or terminable. In the first case, the payment of the interest is guaranteed, and the redemption of the principal is left to the discretion or convenience of the debtor. In the second, the payment and the redemption are

united in the same act. Now it would be beneficial, if all loans were of the later class, and of late years, financiers have, with some success, planned the extinction of debt by terminable annuities. But there are always two difficulties in the way of this desirable policy. In the first place, only a few persons, or a few classes of investors, look with favour on a security which is annually decreasing in value. Now for actuarial reasons, to be an effective relief, the terminable annuity must rapidly decrease in value. Then, as I have stated, it is all important in government loans, that the security should be readily saleable or convertible. But there are more permanent and entirely safe investments, which bear a higher interest than terminable annuities do, but are not immediately convertible. Now the agents who are most likely to negotiate terminable securities are those who do not desire, as traders and bankers do, securities which can be sold at one hour's notice, or can be pledged to nearly their full market value. Hence the market for terminable securities is limited, and in order to float them, a financier must make an actuarial loss, or offer them at less than they are intrinsically worth. In the second place, the negotiation of such securities, owing to the income tax, is difficult, for it will be plain to you that if 3 per cent. is paid on a terminable annuity, it is a heavier tax than 3 per cent. paid on a perpetual annuity. In the former it is 3 per cent. on principal and interest, in the latter 3 per cent. on interest only. For reasons which I hope to make plain when I deal with modern taxation, it is by no means easy to make the English income tax accommodate itself to this manifestly unequal charge.

It now remains that I should give you, after having spoken at some length on the economical principles which are involved in the system of creating public debts, some historical facts and illustrations which will illustrate what I have said.

The English public debt is almost entirely the creation and outcome of the Revolution of 1688. It is even made a reproach of that great event. It is, if the anticipation of future revenue can be justified, and if the occasion on which the anticipation was made can be defended, greatly to its reputation. Loans were probably negotiated by despots in the days of Ninus and Sesostris. There are notices of such transactions in the time of the Athenian and

Roman republics, and these were apparently liquidated. Loans were raised by Philip II. and Louis XIV., and were followed by repudiation. There is this danger in a loan to a despotic government, that its first concern is its own security, and to that it will sacrifice the most sacred pledges by this the law of its nature. The City of London, as I have lately shown, lent to James I. and Charles I., but took care to have security. It was in this way that the Companies aggregated their estates in county Derry. But a loan to a despotic Government is always a precarious loan. I cannot tell when these people will repudiate, but that they will preserve themselves in preference to their creditors is ultimately certain, and will do so all the quicker if their neighbours begin to suspect their paper.

I will readily admit, for the economical interpretation of history has, in matters of finance, to take account of political facts, that the Parliament of the Revolution was the travesty of a Parliament. But behind it, and to be conciliated, was the moneyed interest. In these Parliaments for many a year, the four members for the City of London were of more importance than fifty times their number from Grampound, Old Sarum, the two Looes, and Gatton. It was in the power of these persons to keep the Government on its feet, or to let it stagger. The London merchant of the Revolution and of the two wars which followed the Revolution, those of the English and Spanish succession, exacted no heavy price for an assistance which was invaluable. The nation had got rid, not entirely of personal government, but of the worst features in it, and any Parliamentary Constitution, however anomalous it was, however much it might cherish forms which had lost their vitality, was better than the dispensing power, and a corrupt bench of judges. The public danger in the days of the Stuarts came so nearly home to the people who had power, that the existence of the National Debt was looked on as the best guarantee of the Act of Settlement, in which the least significant part was, if we are to judge by what was written at the time, the devolution of the Crown on the house of Hanover. I have no doubt that the risks which were sure to be seen in the event of the old line being restored are the key to the indecision of Harley, and must be read between the lines in the savage disappointment of Atterbury and Bolingbroke, when the latter

described his colleague and rival. You will find it quoted by Hallam as of the old Pretender. It is really of Harley.

Most of the early loans were terminable, and special taxes, as is now the custom in countries with little credit, were assigned to the interest. I have told you before that the existence of the floating debt was a scandal to William's government or advisers, and I think that Bentinck and Zulestein, if they were anything but diplomatists, might have instructed Montague and Godolphin in the expedients of Dutch finance. In reality, the earliest part of the permanent debt was that of the bankers, the money which nearly thirty years before Charles the Second stole, when he conspired with Louis XIV., in 1672, against the Dutch, a debt which was funded towards the conclusion of William's reign, but on condition that it should be redeemable on paying a moiety of the principal. I am disposed to believe that the difficulty in the way of the financiers of the Revolution was the impossibility of levying solid customs duties, in the teeth of the Owlers and their sympathisers, and the unpopularity of excises. The English people is said to be a highly intelligent race, but it has a persistent habit of confusing names with things. This illogical trick is poor testimony to its shrewdness, but statesmen, I presume, must do the best with the material which they have to deal with, and be excused for being slow in insisting even on necessary truths.

The creation of the public debt of Great Britain in the form or, at any rate, on the lines with which we are familiar, was the work of those who manipulated finance in Anne's reign. The war of the Spanish succession was the opportunity of the historic Whigs; the peace of Utrecht, which sacrificed, and not without reason, all the efforts and all the expense of the war, was the work of the historic Tories. What was achieved was the humiliation of Louis XIV., the impoverishment of France, and the admission of England to the lucrative but disgraceful business of importing African slaves into the Spanish possessions in the New World, under the terms of the Assiento treaty. The nation which imported slaves into the Spanish possessions, under the Assiento treaty, imported them into the American plantations and such of the Leeward Islands as belonged to Great Britain, under the sole-market theory. The first-fruit of the Assiento treaty was the South Sea Bubble, the last was the civil

war between the Northern and Southern States of the American Union, for the American people justly charge the historical Englishman with being the cause of the trouble which nearly rent the Union in twain a quarter of a century ago. You will find, as you study history, that economical causes have had much to do with the events about which the philosopher of history dilates and prates chaotically.

The new departure which Walpole undertook in dealing with the public debt was and is one of the most significant economical events of the eighteenth century, full as that century is of great and lasting facts. The early debts of the country were in various forms, and secured by different special taxes. They were sometimes permanent, sometimes terminable. They were at all rates of interest. Now, peace was generally maintained in Europe during the period which intervened between the treaty of Utrecht and the War of the Austrian succession. In this period English commerce, especially with the American plantations, made great progress, and the country was generally prosperous, for the new agriculture was being extended, prices of food were low, the profits of the new system were high, and wealth was being rapidly accumulated, not by the traders only, but by the agricultural classes. The rate of interest fell below all previous experience, and opportunities of permanent investment were few. Hence the price of stocks rose far above par, and the time was ripe for a financial experiment. Walpole was paying off the public debt rapidly, and he resolved to deal with the residue. He determined on consolidating the various debts, and consolidating the funds from which provision was made for them. He contrived, by the offer of payment at par, to reduce the interest on the debt, and to unite most of the public liabilities into a common stock, since known as consols. He was aided in his policy by the alarm which had been expressed at the magnitude of the National Debt.

From Walpole's innovation is dated that remarkable departure in the finance of public debt, which has been imitated by all nations subsequently. It is plain that a borrower must, according to the state of the market, the plenty or scarcity of money, and the solidity of the security offered, vary the rate of interest which he proposes to the lender, giving less or more as the circumstances are more or less favourable. And this is the ordinary way in which interest on more

or less permanent advances, and discount on temporary advances, *i.e.*, the negotiation of commercial bills are determined, the key to the latter being supplied by the official rate of discount settled by the Bank of England, and announced to the public. The circumstance which principally determines the Bank of England in fixing this rate is the abundance or scarcity of the metallic reserve which it possesses itself, though this is by no means the only cause of action, as great competition for discounts, due to a real or imaginary alarm as to the immediate future, may, apart from bullion movements, necessitate or appear to necessitate a rise. Hence, the rate of discount, *i.e.*, of inverted interest, is subject to much greater and more numerous fluctuations than the rate of ordinary interest. Public stocks, as they are a peculiarly convenient form of pledge, partake of the nature of short-dated bills and ordinary investments. They are less liable to fluctuation than the former, more than the latter.

A borrowing government always makes it a condition with its creditor that the latter may not, as most creditors can, demand repayment of the advances which he makes, at pleasure or after notice. The motive of this precaution is plain. A government cannot, especially in a serious crisis of public affairs, be exposed to the risk, in addition to its other difficulties, of a run on its exchequer, for it does not borrow, as a trader or a banker does, of all comers at all times. But, on the other hand, it reserves to itself the right of paying off its creditor at its pleasure. If it has a surplus in the treasury it can, and under recent statutes must, purchase its own stock in the open market, where its securities are always saleable, and extinguish as a debt that which is purchased. This rule is absolute, so absolute that if, in the appropriation of supply, Parliamentary grants are found to be in excess of departmental demands, the surplus cannot be devoted to any other service, but must be applied to the extinction of debt. Now a supplementary estimate is, under ordinary circumstances, bad finance, and, unless an adequate explanation is given, is *primâ facie* censurable. Hence the departments, though under the criticism of the estimates (which is indirectly much more effective than the outside public imagines) they strive to reduce this quota to the lowest amount which the services are content to accept, generally seek to have some margin over, and thus, in a

normal condition of finance, stock is regularly purchased and extinguished every year.

Sometimes, however, when the price of stocks is very high, or, in other words, when a large amount of savings is seeking investment, the government can venture on a larger operation. After carefully sounding the market, it can exercise its right of offering the creditor the election of having his money, a hundred paid for a hundred, really or nominally lent, refunded in full, with the alternative of accepting a lower rate of interest. It will be plain that it can undertake this operation with success only when its creditor is placed in such a position as to make him see that to accept payment in full would be less profitable than to accept the lower rate of interest. Of course it may give him, as an expedient, a higher nominal principal, *e.g.*, 105 stock at the lower rate of interest in place of 100 at the higher, and in other ways, with which I need not trouble you. It is also important to observe that when the public debt is held in small parcels by great numbers of persons, as in France, the operation of converting a debt bearing high interest to one bearing low interest is more difficult, not, perhaps, because it produces discontent among the holders of the debt so much as because the trouble of the transfer may be excessive, and the cost outweigh the gain.

Now Walpole turned the greater part of the existing debt into a 4 per cent. stock. The times were favourable. But his successors in creating future debt adopted, on the whole, the other alternative of borrowers. They fixed the rate of interest, and varied the amount of the principal, offering £100 consols at the price which the public would give for them, or financial agents would underwrite, that is, guarantee for them. The price paid for new issues of consols has greatly varied. During part of the continental war, it was more than once a good deal below £50, and the Government had to give £100 stock for less than £50 cash, that is, to virtually pay over 6 per cent. for its loan.

This proceeding, which got the name of the funding system, has been severely criticized. From one point of view the criticism is obvious. By taking a low rate of interest, and covenanting to redeem at par, the Government deliberately debars itself from cutting down the interest in the future, under the operation which I have described. And then the critics go on to say, "The

greater part of the public debt by no means represents the cash that has been paid for it. Lucky fundholders, who invested at the price of 50 or less, are receiving 6 per cent. in perpetuity, and at a time when 3 per cent. has practically become normal. The financiers who have adopted the funding system are putting the English people, whose savings are pledged to the payment of interest, in a worse position than the financiers of the Revolution put them, who did indeed pay 6 per cent., but in such a manner as left the door open for the future reduction of interest. This door their successors have effectually closed, for there cannot be a very clear prospect of much reduction below 3 per cent. The nation, in brief, is constrained to pay money which it never received, and to be charged with a high though hidden interest in the interval."

The criticism is plausible, but there is an answer to it. "The very circumstance," it may be said, "which you are alleging must have been present to the minds of those who negotiated the loan, and to those who purchased it, or invested in it. The public creditor knew well enough that there was little risk that his stock would be converted, and he realized this favourable feature of the loan in his mind, when he made his offer. He gave more than he would have given, if he had not been assured against the risks of a reduction. It is true that he paid £50 or less for every £100 stock. Suppose you had borrowed in a stock paying a high rate of interest, but liable to conversion, you would have probably had to pay, not 6 per cent. in perpetuity, but 8 per cent. or 10 per cent. for a long time to a lender who assisted you in your necessities, but would have assuredly had his services forgotten as soon as you, being in funds again, could force him to acquiesce in far less favourable terms. You have reserved to yourselves the right of redemption at par, and you must take all the consequences of this right, when you deal with people whom you invite to consider their own interests, while you are considering yours." Most of the best financiers with whom I have reasoned on this matter state the case of the government as I have given it, and conclude that not only did the administration borrow in the easiest, but in the cheapest way.

This subject has not only been discussed by political economists as a speculative question, and within that part of the subject in

which they are most likely to be right, the domain of money, finance, and the exchanges, where practical experience is always at hand to correct the crudities of metaphysics, but it has been debated under very plausible circumstances in the House of Commons. In the prolonged and somewhat heated discussions on the suspension of cash payments, after the absurdities of Mr. Vansittart and Lord Stanhope were combated, for a time with little success, by Lord King and Mr. Horner, a question at that time conveniently kept in the background by the government necessarily came to the front, and was pressed by the very men who had defended Mr. Vansittart's motion and Lord Stanhope's law. For when the war was over, and the restoration of the currency was demanded, these people argued as follows, forgetful of their dogma, that "the value of the bank-note had not fallen, but that of gold had risen": "We are left, now that this just and necessary war (one of the stock phrases of politics) is over, with an enormous, a crushing load of debt. Prices of agricultural produce are falling, and the agricultural interest is threatened with ruin. There is great discontent abroad, just discontent, which in the interest of law and order (another stock phrase) we are obliged to repress by severe measures, by a regrettable extension of the criminal law, happily and adequately supplied by the vigour, bravery, and forethought of Lords Sidmouth and Castlereagh. But we have to endure, in addition to our misfortunes, the sight of the stock-jobbers and fundholders, who have fattened on our misery, and are now receiving more than half our taxes. And for what? We have put down the Corsican usurper, and restored peace to Europe, legitimacy to its thrones. These people not only get under our funding system at par, stock, with a number of incidental advantages, in exchange for some £50 or less, but they paid this inadequate quota in notes which were constantly at a discount of 30 per cent. It is intolerable, it is unjust, that we should redeem the stock under the terms of so monstrous and one-sided a bargain. It is enough that we should keep faith with them when they made their advantage out of our straits. But to pay them in full-weighted sovereigns would be suicidal. For years past the one-pound note has been worth only 14s. 6d. We must issue sovereigns for the future at the rate at which notes have been discounted, and the financial harpies will

even then get better terms than they deserve." I am not quoting to you the language or the sentiments of Cobbett and orator Hunt, and other misguided but honest men who denounced the war and the paper money, and the funding system with equal and with impartial rigour, but of nobles and statesmen in both houses.

Fortunately for the nation better counsels prevailed. The service which Peel did British credit was almost, perhaps quite as great as that which he did when he freed British trade. Peel seems to me to have been the greatest of Parliamentary tacticians. His writings, published by Cardwell, are almost childish. His speeches are carefully prepared. But his principal power was in debate. He was very ready, and had that rare gift of puzzling an opponent by timely questions and timely rejoinders. Above all things, Peel was transcendently honest. He was slow in changing his opinion, but sure when he had changed it. A Conservative by instinct, he was the most dangerous of allies to unthinking Conservatism. In particular he knew that all his defences might prove untenable, and that it was useless to maintain a political fortress when a battle was fought and won in its vicinity. It was this prescience about the real worthlessness of a reputed safeguard which made him so much stronger than the Whigs, whose position after 1832 seemed unassailable.

I have not time to tell you of Price's absurd sinking fund, which took Pitt in, and increased the burdens which the nation was already bearing, and of the more practical policy which has in these later days, and in the hands of Peel's most capable pupil, done so much to reduce the debt and is within reasonable distance of doing so much more. It chiefly consists in the judicious creation of terminable annuities, in making the charge of the debt a fixed or nearly fixed annual amount, and in gradually lessening the principal, while it maintains the interest. Fortunately in finance there is no party, at least just now, and the most suspicious, angry, and determined opponents of a living statesman's political opinions, bear testimony to his incomparable skill in dealing with national finance, and especially with the orderly liquidation of the public debt.

XXI.

THE THEORY OF MODERN TAXATION.

The financial situation in 1688 and its difficulties, contrasted with those of 1640—The two Revolutions compared—Customs and excise—The analysis of taxation—The land tax—The prevalence of smuggling—Walpole, his fortunes and his policy—The wars of the eighteenth century, of the Austrian succession, and of American Independence—The growth of debt and taxation—The taxation of inheritances—Mr. Mill's theory—The avoidance of legacy duties by the rich—The income tax and its history—An income tax intrinsically unfair—Later British finance.

The second English Revolution, as I am accustomed to call the events of 1688, in contradistinction to the first, by which I mean the events of 1640, was from the beginning characterized by a new system of taxation. The new departure was, if you will, inchoate, clumsy, blundering, experimental. It deserves these and perhaps stronger epithets. But never were a set of men put into a more difficult position than the financiers of William's reign were. They were entirely new to the most difficult business in all finance, to the perpetual puzzle of all inventors of taxes, which is—1. What will people bear without resenting the action of government? 2. What kind of tax is least likely to cripple industry and derange trade? 3. If taxes, which satisfy people or at least do not dissatisfy them, are imposed, what machinery can be relied on for collecting them? Now at the Revolution projectors of new taxes were swarming. The pamphlets of the age are full of projects, submitted to the finance minister and the public, from which a plentiful revenue is

promised, without loss or inconvenience to the persons who are to contribute the tax. It has been my business, for several reasons, to examine with some minuteness the vast mass of pamphlets in the Bodleian Library, and if one could argue from the multitude of suggestions, financial shrewdness was at the time a peculiar gift of the English public. When one examines the proposals, one is able to see whence Swift derived the truest and most caustic part of the comments which he makes about the occupations of the political philosophers of Laputa.

The situation was peculiar. One part of the finance of Cromwell, heavy direct taxation of land, was intolerable, though it had to come in the end. Another part of it, an octroi duty, paid under the name of excise, by every purchaser, when he bought articles of necessity and convenience, was odious in the last degree, both to dealer and consumer—to the former, because it made him a responsible tax-collector for the government; to the latter, because it made the presence of the government visible in its least attractive and conciliatory function, in every part of the business of life. It was no doubt a relief to know that arbitrary government by king and courtiers was at an end. It was still pleasanter to find that ecclesiastical tyranny was checked. But as a rule, the victims of arbitrary government are few. To the mass of men, the high-handed violation of law and order, under the pretence of maintaining law and order is rarely visible; for, in those ages at least, the government chastised those only who professed to be the leaders in the popular cause, and did not organize a system of terrorism against the whole people. I imagine that the Star Chamber and the High Commission Court were more an object of alarm and anger to the mass of those men who met in November, 1640, than they were to the peasants and shopkeepers whom the Hampdens and Pyms, the Hydes and Seldens, the Cromwells and St. Johns represented. But in all which makes taxation vexatious Cromwell's excise was more hateful than Charles' ship money. Besides, when people get angry, and call the fiscal system of a country "oppression, thraldom, and misery," it matters little to them that the charges of which they complain are imposed by constitutional authority. It is no doubt a great thing for a government to shape its policy under the apparent control of a Parliament, and with its sanction. But men

who believe that they are oppressed by a Parliament will question its authority, and even say that it has been recreant to its indisputable duty and to its admitted pledges.

Again, it was perhaps no great boon to have exchanged the control of Laud's bishops and other officials, the etcetera of the famous oath, for a prying vexatious directory, engagement, assembly, Presbytery, or whatever other engine of theological control was evolved from the Babel of sects. Men wished in some vague manner to be free, though they were far from seeing that toleration or equality in theological matters was the only true freedom. But they found that they had exchanged the free and easy parson, who did not come very willingly into Laud's schemes, for a sour and vexatious fanatic. I do not indeed believe that the Puritan movement, except locally, embraced the country folk. I cannot otherwise account for the influence which the rural clergy, poor and low born as most of them were, exercised after the Restoration, or for the general popularity of the Clarendon code. It must, I think, be plain that the Commonwealth contrived to destroy its own principal agent, the organization of the Puritans. It might have done this, and the morality of the movement have survived. The mass of the English people took no part in the hideous orgies of the Restoration. But the politics of the first Revolution and the politics of the second were equally aristocratic. You will often find in history that a leader of the people, whom his enemies or rivals have been used to call a demagogue, becomes in course of time the advocate of aristocratic reaction, perhaps has always supported it.

The first Revolution was not menaced by foreign intervention, Europe was, when the contest began, entirely exhausted by the Thirty Years' War. The French king, who was hereafter to impersonate the spectre of universal empire, was a child, and the policy of Richelieu and Mazarin was not inclined, either by interest or gratitude to make the cause of Charles its own. Few things, I should conceive, would have been more ridiculous or more offensive to Richelieu (for Louis XIII. was a nobody in French affairs), than the absurd and useless assistance which Charles and Buckingham gave to Rochelle. If he and his successor entertained, as is the custom of statesmen, no feelings of revenge, on the other hand they could not but keep alive the heartiest contempt for the silly

dupe of the silly Villiers. The Dutch democracy, led by the family feeling of the Prince of Orange, showed some sympathy for the royal cause. They harboured the murderers of Dorislaus, certain obscure Scotch loyalists and bravos. They paid a long penalty for their superfluous hospitality. They harboured Charles, who repaid them of course with ingratitude and perfidy. After 1672, one would have thought that every Dutch Calvinist, whom predestination had not entirely divested of all forethought, must have treasured up the Divine maxim, "Put not your trust in princes."

The authors of the second Revolution had a very different state of things to contend against. The boy of the first Revolution was the terror of the second. The Peace of Nimeguen had left Louis XIV. in a position which was only second to that of Napoleon after the treaty of Tilsit, and about equal to that of his nephew after the Italian campaign and the cession of Nice. Now Louis XIV. had every reason to assist the Stuarts in their policy and their pleasures, and thought no money wasted which would secure them in both. The expulsion of James must have been a severe disappointment to him, and the protection accorded to the royal exile a somewhat hopeless expense after the Irish campaign. In that country of long memories, Ireland, Cromwell is always named with dread, James with contempt, though I do not think that the Irish read Macaulay. Now in 1689 Louis was seen to be ruler over a kingdom which, being entirely under one man's authority, was known to be the most populous state in Europe, and believed to be by far the richest. The financial policy of Colbert had dazzled the nations; and the French, *i.e.* the France which lived on the peasantry, were pleased at the effect. It was then that prestige, which of course you know means a juggler's imposture, began to describe French ascendency, and to exercise a permanent influence over French action. In order to understand the finance of the Revolution, you must understand the political situation of Europe. England had one ally bound to her to be sure by the strongest of ties, the sense of mutual danger; and, though England was in this war and in the next the protector of Holland, she made that unfortunate country pay dearly in the end for her services.

You will see, then, if I have made my inferences plain, that even if England had possessed the most intelligent and venturous financiers in Europe, it would have been difficult to raise a new revenue. The old excise was utterly odious, and could not be revived. There was a new excise, a tax levied on the dealer, which experience showed to be tolerable only because it chiefly fell on the working classes. But it was doubtful as to how far it could be extended. There was a quasi-personal tax, dating from the Restoration, which was supremely odious, the hearth money. That had to go, though not without misgivings at the Exchequer. It was not possible, so it seemed, to renew a land tax on the lines, or beyond the lines of the old temporary taxes, or the projected commutation of feudal dues. I say beyond the lines, for the hereditary excise did not certainly yield a tenth part of what was soon found to be wanted. Then there were customs. But, as I have often told you, even when the English were expected to be patriotic and were warned that the supremacy of Louis would condemn them to a diet on frogs, and the substitution of wooden shoes for leathern, they applauded the sentiment and traded with the smuggler of French goods. I am not surprised. In my experience of human life I have constantly witnessed the struggle in men, otherwise pious and honest, between their conscience and their interest, and have recognized with unfeigned regret that the latter has generally had the better of it.

The metaphysicians of political economy often debate as to the grounds on which taxation is imposed. Now there is no doubt that in early days it was argued by lawyers and divines that the prince, like an Irish chieftain of the old days, should spend his subjects' money at his discretion, and defend them from wrong in consideration of their contributions. To be sure he interpreted, like the aforesaid chieftain, his own duties as well as those of his subjects, and generally to his own relief, and their disadvantage. It was ultimately found, though only after many struggles and not a few revolutions, that it was not safe to trust the ruler and his advisers with the interpretation of the situation. Then it has been alleged, by a dangerous metaphor, that the state is to be likened to a vast property, in which each of the citizens or subjects has his share, and that as the partners, or tenants in common of an industry or an estate, have received their share of the produce, they should be in

duty bound to contribute to the expenses of management. But unluckily the analyst of taxation finds that, as soon as the limits of destitution are passed, those who get relatively least pay most relatively to the costs of management, for taxation is not effective, except it levies imposts on those articles or those practices which the mass of the people cannot or will not do without. Then, more plausibly, the function of the state, which has nothing of its own, and must, it is admitted, curtail every one's enjoyments in order to exist, performs a high and necessary service, in which the protection and continuity of the working-man's industry is of no slight significance. Taxation, then, is the payment rendered for service done. The difficulty in this theory is, that one is constantly invited to criticize the reality, even the pretence, of the service, and the people in possession are very apt to resent the criticism. Adam Smith, with his usual insight into human nature, and the relation of means to ends, suggests that taxation should be merely relative to enjoyments, *i.e.*, should not touch that which people must spend in order to live and work. I do not know whether I have stated all the views which are alleged. If there are more and you ask me about them I will try to explain them; for though the metaphysics of political economy are well-nigh as boundless as space, they are generally quite as shallow as a plane superficies is.

The financiers of the Revolution, then, had to find out what taxes the people would bear. Poll taxes were levied, graduated according to the rank or condition of life, and disappointed those who imposed them by the scantiness of the produce. They lasted for eight years. A house tax increasing with the number of windows was imposed in lieu of the hearth money, licenses to trade were granted, and stamp duties, again in imitation of the Dutch, were imposed on legal documents. Duties were levied on goods coming from the East Indies and China, and from some European articles. There was the impost of 1690, of 1692, the new duty of 1695, the French duty of 1696, and the new subsidy of customs in the same year. The excise on beer was increased, an excise on spirits imposed, and another very heavy one imposed on salt. Not to weary you with details, I may state that the finance was always experimental, and constantly had to be abandoned, because it proved disastrous to industry.

The resolution to which Parliament came soon after the Revolution, that it alone was capable of granting a charter which could confer a trade monopoly, a resolution which the quarrels of the two Houses over the privileges of the East India Company had accentuated, led to a new and most timely financial operation. Two great companies under this new doctrine were created in the reign of William III., the Bank of England and the New East India Company. The payment made to the Crown, or rather the Revenue, for these privileges seems small to our modern experience, but the sum of £3,200,000 which these two companies paid for their privilege was an exceedingly important item in the finance of the period—not less than a sixth of the war expenditure from William's accession to the peace of Ryswick. Still more important, in the case of the Bank of England was the fact, that in creating this corporation, Parliament created a great financial agent whose existence was bound up, or supposed to be bound up, with the Act of Settlement, and, more to the purpose, was found to be the safe and trustworthy instrument by which, in succeeding wars, loans could be negotiated, public credit could be established on a secure basis, and a reduction, as I told you in my last lecture, in the rate of interest payable on public securities could be effected, during the long and pacific administration of Walpole.

The land tax, that most distasteful of Cromwell's expedients to the landowners, was reimposed in 1692. After a struggle with the Commons in which the Upper House strove to secure some advantages to their own order, the Lords yielded. The system began with a monthly assessment, strictly in the nature of a property tax. In 1692 it was assessed at 4s. in the £, and the assessors took no oath. In 1693 they took an oath, and the produce of the tax was less, a practical illustration of how little value promissory oaths are. After various expedients had been tried for making the tax more fruitful, Parliament, in 1697, fixed the amount which should be raised, and distributed over counties and towns according to an unalterable valuation. In theory, no doubt, the land tax of 1697 was assumed to be collected from personal property as well as from houses and land. In practice it came to be a tax on real estate, unchangeable not only in the amount collected, but in the amount assessed, and thus after so long an interval from the first

assessment it became exceedingly unequal. The remission of the tax on personal property became inevitable, for personal property is essentially shifting. The representative of real estate is always present or at least discoverable. The representative of personal estate in 1697, or of his representative or alienee a century later, is not discoverable, and to transfer a fixed tax to one who has no relations whatever with the person who was originally rated, was out of the question.

Two centuries ago, land or the rent of land, which had risen without effort on the part of the owner some twelve times in the course of the seventeenth century, was deemed to be a peculiarly fit subject for taxation. In the first place, it had escaped, by a Parliamentary Act from its hereditary liabilities; in the next place, these rents, as far as legislation could effect this result, had been peculiarly favoured by Parliament; in the third, it was supposed to be specially bound to the new settlement; in the fourth, a tax on it formed, in the necessities of the state, the only escape from a particularly vexatious excise, or a capricious, nugatory, or oppressive customs duty. The land tax was beyond doubt a very disagreeable impost. With an improving agriculture and with increasing rents, it was resented in the eighteenth century by the country party. But the Seven Years' War and the War of American Independence rendered its permanent imposition at the highest rate, but on the old assessment, inevitable; and in 1798, Pitt, in order to carry out a financial operation, during a time of singular financial difficulty, made the land tax a perpetual, but redeemable charge.

The war of the Spanish succession cost the British nation (for in 1707 the Scottish Parliamentary Union was carried out) more than 50 millions, of which 3-7ths was raised by loans. But by this time the British financier found that the country was gradually being accustomed to excises and customs, and that the system could be extended. It also became the practice to grant these customs and excises for far longer times than was originally thought prudent, and for the obvious reason that, in this manner, greater security would be given to the loans which were raised, and the loans themselves could be procured on easier terms. This war too saw the beginning of those more modern treaties of commerce,

in which the fiscal policy of the country was made to do service on behalf of the sole-market theory. The Methuen treaty with Portugal was the type of that economical diplomacy which was criticized adversely by Adam Smith. As yet, however, the taxation was of cheap luxuries, cheap because neither excise nor customs make a substantial revenue, unless they attack the consumption of the poor. The duties on foreign corn existed practically on paper only, for the new agriculture and the almost unbroken abundance of the seasons, never paralleled except in the fifteenth century, rendered the Corn Laws of the Restoration only a contingent terror. The war of the Spanish succession led to several enduring taxes. Thus taxes were put on hops, in this case imposed on the cultivator, on soap, on paper, on printed goods, and on newspapers, besides one on advertisements. The tax on newspapers was collected by stamps. Now the taxes which I have enumerated were continued up to living memory. It was conceived, perhaps with some reason, that the newspaper tax was in effect a licensing Act. But, on the whole, the cause of the Tory party of that time was better served by men of letters than that of the Whigs. Swift, St. John, and Prior are more vigorous political writers than those on the opposite side. Defoe, it appears, was ready to take a brief from either of the contending factions. He had accepted as his guide in literary life the adage of Vespasian, *Non olet.*

The smuggler always avenges foolish and unfair customs duties. Experience has proved that nations will endure heavy taxation, if it be equitable, and not imposed to subserve personal interests or political whims. The English people reluctantly substituted port for claret, Geneva or colonial rum for French brandy, for in the southern part of the island at least, they submitted to taxes which were intended to weaken the hereditary enmity of France and secure a balance of trade. But the case was different in certain other articles. The taste for tobacco and tea was rapidly growing, and it is said that owing to the excessive duties levied on these articles, the taxes on them were unproductive; the ordinary trader, finding it impossible to compete against the smuggler, in the end entering into regular business relations with him. In the arithmetic of the customs, said Swift, two and two do not always make four. It has been constantly alleged that a reduction of duties is the

remedy for the smuggler. But in our time, when smuggling has ceased to be a calling, and has become merely an occasional private fraud, heavy enough duties are levied on certain goods of foreign origin. But they are not discriminating or protective, and therefore do not deaden the moral sense of the consumer. It is, I believe, to the adoption of free trade, and the levy of revenue duties, excises and customs for revenue only, that we must assign the extinction of the professional smuggler. The case is still different in protection-ridden countries. The present tendency in Canada towards a Zoll-verein with the United States is the impossibility of maintaining a preventive staff along a geometrical frontier. I do not predict confidently that the result of such a tariff will be the annexation of Canada to the United States as Mr. Chamberlain with much show of reason foresees. But I am well advised that the present state of things is intolerable, that it has been developed from causes which might have been prevented, that these causes have been fostered by incompetent advisers of the Crown at the Colonial Office, and that it is by no means clear that in the existing state of affairs remedial measures are possible.

"Walpole," says his biographer and eulogist, Archdeacon Coxe, "found the British tariff the worst in the world, and left it the best." Mr. Coxe, like most biographers, errs on the side of excessive praise. It may be doubted whether a biography does its object any lasting service with posterity. No one can be expected to feel the same interest in a subject which the author does, and when the subject is a fellow-creature, we take up the narrative with a natural suspicion that the portrait will be overcharged with brilliant colour. But Walpole was a man of great Parliamentary tact. One of his earliest exploits was in 1702. The Tories had determined on recovering those parts of the Crown estate which had been granted to William's friends, and they were strong enough to carry their Bill. Walpole affected to agree with them, but proposed to carry the resumption back to the Restoration. Now even to the most inveterate party spirit, the services of Somers and Montague, and even of Bentinck and Keppel, though they might be over-rewarded, were considerable. But it was not easy to discover the services which had been done by the dukes of the creation of Charles—of Grafton, St. Albans,

Richmond, and the rest. The situation was too ludicrous, and the Bill was dropped. Fortunately for his reputation, Walpole was out of office at the time of the South Sea Bubble, though it is said that he materially improved his fortunes by judicious purchases and sales of that notorious stock. He was certainly of considerable use in rescuing public credit from the consequences of that gigantic swindle, in which indeed, too many of the government were compromised.

Walpole made a great fortune in the public service. So had Osborne, whom we know as the Duke of Leeds, and Churchill, whom we know as the Duke of Marlborough, to say nothing of a dozen others. This has latterly, I see, been made a reproach against him, and it appears that one of his descendants is sensitive on this score. Walpole would have laughed heartily at his future critics had he foreseen the charge. "Of course," he would have said; "but when a man undertakes public business, he intends to better his fortunes. Why, do you think, do the honest gentlemen who are about me come into this House, and pay solid cash for getting here? It is sufficient if a public man does honest service to the nation, and takes a moderate commission on the function which he performs." I do not doubt that Shippon spoke the popular sentiment when he said, "Robin and I are two honest men; but he is for King George, and I am for King James." Now Shippon had taken the oaths of allegiance and I know not what to King George. But he did not think his integrity compromised when he intrigued with the exiled family, though he sat in Parliament under the condition of recognizing to the full the house of Hanover. Promissory oaths are never worth much, but in the first half of the eighteenth century, they were worse than worthless.

Walpole determined on reforming the tariff in such a way as to liberate industry from customs duties on materials, and by permitting drawbacks on duty-paying goods exported. He repealed certain taxes which grievously discouraged maritime enterprise. He permitted, with a few exceptions, the free exportation of articles produced or manufactured in Great Britain, thus striking off most of the export duties. He contemplated a revision of the land tax, about which the country gentlemen constantly complained. But

these honest people dreaded a reassessment still more, particularly those in the west and the north, where, according to ancient tradition, the tax was particularly light. So he had to drop his scheme, as far as the land tax was concerned, and soon afterwards another reform which he contemplated.

This was the establishment of bonded warehouses for duty-paying goods. In 1711, importers of tea and coffee were permitted to warehouse their imports. In 1723, Walpole made the process compulsory in these articles, and found that he checked smuggling by it. In 1733 he proposed to extend the system to wine and tobacco, and to levy the duties under the name of excises at the time when they were taken out of bond for consumption. The great dealers saw rivalry to themselves in this scheme. Walpole's enemies, and he had been so long in office that disappointment had made him many enemies, raised up the cry that the Cromwellian excise was to be restored, and the people were informed that this was the beginning of a system under which everything would be taxed inquisitorially. So there were numerous petitions, and mobs in the Court of Requests. In the end Walpole withdrew his Bill and the country was pacified. Perhaps some of the opponents of the projected measure were not so anxious to extinguish the smuggler as Walpole was. This prudent retreat kept him nine years longer in office.

In 1739 a war with Spain was undertaken, ostensibly in order to avenge the wrongs which had been perpetrated on British merchants and sailors, in defiance of the Assiento treaty, really because it was believed that the Spanish colonies were conveniently situated for plunder. You have no doubt heard the story of Jenkins' ears. Simultaneous with this was the war of the Austrian succession, and the early aggrandisement of Prussia. This war involved a quarrel with France, and a quarrel with France another and a last expedition in favour of the Stuarts. The war ended with the peace of Aix-la-Chapelle in 1748. The costs of this war were met by increasing the customs and excise, by revising the house tax, and by levying a tax on private carriages. In consideration of the burden laid on articles of domestic manufacture, heavy customs were imposed on identical foreign goods, and the country became Protectionist without knowing it. It is true that even at that time there were

people, like Henry Fox, who saw that it would be well for England if the country could be made a free port; but to effect this it would be necessary to raise the necessary funds by a property tax on a just system of assessment, or to levy a searching excise on internal consumption. The landowners would not endure the former, and the mass of the people rebelled against the latter. Additional customs was therefore the only remedy. Fox calculated that in his day a *bona fide* land tax would have yielded, at 4s. in the £, at least four, possibly five, millions.

Peace only lasted for eight years, when the Seven Years' War was undertaken in 1756. The economical consequences of this war, the effect of which was to secure to Great Britain a sole market as vast and to all appearances immeasurably more valuable than the territories bestowed by Borgia on Spain and Portugal by his celebrated Bulls, have been treated of in a previous lecture. But it cost eighty-two and a half millions, and of this sum sixty were in the form of an addition to the public debt. The new taxes are on the possession of plate, on cards and dice, and a license duty on publicans. Further duties, intended as far as possible to fall on consumption, were imposed, and an additional 5 per cent. *ad-valorem* was put on articles paying customs duties. The most important additions, however, were those made on malt, beer, and spirits. They were borne, but the imposition of a tax on cider and perry very nearly caused a rebellion. It was believed that Parliament had exhausted the possible subjects of taxation, and even the patience of the nation. So completely bewildered were the ministry which came into office at the peace of Paris, and so desperate seemed the condition of British finance, that Grenville determined on taxing the Colonies by the authority of Parliament. There seemed to be this reason in it, that the Seven Years' War had left the British settlers the undisputed masters of the best regions of North America. They had, to be sure, contributed liberally to the expenses of the war, and had incurred considerable debts for the same object. But by freeing them from all risk on the part of France, the only power of which they now had any dread was Great Britain.

The colonists affected to believe and with reason that the language of Grenville's Act implied an indefinite power in the hands

of Parliament of taxing the plantations for Imperial purposes. At the same time, they did not offer an unqualified opposition to Grenville's scheme. They agreed to certain customs duties on imports and exports. They had, as a matter of fact, acquiesced in the colonial system, which, by regulating their trade, regulated their port dues. It was to the Stamp Act that they made a stubborn, and in the end successful, resistance. The British Parliament offered no opposition to Grenville's Stamp Act in either house, and yet perhaps no more momentous and enduring fact has ever occurred in history than the Stamp Act. It is the least part of it that it led to the revolt of the Colonies. It did much more—it stereotyped the fiscal independence of every British settlement, it settled the principle that taxation cannot be imposed without representation, and by a forced construction put on the facts, it permitted the colonist to levy Protectionist duties against the home government, and yet to embroil that very government, apart from any act of its own, in any local and political war in which the colony might think it proper or profitable to engage. The political consequences of this precedent no one can confidently predict: the economical consequences are disastrous enough to the colonists who have voluntarily experienced them. The Stamp Act, which did not pay for the cost of collection, was repealed in 1766, though in repealing it Parliament was induced to assert that what it had done was within its right. The Colonies now went a step further, and denied the right of Parliament to impose any tax whatever on the Colonies, whether internal or at the ports. The duty on tea, calculated to yield £30,000 a year, was retained in the Cabinet by a single vote, that of Lord North.

I shall not weary you by dealing with the events of the War of Independence, except in so far as they bear on the extension of the British fiscal system. The greater part of the costs incurred by this war was met by loans. The greater part of the taxes imposed was on consumption. Now there is no doubt that wealth increased greatly during this war. But there is no doubt also that the condition of the working classes was rapidly becoming deteriorated. The old days of plentiful harvests and low prices were over, or perhaps the growth of population, doubled in the eighteenth century, assisted in producing by the aid of the Corn Laws the

terrible scarcity prices which were at hand. In 1782, the National Debt had grown from 126 millions to 230. In order to be effectually discontented, a people must be prosperous: when misery revolts, it strikes blindly and is generally restrained.

In 1783 the younger Pitt came into office, and in 1784 obtained a pliant Parliament; how obtained will not probably be known for sometime to come, there being a tradition that the secret materials of history are kept back in this country for more than a century, a pretty clear indication how discreditable those secret materials are. Pitt's taxes were the very worst conceivable, nearly all on consumption, on trade, and on manufactures. It is paraded of this personage that he was a disciple of Adam Smith. There have been many disciples, from Gehazi and Judas onwards, who have misused the instruction which they have received. Pitt's finance was a disastrous reversal of Adam Smith's maxims, even during nine years of peace. It was to become worse and worse during the twenty-two years of the war into which he plunged the country.

The great Continental War, in which the early endeavours of the continental governments were made to repress the movement known as the French Revolution, led to atrocious excesses in France itself, the mere outcome of blind and desperate fear, to a military enthusiasm which overran nearly the whole of Europe, and added 622 millions to a debt which at the commencement of the war was 237½ millions. Left to itself the Revolution would have burnt out. It might have been followed by a republic on the model of the United States, though this is unlikely, because Federalism was a dangerous tenet in the early days of the Revolution; or it might have eventuated in a limited monarchy. The action of Europe gave occasion to a military despotism of singular destructiveness. In one sense, the Continental War was like the Thirty Years' War. It left the combatants in a state of absolute exhaustion, an exhaustion so complete that it took a generation before they could begin to recover from the waste of war. A war may be very bloody and very destructive. If the combatants are not exhausted it will be followed by a great stimulus to the trade of neutrals. No better test can be found of the financial position of a country at the close of a war, be it long or short, than the fact that the wearied and penniless combatants cannot, after the struggle is over, go into the markets

of the world with money or credit. The latest illustration of this position is the condition of Russia and Turkey after their latest struggle. Poverty may not prevent war, but it is a terrible restraint on recovery from war.

One of Pitt's taxes (1795) was that on successions. He intended to impose it on all kinds of property, real or personal, descending to collaterals. It was a Dutch tax, and the Dutch had borrowed it, according to their own interpretation, from the 5 per cent. duty, *vicesima hereditatum* of the fiscal system established in the Roman Empire. It is said that he intended originally to include these charges on inheritance in a single Bill. If so he changed his mind, for he brought in two Bills—one referring to the succession of personality, very often a merely arbitrary and technical class of property; the other to the succession of realty, a class similarly quite as incapable of a rational distinction. He passed the first, he failed to pass the second; for the country party threatened to desert the heaven-born minister at the crisis. He probably knew beforehand that they would, and hoped to obtain the acquiescence of the possessors of personal property by showing that while they were content to make sacrifices to save the tempest-driven ship, the landowners would have let the ship sink, rather than make any personal sacrifice. At this time, I should mention that rents were rapidly rising. But the landed interest had an excellent reason in resisting the proposal.

A tax on inheritance has always been defended by metaphysical economists. "The recipient of an inheritance," they allege, "cannot be said to possess any rights to that which he acquires. It is property gained by the industry or good fortune of another. By the death of its possessor, who has now ceased to have any rights among the living, it is derelict, abandoned, and virtually the property of society. By a leniency, perhaps a culpable leniency, human societies have generally permitted the lineal descendants of the deceased person to enter on a possession which is not *de jure* theirs. The state is entirely justified in taking a heavy toll on that which it permits to pass. Strictly the child of a deceased ancestor has not a higher right in his inheritance than that which public opinion would assign as the necessary maintenance of the same person's illegitimate offspring." I am not consciously parodying

Mr. Mill's argument while I am condensing it. My late friend, however, admits the validity or sacredness of testamentary dispositions. Strictly speaking, then, a person who does not or cannot make a will (for accidents happen to the most thoughtful and anxious) should be constrained to leave, beyond the provision mentioned above, of a few shillings a week, his children penniless; while another, who is able or prudent enough to make a testamentary disposition, shall be entitled to an authoritative voice at his own death. This reasoning seems to me very like punishing one person for another's negligence or ill-fortune. Mr. Ricardo, on the other hand, objected to legacy duties altogether, on the ground that the tax hindered the accumulation of capital, as though any tax did not hinder the accumulation of capital, and the argument could not be alleged for doing away with taxation altogether.

It is, I presume, germane to the economist to discuss, and if possible to discover, the reasons why people save. Now the earliest and most enduring motive for saving is a sense of the insecurity of fortune or health, of the risks of social life, and the risks of continuous activity. A second and wholly subordinate motive is the expectation of profit. In some morbid or exceptional minds, the love of power which wealth confers may act as a stimulus, but this remotely or rarely. Now every one, even the most arid economist, allows that the habit of saving is directly and indirectly a benefit to society, and that it should not be discouraged. I conclude also that it will be conceded that it is not illaudable on the part of a parent to strive that a child should not sink to a lower position than that in which he was born and educated, that such a child should not, on the premature death of a well-to-do parent, decline to the few shillings a week condition. Public opinion would censure a father who, having a considerable life interest only, made no adequate provision for his offspring. A parent may therefore be well excused in devising his property to his child; the state would be severely condemned if it confiscated this natural provision, in case the parent had failed to make a will, and in my opinion is to be blamed for giving such effect to a parent's will as shields the child from the consequences of its own misconduct.

A man must be a very sturdy patriot if he will save as energetically for the state as he will for his children, and in a minor degree

for his kindred. If the state discouraged saving by taking an over heavy toll on inheritances, I conclude that the worst forms of unproductive consumption would be increasingly exhibited. At present they are reprobated. That action of the state would commend them. It is found impossible to forbid these forms of waste, except when they are entirely noxious, but I should think that the possessor of wealth would prefer his own waste to the waste of the state, and the disposition of what he has saved for his own wants, real or artificial, to the involuntary disposition of his property by the central authority. I do not dwell on the moral question, of how important it is for the state to encourage family duty, and an adequate provision for one's own, though I could conceive no more mortal wound being given to parental feeling, than the instruction afforded to parents, by the utterance of the law, that the moral obligations of parents to children is, by political ethics, limited to the few shillings a week awarded by a bench of magistrates for the maintenance of an illegitimate child. But when political economy becomes metaphysical, it may lead one on to anything.

There is an objection to the taxation of the inheritance of personal property of a very serious kind. It is that it is one law for the rich and another for the poor; the inveterate and inexcusable vice of levying a tax which wealthy men may evade and poorer men must submit to. It is easy for a man with a large amount of personal property to make a *donatio inter vivos*. It is a very common thing for him to do so. I have known good men, who would not consciously defraud any one, who have told me that they have provided largely for their children during their lifetime out of their abundance; and when I have rejoined, "Then you avoid the probate and legacy duties?" they answer with the full conviction that the reply is complete, "But the law allows me to do so." But I hold that what the law does not allow you or me to do, but allows a richer man than you or me to do, is a *privilegium* and *ipso facto* to be condemned. Most of us, unlike King Lear, cannot give everything, for as we get older, the first and fundamental motive for saving becomes more apparent to us. Now I do not doubt that the landowners in Pitt's time foresaw this advantage of the rich owners of personal property. Their lands were visible; under settlements and entails, inalienable. They would certainly be

caught, and the net was spread in vain in sight of the bird. They were told what would happen. One of the peers, who had accumulated a large personal estate in the exercise of a profession which produces peers regularly, declared that he would never pay the legacy duty. When age came on, he gave all his personal estate to his eldest son, reserving to himself a life interest in the whole. The son became a lunatic, and died. The bereaved father had to pay probate, legacy, and intestate duty on his own property, and died shortly afterwards of the double grief. Then the estate paid legacy duty again.

If Pitt's finance was bad, that of his successors was worse. His efforts, well meant I do not doubt, were full of misery for the poor. They wore him out, and he died *mox daturus progeniem vitiosiorem*. After a short interval, he was succeeded by Perceval, Perceval by Vansittart, perhaps with the exception of Dashwood, sixty years before, the most incompetent Chancellor of the Exchequer who ever did mischief. Robinson and Huskisson were incomparably superior to him, and gradually sounder principles of finance at last prevailed. Parliamentary reforms came, and for nine years the Whigs were in office. They were not successful in finance. Their fiscal policy led to their downfall in 1841, and a new departure began with Sir Robert Peel.

Now in 1830, Sir Henry Parnell, afterwards Lord Congleton, an Anglo-Irishman of distinguished Parliamentary descent, for he was son to the last Speaker of the Irish House of Commons, put out a very significant treatise on Financial Reform, this treatise, in fact, being a series of experiences which he had arrived at as Chairman of the Finance Committee of the House of Commons. He wished to repeal all taxes on raw materials, taking the words in their popular meaning, all taxes in which excise regulations interfered with the course of manufacture, and to reduce the taxation of spirits and tobacco so as to obviate smuggling. In order to fill up the deficit created by these necessary reforms in the fiscal system of the country, he suggested that an income and property tax should be imposed.

The income tax was imposed by Pitt at the period of his greatest trouble in 1799, at 10 per cent. This full rate was payable only on incomes of £200 and upwards, was not taken at all from those

under £60, and was differential between £200 and £60. After the peace of Amiens it was repealed, but reimposed when war broke out again, when it was divided into five schedules. It was payable on all income derived from property in Great Britain, whether the owner resided in the kingdom or not, and on all property yielding an income in Great Britain or elsewhere. The tax yielded about six millions, and as I know from those who had to endure it, in addition to taxes upon every necessary or convenience of life, it was a very severe infliction. After 1815, the country insisted on its repeal, though Castlereagh implored Parliament not to turn its back upon itself, a gymnastic feat which one would think impossible.

When Peel came into office in September, 1841, there had been a succession of deficits. But there were about 1200 articles in the customs tariff, some of which yielded next to nothing, so thoroughly had past financiers racked the earth and its products for taxes. Peel took up Parnell's idea, determined on reforming the tariff, and claimed as compensation for loss of revenue an income tax on the lines of the old tax of 7d. in the £ for four years. He made some important changes in the assessment. He allowed a total exemption on incomes up to £150, and showed considerable favour to farmers in England and Scotland, reckoning the profits of the former at one half, of the latter at one third the rent, a prodigious satire on the rack-rents of the time, aided as they were by the Corn Laws. It is not easy to see in this exemption whether Peel intended to gratify his followers, to prepare the way for a repeal of the Corn Laws, or to accentuate the severity of the rents then ordinarily payable, for it is plain that a rent could not be equitable which in England was worth twice the maintenance and profits of the tenant, and in Scotland three times.

The income tax of 1842, which has continued both in war and peace, long after the wisdom of Peel's financial policy has been demonstrated, was imposed in order to cover the risks of a financial experiment. As the facts turned out, there was no reality in the risk. Industry, liberated from more than a thousand trammels, grew rapidly and successfully under the new system, large masses of the public debt were paid off, financial operations for the liquidation of the residue were rendered possible, and one

must acknowledge also that expenditure greatly increased. As time went on, and the number of articles visited with customs and excise were reduced to not more than 1 per cent. of those so attacked when Peel first took the tariff in hand, the plea, of very doubtful validity, was put forward, that the income tax was the equivalent for a much larger remission of taxation. Of course the statement is absolutely inaccurate, for the remissions in question affected all incomes, and especially those which were earned in the form of weekly wages; while the equivalent in the income tax was paid only by a limited class. Nor is the reasoning more valid, which alleges that those who have an income above that level are better able to afford the tax than those who are below it. In the first place, all wage incomes paid weekly or at short intervals, though in some skilled crafts they are considerably above the limit, are practically exempt, if not legally; and in the next, the exigencies of certain callings demand outgoings from which the wage-earning classes are exempt. A man who earns his living by reason of his clerkly or intellectual or professional gifts cannot get it if he is clad like an artisan, or is housed like one, though he may be seriously stinted in his household. The necessary outgoings of certain classes are a very considerable first charge on professional or quasi-professional incomes, and no imposer of taxes ought to be able to force such people to the manifestation of heroic poverty.

It is impossible to dispute the intrinsic inequality and unfairness of Peel's income tax. It taxes precarious incomes at equal rates with permanent ones. It is no answer to say, with Mr. Mill, that the precarious income pays for a shorter time than the permanent one does. For, first, the income tax always professes to be a terminable expedient, and, I presume, the pledges of Parliament ought to go for something; and, next, the veriest tyro in analytical economics can see that in a precarious income capital and profits are taxed, in a permanent one profits only. Indeed, so serious is this consideration, that one of the most inconvenient obstacles to the extinction of debt through terminable annuities by those who could best float them, as, for example, life insurance offices and banks, is the obvious actuarial fact, that a numerically equal tax on permanent and terminable incomes, is a differential tax to the disadvantage of the latter. Again, it taxes unequal outlay at equal rates. The

winner of a professional income in a town, often in a particularly expensive district of a town, must needs make a greater outlay on an obvious necessary of life, his house-rent and its incidents, no part of which he is permitted to deduct from his earnings, than one who, having an independent income, can elect his own place of residence, and his own scale of expenditure. Again, though this is a more disputable point, the family charges of one man may be greatly in excess of those incurred by another. There are to be sure economists who are so alarmed at the Malthusian theory, that they seem to hold that the continuity of the human race demands an apology, that it is a misfortune, almost a crime. But taking the facts as they are, it cannot be doubted that a person who has to bear these charges is, from the taxpayer's point of view, worse off than the man who is free from them, and therefore in an equal charge suffers more severely than his less burdened neighbour. Now it is no answer to say that taxation is inevitably unequal. This may be admitted, without one's conceding that a financier should select a tax which is sure to be more unequal than any other, and to be at no pains whatever to deal with its schedules. Least of all is it an answer to say, that the persons to whom I refer, being permitted to make their own return, are enabled to rectify the inequalities of their lot. In the first place, they do not always do so; in the next place, that law is to be condemned which cannot be just, unless the object of it is, put in plain English, to commit a fraud in order to escape an injustice.

Besides, it is possible to transfer an income tax. A trader is pretty certain, in dealing with his customers, to treat all his outgoings, house-rent, local taxation, his own necessary maintenance, the inevitable charges of his calling, as part of the cost of distributing the goods in which he deals. He has every motive and every power, all traders equally contributing the tax, to include income tax, and even the highest contingency of it, in the initial cost of his goods. He is practically paying a licensing duty, and he is impelled to exact that from his customers. This result, which is obvious to the analyst of trade profits, was curiously illustrated by the arguments employed by a deputation of London traders, who some fifteen years ago waited on Mr. Lowe, then Chancellor of the Exchequer, to complain of the Co-operative Stores. They alleged

that they could not compete in cheapness against these stores, because the latter paid no income tax. This reasoning had no meaning if it had not been their practice to make their customers pay the income tax which was imposed on them as traders, and Mr. Lowe admitted to me that it had no other.

The latest finance, then, of the British Parliament has reduced taxable objects to a very few articles. It intends as far as possible and with considerable numerical success to distribute taxation in tolerably equal moieties between those who earn less than £100 a year, and those who earn more than £100, and very ingenious and perfectly fair-minded analysts of taxation inform us that this result is obtained. The former are visited with the greater part of the indirect taxation, with by far the most of the excises and customs still levied, and with a small amount of the stamp and succession duties. The latter pay the income tax, the greater part of the succession and stamp duties, the assessed taxes, and much of such customs as are paid for those luxuries of foreign origin which can be purchased only by fairly well to do persons. Of course, even under these circumstances, the contribution of the poorer classes will and must represent a greater sacrifice on their part. I cannot see how this can be avoided, unless indirect taxation is wholly remitted, and direct taxation substituted for it. But such a new arrangement would be wholly impossible and intolerable, unless a property tax were adopted in the place of an income tax, and the liability to this tax be put on all property alike.

It is not easy to impose a new tax, and in the present condition of public expenditure, it is not easy to remit one. I do not discuss whether the rejection of Mr. Childers' budget in 1885 was due to financial dislike merely. But it was a strong deterrent, and will probably remain a strong one for some time, for the rejection of a budget is a disagreeable surprise to any financier. Nor can it be doubted that the financial income of the United Kingdom has shown signs of inelasticity in some of its most important particulars. But the general wisdom of our financial system is admitted by all whose opinion is worth anything, and any serious attempt to alter it would be met with opposition from many quarters where opposition might be unexpected, but would be very decided.

XXII.

THE OBJECT AND CHARACTER OF LOCAL TAXATION IN ENGLAND.

Central and local government—Causes which lead to federal systems or discourage them—America, France, England—Ancient local liabilities illustrated by the Tandridge rate—The growth of local taxation modern—The poor rate—The relief of destitution justified—The maintenance of roads—Mr. Goschen's Committee—The cost of police, of prisons, hospitals—The charge of national education, of sanitary improvements—Local debts—Modern expedients—Local taxation subsidised—The motion of March 23, 1886.

All communities which have arrived at anything like political and social organization have experience of two forces, one of which draws them towards the central government, the other inclines them towards local administration. Constitutional antiquaries, who have searched into such evidence of the conduct of early societies as have survived, assure us that the latter preceded the former system, and we know that there has been an historical struggle on the part of the former to supersede or to control the latter. The motive of the former has been the reality or the pretence of the public safety, which could not, it was alleged, be secured, unless the authority and completeness of local administration were circumscribed. But the local administration, having all the forces of tradition, and not a few of the conveniences of experience on its side, while admitting that the central government must be recognized and supported, insists that local autonomy provides a machinery of self-government which is certain to be respected,

which is more intelligent and acute than departmental administration could be, and can be worked with greater efficiency and economy. There are reasons in favour of centralization, there are reasons for decentralization, and there is a sphere for the action of both. The question as to which kind of common action shall be referred to either function has been, and will remain, matter of debate. But in a decision on the question is involved the settlement of the most effective and least harassing form of social government. I shall not be touching on political controversy when I state, as most of you are well aware, that the subject is occupying the serious attention of most English statesmen now, and that the controversies which have been made prominent in recent times, are likely, as time passes on, and experience becomes more and more a guide to action, to become less personal and less bitter.

Events, which in the history of nations are so remote that they seem to be merely antiquarian, have had a great influence in inclining communities towards centralization, or towards federalism under a central authority or parliament. Thus in France, the initiative, even in matters of purely local business, has been taken away from the local authority, and has been referred to the central government. In the United States, the doctrine that the state is still sovereign, and that the powers of the President, his Cabinet, the Senate, and the House of Representatives of Washington, though inalienable, are circumscribed, is constitutional, and has been recently re-affirmed. The doctrine, it is true, suffered some severe shocks shortly after American independence was secured, and when the great Civil War waged a quarter of a century ago. On the other hand, though there was evidently a design on the part of those public men who guided the action of France in and after 1789, to found a republic on the model of the American Union, these persons repudiated the most characteristic part of the American system, the free but permanent union of a number of independent states. Soon afterwards, federalism was denounced as treason, and the suspicion of any sympathy with such a social theory was in the highest degree dangerous. Now these differences in the constitution of two communities were due to historical causes.

The American plantations were voluntary settlements, in the administration of which the English crown readily accorded a considerable amount of independence. Sometimes, as in the New England colonies, the adventurers consisted of a body of men flying from a distasteful religious organization, not to proclaim toleration, but to construct as rigid and despotic a government as that which they sought to avoid. Some were conquests, as New York and New Jersey, easily acquired from the original settlers, and easily relinquished by the countries which founded them. Most of them, however, were proprietary colonies, as Maryland, Pennsylvania, Virginia, and the Carolinas, in which the representatives of the founders were the hereditary administrators of the plantation. In course of time, and after at least two abortive efforts, the proprietary rights were extinguished, generally by purchase, as the plantations came more and more under the mercantile regulations of Parliament, and, within certain limits, all became autonomous. These settlements, then, had no other experience than that of advantage in the development of their automony, and when they combined together for a common purpose would naturally relinquish as little as possible of that independence, which to the popular mind marked the growth of their local liberties. It became necessary in the early history of the American Union to control these State Rights, in order to strengthen the Washington government, but the doctrine that the association was voluntary remained, and formed the principal justification of the Southern secession. At the present time, under well-defined and intelligible limits, the American State administers its own affairs, has its own Governor, Senate, House of Representatives, imposes and collects taxes by its own authority, and possesses large powers of administration within its own area. In some particulars and these of awkward significance, the Supreme Court of the United States has declared that no central authority can control a state, particularly in incurring state debts and repudiating or forcibly converting them.

France, however, was slowly built up, partly by conquest, partly by the persistent assertion that the king was paramount over the numerous princes among whom France was partitioned. In the middle of the twelfth century, the authority of the French king

over the great fiefs of Normandy, Guienne, and Toulouse was in the last degree shadowy. Our own Henry II. was the real ruler over the sea-board of France, from the mouth of the Seine to the Pyrenees, and the customs of this feudal kingdom recognized the right of the vassal to make war on his lord paramount, at least till as late as the reign of Saint Louis. The grandfather of this king challenged, with much astuteness, and on every opportunity, the exercise of this right. He stripped John of Normandy and Brittany, and probably if John's mother had not been alive, when his reputed offence had been committed, he would have appropriated Guienne. At the end of the century he made use of the real or imputed heresies of Provence to establish his authority firmly in the south. But it must not be supposed that this policy was always readily submitted to. The only enemy which the French king seriously feared was the party of the great nobles, and those people were quite alive to the fact that they were being subdued in detail. Twice, by their open assistance, the English overran and nearly partitioned France. The struggles of the sixteenth century, between the French king, the Leaguers, and the Huguenots, were aristocratic revolts, following on the last attempt, by Charles the Bold, to dismember Eastern France. The effort after independence on the part of the nobles was continued till the war of the Fronde. Anything else, then, except deference and submission to the central authority, seemed by the experience of ages to be an attempt to lessen the dignity, and to break up the unity of the nation. It is not wonderful, then, that the very shadow of local independence was looked on with dismay and anger in France, and that even the republicans of 1789, with the cry of liberty, fraternity, and equality, gave an exceedingly qualified meaning to this historical phrase.

The social history of England has proceeded on lines midway to the state rights of the American republic, and the excessive centralization of the French monarchy. In early times the right of self-government appears to have been almost complete in every village and town. As a measure of police and public safety, the government of the Conquest undertook an investigation into cases of homicide, and it would seem in this manner it quenched the embers of that guerilla warfare which plainly, and to the infinite

injury of the country, followed on the first victory of William the Norman. There were also severe forest laws, but these were, I believe, exceptionally directed against brigandage, though capable of being made exceedingly oppressive. Otherwise, however, justice appears to have been administered by the self-appointed or spontaneous police of the Lord's Court, and was, as I conclude, from reading many hundreds of early manor records, respected and effective. Similar justice appears to have been administered in the towns, when they were not chartered, the principal object of the charter being to bring about that the administration of the affairs of the corporation should be conducted by elected magistrates. When the troubles with labour began after the Great Plague, the first remedy applied was the Lord's Court. But in this the presentment was by a jury of the inhabitants, and it is not surprising that this should have not been found effective, considering that the jury was from the class whom the law was trying to coerce. The labour statutes were thenceforward administered by the justices of the peace, whose object it was to coerce the peasants. But I have pointed these facts out before. I refer to them now, only to show how universal was the ancient English system of local self-government.

Now we are told that from the earliest date the resident Englishman was liable to three local obligations—the defence of the realm in case of invasion (a liability well illustrated by the Assize of Arms), the repair of bridges, and the maintenance of roads. But it is singular that neither in the accounts which I have examined, and they are many thousands in number, nor in the record of the manor business, have I found any notice of a charge imposed for these purposes. Roads there were in plenty. Bridges certainly existed. Now it is quite clear that the roads were good, for many years ago, when I collected evidence as to the cost of carriage over known distances—and I may add, over roads now existing as well as then—I was extremely surprised at the rapidity and cheapness with which goods were conveyed, all things considered. That the villagers repaired their own roads is, I think, obvious; it was unquestionably their interest to do so. That the owners of scattered properties did so was equally in their interest. It is wonderful to see how property even in the same parish or manor was scattered. It is equally wonderful to see how monastic

property was scattered, and how rare it was that an estate was not loaded with some burden, which the piety or policy of the earlier owner had imposed on his heir, or his heir's alienee. Now everything which diffuses property laden with these obligations suggests the wisdom of keeping communications open. I am quite sure that roads in England were in far better repair in the time of Edward the Third than they were in the time of George III. I do not say that the ancient roads were level, macadamized, and well metalled; but they are infinitely better than the turnpike roads of which Matt. Bramble, in Smollett's novel of "Humphrey Clinker," complains so bitterly. My evidence, then, as to local taxation for roads up to the sixteenth century is entirely negative.

The first local charge which I am able to trace is that levied and distributed for the relief of the poor and other public purposes. Now in the years 1541–1601 inclusive, twelve Acts of Parliament were passed for the relief of the poor, the last being the famous statute 43 Eliz. cap. 2, the basis of our poor law system for more than two and a quarter centuries. We can read about these Acts in any of the two Collections of Statutes at large, though as regards one of these Collections, beginning with those printed by order of Henry VIII., it may be doubted whether there are more than two perfect copies in existence, perhaps not even two. Of their administration there is even less trace. But I have been fortunate enough to find an original illustration of an assessment for the relief of the poor in a Surrey parish, in 1600, *i.e.*, under the Act 39 Eliz. cap. 3. The document is the original manuscript of the committee of parishioners, to use a modern phrase, who in this year were called upon to survey the parish, and to fix the contributions of the occupiers to several objects—the relief of maimed soldiers, the hospital and prisons of Surrey, the carriage of the Queen's household, especially of coals, for the composition for provision, for oats, &c., for the Queen's stable, for setting the poor to work, and for the relief of the poor.

Tandridge is a Surrey village on the Kentish border. The parish lies rather high, and is of only average fertility. Before the Reformation it possessed a hospital, to which charity a good deal of the parish was annexed. This foundation fell at the Dissolution into the hands of Mr. Froude's patriot king, as indeed nearly every-

thing else fell, and was, it seems, parcelled out among numerous proprietors, probably to a great extent purchasers of the hospital lands, and, two generations before, its tenants on beneficial leases. I may mention that in the spring of 1600 wheat was 25s. 4d. a quarter, and malt 13s. 4d., and beef 2d. a pound. The maimed soldiers were allowed 2d. a week, and the charge on this account to the parish is to be 8s. 8d. yearly, so that the parish was expected to find this pension for fifty-two weeks in the year. Of course this was not the whole of the soldier's pension. Double the sum is paid for the prisons and hospital. The residue of the rate is devoted to the other objects, and you will notice how numerous and how varied were the regular charges imposed on land in the last year of the sixteenth century, under the form of what we should call in modern phrase local taxation. You will also notice that the account gives no item for mending roads, but as the parish was charged with a payment in lieu of purveyance, and for carriages to the royal household, no doubt in this case Greenwich or Eltham, as the case may be, the wisdom of keeping their roads in repair, as far as the custom of the time demanded, must have been very apparent to the occupiers of Tandridge. It appears from the account that it cost 7s. 6d. to convey a load of coals to the Court. The duty of the parish was probably completed by the carriage of a single load. The fixed annual charges of the parish were therefore 33s. 6d., and the rate at a penny an acre, amounted to £9 12s. 7d. The people of Tandridge therefore reckoned on having to spend at least £7 19s. 1d. on the relief of the poor, and the overseer is instructed to collect a second, or more rates as soon as he had only 20s. in hand. At a shilling a week for each destitute person, then, they reckoned that they had permanently three persons on their hands. Taking the land at Tandridge in 1600 as worth a shilling an acre rent, and this is a full rent, the local rates in this Surrey parish at the end of the sixteenth century were at least 1s. 8d. in the pound.

By 22 Henry VIII. cap, 5, the justices in Quarter Sessions were made responsible for the repair of county bridges. Now the Parliament of 1529 sat for six years. It began by attacking Wolsey, by taking cognizance of the abuses in the Church, and of Henry's divorce. It passed a vast amount of legislation, established the succession, curbed the clergy, and suppressed the smaller monas-

teries. At this time it became, it seems, necessary to find some new machinery for keeping bridges in repair, a duty which I have no doubt had hitherto been practically fulfilled by the monastic bodies until the dissolution was in the air. Under this Act the magistrates in Quarter Sessions were empowered to levy a tax on all the inhabitants, landowners or not, towards the repairs of public bridges. In course of time the precept of the justices was made a valid order on the overseers or receivers of poor rates. It appears that this Act of Henry VIII. still constitutes the law on county bridges.

In course of time, two of the local liabilities, the composition for purveyance and the obligation to carry the fuel necessary for the royal residence became obsolete, as did also the provision for the pensions of soldiers, while the liability to maintain the poor, to repair the roads, and to pay a contribution to prisons and hospitals, remained obligations. During the seventeenth century the cost of maintaining the poor became a growing charge, the amount of which was very great in proportion to other liabilities, and far heavier in relation to the ordinary revenue of the Crown than it was in the worst and latest ages of the old Poor Law. In the latter part of Charles II.'s reign it was returned at £665,362, according to Davenant, or more than a third of the whole revenue in the time of peace. It would seem, as this author mentions no deductions from the poor rate for other local purposes, that the whole of this amount was expended for the relief of the poor only, and for such other ancient incidents as were imposed on the occupancy of land.

The development of local taxation is very modern. It is partly the outcome of larger powers given to local authorities, partly to the spread of knowledge as to the laws of health, partly to the convenience which there is in finding an area for taxation, the habit of being taxed with patience being formed, partly to the opportunity which the existing system gives of imposing a charge on one person the effects of which shall be found beneficial by another person. It is also a remarkable feature in modern local taxation that the person who pays nothing, but makes other people pay for him, constantly becomes the mouthpiece of those who do pay, and by raising the cry of peculiar burdens on land, when these burdens

are imposed on the occupier, is enabled to appear as the enlightened and patriotic advocate of fiscal reform, when he knows that he is in reality engaged in an attempt to further burden those whose claims he so generously advocates.

Whatever may be said of imperial taxation, that which is levied for local purposes is either the satisfaction of a duty or a beneficial outlay. The invariable defence of the old Poor Law was that it was a compensation for rights in the soil, commonable and other, of which the peasantry were deprived under the numerous enclosure Acts of the eighteenth and early part of the nineteenth centuries. "We admit," such people alleged, "that the poor have from time immemorial had common of pasture in the open fields, and the unenclosed pasture. We allow that when the enclosure Acts were passed, such rights were confiscated without compensation, for they alone shared in the enclosed districts who had estates of inheritance within the boundaries of the parish. But an adequate equivalent has been given. The maintenance of those who have been dispossessed is a first charge on our estates, the new and the old. We must lose all our rents before the poor can want." And to do them justice, many persons reasoned in this manner when the new Poor Law was ventilated, and finally carried, even though the incidence of the old law was found intolerably heavy, and in one or two unlucky parishes, of which much was made, the poor rate had actually extinguished the rent.

A poor rate is inevitably a rate in aid of wages. Even when it is refused to the able-bodied, who could have made provision against the ordinary risks of destitution, it is very difficult for any forethought within a working man's opportunities to make provision against prolonged sickness, or, if he have wife and child dependent on him, against the risks of accidental death. Nor does it seem to me possible for an ordinary working man, subsisting entirely on wages, and having no income-yielding property on which to rely, to provide against old age. Now, unless wages can cover, in addition to a decent maintenance, the risks of sickness and the certainty of incapacity, they must be supplemented by private or public charity, *i.e.*, either by alms or rates. Hence it seems obvious that they who employ labour with a view to profit, and under my hypothesis get this labour at less than the natural rate, should alone supplement

the deficiency of what they pay. In a rough way this was the case when Elizabeth's statute was enacted. Almost all persons were at once occupiers and owners, even in the towns. The parson, besides being an owner of tithes in kind, the collection and preparation of which for market required labour, was also, nine cases out of ten, the cultivator of his own glebe, nay, in not a few benefices, had the whole of his endowment in land. Undoubtedly owing to an ancient belief that the tithe was originally charged with the maintenance of the poor, the parson was made liable to more than his proper share of the charge. With better, though not with sufficient, reason, it was alleged that the source of his tithe was the product of human labour, and should be charged with the sustenance of those whose toil had produced it. This argument became more substantial when the tithe became more and more a toll on the husbandman's skill, even to a greater extent than the landowner's rent, for the rent was exigible only when the skill was diffused, the tithe while the skill remained the peculiar property of the cultivator.

But the levy of the poor rate on those who do not employ labour with a view to profit, as agriculturists and manufacturers do, or derive no advantage from the density of population, in consequence of the competition for building sites, as landowners do in towns, is in no case defensible, except on the plea of usage. It is true that most persons who pay notable sums for poor rates are the employers of domestic servants, taken almost entirely from the class which is likely to require parochial relief. But the wages of such persons are constantly equal in private families, their board included, to the whole earnings of the agricultural labourer for himself and family, and, I believe, form indirectly not a little of the means by which such families are maintained; for domestic servants, especially women, are peculiarly open to the claims of their near relations. Treated then on economical grounds, there is no justification for the present distribution of the poor rate. They who are not, on these grounds, naturally bound to pay, in consequence of having entered into definite profit and loss arrangement with those who labour, and are thereupon economically liable for all the charges which are essential to their due and continuous labour, do pay, while those who enter into such relations, and

from my analysis should pay, are *pro tanto* relieved of their liabilities.

I have taken the most disputable case first, for I am far from admitting that the relief of the poor from destitution is a liability which is merely to be measured by economical considerations and by economical duties. They ought to be stated. But I am prepared to admit that there are duties which are higher and more stringent than those which an economist allows. I may allege that no man has a right to have his want supplemented out of my abundance; but I may also, with perfect consistency, allege that it is my duty to supplement it. For our duties are not to be measured by other people's rights. They are much wider and much more personal, as the better instincts of every man teach him. It is, I think, unfortunate that Mr. Mill has based the obligation of maintaining destitution on the ground that the unfortunate object of public charity is not responsible for his own existence. The person who is constrained by law to support him may retort with perfect justice and absolute cogency, that he is not responsible either. It is, in my opinion, infinitely better and more logical to base the obligation on the general claims of humanity, on the mischievous effect induced on the individual man when he sees unrelieved destitution, and on the sentiment, if you will, which urges people to believe that necessary as legal relief may be, it is better if possible, except to the utterly undeserving, that private benevolence, or if the cause be preventible, legal action, should obviate as far as possible the necessity of applying for that legal relief. For destitution may be caused by law, and therefore may be, I will not say remedied by law, for effects in the social system endure after causes have ceased, but repressed or obviated at its future origin. But I fear that I am quitting the range of economical reasoning, and intruding into the wider and more suggestive field of morals. My excuse must be twofold—first, that one may occasionally soften the stern inferences of the economist; next, that I may point out to you that not every social fact is capable of a complete exposition on economical principles.

The poor rate used to bear the expense of roads and prisons, and, in so far as the duty was not satisfied by compulsory service, of police. The roads, to be sure, since 1773, were on the whole

maintained by tolls levied on passing vehicles, considerable exceptions being made in the case of agricultural carriages. It must be allowed that some thirty years before new methods of locomotion were invented or applied, the trustees of these roads, animated no doubt by motives of enlightened self-interest, mended them decently. For some time, however, after the Act of 1778 (you may find it in the literature of the time) the permission to levy tolls was not made the ground for repairing the roads, but for saving the rate. The stage coach of the eighteenth century paid heavy tolls, of course taken out of the passengers' fares, and was not infrequently stranded in a slough. There is a story, perhaps a legend, that at the end of the last century the Oxford coach going to London, and not over-laden with University professors, was absorbed in some Serbonian bog on the old eastward road over Shotover. You have heard of the scholar of Queen's, who choked the Shotover boar that charged him with his Aristotle, and brought his head, no doubt, to the Christmas festivities of that college of the plural Queens. *Non defensoribus istis, non tali auxilio* must have been, if the story is true, the despairing cry of those engulfed passengers. The story may not have been true, but it must have been possible.

Now, it seems to me inevitable that a landowner should pay for the creation and maintenance of roads to his estate. I dare say they are ancient. I witnessed what I have no doubt is the history of many an English road in my experiences in the Rocky Mountains, experiences which I do not doubt were recognized nineteen or twenty centuries ago in our own country. The first track is that of wild animals migrating for early pastures, and I may say that I know no country in the world in which a few miles of north and south latitude make so remarkable a difference of late and early growth as is seen in the British Islands. The second track is that of the savage, who utilizes the instinct, if we can use this word in these Darwinian days, or limited logical faculties of the brute. The third is the more or less civilized man, who, in the United States, adopts the track of the bison, and the trail of the Red Indian for high-road or railway. We may be pretty sure that most of the English roads have as ignoble an origin as that of the American,—that the *bos primigenius* taught the ancient Briton, that the ancient Briton could not conceal his secret from the Roman, and that Saxon,

Dane, and Norman were the inheritors of this traditional knowledge. Depend upon it, the new roads, other than those of towns made from place to place in England, during the last two centuries, are not more than 1 per cent. of the existing roads, roads which date from the days of savage occupancy. And if one deducts disused roads from the total, I have my own opinion that 1 per cent. is a very liberal estimate. Of course the various settlers, immigrants, freebooters, brigands, the aggregate of whom is implied by Juvenal in his word of three letters, settled in the neighbourhood of these primeval roads. Show me a Roman villa, and I am sure that a Roman road will be found near it. We are, some of us at least, the heirs of a multitudinous experience.

Now, in 1773, the English landowners in Parliament, as is natural, seeing that they were dominant, thrust the cost of maintaining those roads, the existence of which was essential to their rent, and the due repair of which was nearly as essential, on those to whom the repair of the roads was even more important than its existence, by the machinery of turnpike tolls. For a long time they got the tolls, exempting themselves and their tenants from them, and did not repair the roads. But as stage coaches increased, it was seen that the fruitful contingency of tolls depended on adequate repair ; and in some cases, even on a few miles of new road, cutting through hills and bridging over low-lying land. Some specimens of this later engineering may be seen on the west and south roads leading out of this city, and a little on the east. The two north roads, I venture on asserting, are as old as the days of the ancient Britons. The money for restoring, and in certain cases for improving, these communications came from private subscribers; and fifty years ago, a turnpike trust, though its duration was very properly limited, because it was really the restraint of a public right, was supposed to be an excellent investment. In course of time the receipts from the tolls fell off, for a more rapid and cheaper means of transit was discovered and gradually extended. The trusts were renewed after the term was expired, but in vain ; for it was finally discovered that the tolls payable did not cover the cost of collection. There was nothing to be done but to refuse to renew the trusts, to secularize the toll-houses, and to leave the landowners, as was the case before 1773, to mend the roads which had now

become in the main their interest only. In less than a century the ancient obligation on themselves, which they had striven to shift, and with success on the mail coaches and trade waggons, reverted to their own shoulders, and again became a charge on land or on occupancy. They had learned how important an aid to the rent of land is cheap and convenient transit. Hitherto they had got it at other folks' cost. Now they had to provide it at their own. The situation, as the landowners encouraged branch railways, became worse and worse, for though the roads were not used by the carts and coaches, and therefore presumably lasted the longer, the contributions to the charges gradually disappeared. It became necessary, either to pay for the maintenance themselves, or through the tenants, or to let the roads get out of repair, or to find some other source by which to secure a good road, and save their own charges. They hoped for a time that a renewal of the trusts would prove efficacious, and when they were disappointed in this, they reviewed their opportunities.

Now about twenty years ago, a Committee of the House of Commons, of which Mr. Goschen was chairman, was nominated for the purpose of investigating the amount, the incidence, and the equitable distribution of local taxation. The committee was, as usual, taken from the two traditional parties in equal moieties, except that it had a bare majority on the side of the existing government, a rule which is observed in the House of Commons and, perhaps, explains the singular worthlessness of nearly all reports made by select committees. The committee took evidence as usual, and divided on a report, drawn up as usual by the chairman. Half the committee voted in favour of the chairman's report, half against it, and the report was carried, as usual, by the chairman's casting vote. I may observe that in recent times the House of Commons on matters of high public interest steadily stultifies itself in this absurd fashion. In consequence, as I have been constantly constrained to state in the House, the evidence taken by the committee is almost invariably of far higher value than the report issued, which purports to be an adjudication on the evidence. It is needless to say that a report carried by the casting vote of a chairman is of no practical force. Mr. Goschen had nothing left for him but to issue a volume of his own on the subject, in which the whole matter was stated with

great clearness, and the principles which should determine the distribution of such taxation were, from Mr. Goschen's point of view, advocated with great cogency. He advised, in brief, that such taxation should be divided between owner and occupier in equal moieties, as is done in Scotland and generally in Ireland, though in the latter country what is called county cess is imposed on occupiers only. I shall point out later on what was the effect of Mr. Goschen's publication.

Up to comparatively recent times, the maintenance of the peace in town and country was imposed upon the inhabitants in turns, the office of constable being one which an inhabitant could not decline. Even in the city of London, there were constables appointed in every ward. But in course of time, it was seen that it was impossible to rely on these gratuitous services. A detective force had to be established in London. Then a regular police was instituted by Sir R. Peel, and put under the Home Office, when its duties were outside the city. Very soon the system of the London police was extended to other large towns, and finally the constable of the village or hundred was superseded by a county police, and paid service substituted for a quasi-voluntary one. The ancient constable, an institution alleged to be coeval with the common law and in activity within my own memory, is now as obsolete as the court leet, by which he was originally appointed, and whose officer he was.

Now the maintenance of the peace and the arrest of offenders, a duty still imposed in theory on all persons, apart from the form of the special constable's oath, is every one's interest, and if it be delegated its cost should be defrayed by the contributions of all who have the benefit of such services. On no pretext whatever should this charge be defrayed by the owners of land, or by occupiers whose liabilities are measured by the use of agricultural land. It is entirely unfair that a farmer of 500 acres should pay this tax on his holding. It is true that his property is in the open, and is exposed to marauders. But it is quite possible that another inhabitant of the same parish may have as much property in his house as the farmer has on his land, and not be liable to a tenth of his payments. He may have, as I shall show hereafter, much more than the farmer has, and not be rated at near the sum. Plainly the police rate should be defrayed by the occupier, and the

most equitable way in which it should be defrayed is by a house tax, estimated on the building value of the house. If a man chooses to live in a house which would cost and did cost half a million to build, he should pay on that half million for protection and not on a nominal sum. The maintenance of the poor then, in equity, should be a charge on the employers of labour; the maintenance of roads, by the same equity, should be defrayed at the cost of those who own landed property. The maintenance of the peace should be a charge on occupation, and should be calculated on the cost which the occupier is put to in building the house in which he thinks proper to live.

But I am far from having exhausted the charges which are included under the general head of local taxation, charges which are rapidly becoming a tax, the aggregate amount of which is considerably in excess of the whole cost of government, exclusive of interest on the debt, sixty years ago, charges which if continued at the same rate bid fair to rival, at no remote period, the imperial expenditure. Much of the outlay is, I allow, immediately or indirectly beneficial, but unfortunately they who incur the cost are very frequently, I may say generally, not the persons who obtain the benefit. On the contrary, the benefit which they pay for supplying is, inevitably and in the nature of things, the basis of a further charge on themselves. In brief, they improve another man's estate, and are called upon to pay a subsequent sum on the improvements which they have effected at their own cost. Such a result must ensue by basing all local taxation on occupancy.

One ancient tax, contributed by all occupiers and occupying owners, as I have shown you in my analysis of the Tandridge rate, is the charge for maintaining prisons and hospitals. Now the detention and punishment of criminals is part of the machinery of police. So, though in a less obvious manner, is the case of lunatics. The lunatic is kept in custody because he has either committed a criminal offence or is judged likely to commit one. Now the charge of his maintenance and custody should be defrayed, as the police rate should be defrayed, by the contributions of all occupiers, and this because the liberty of such persons is a danger to secure occupancy. Besides, it is a matter of local interest that the causes of excessive local crime or excessive local lunacy should be studied,

and if possible remedied, under the stimulus of having to pay exceptionally and sensibly for the local evil.

Recently, the state has wisely determined to insist on the compulsory education of all classes. It is seen that an uneducated people is handicapped in the industrial competition with educated nations, and however much people may declaim against competition within the limits of any one particular community, it is plain that no law can prevent its operation, and that in all its force in the industrial relations of any two communities or more, and that consequently industrial ignorance, however caused (and a highly educated nation can be rendered industrially ignorant by protective laws) is a bar to economical progress and industrial competition. Now for reasons already stated, this charge should be a national one, for the primary education of the young does not, by the very terms of the hypothesis, benefit the individual nearly as much as it does the state. It might be paid entirely by the state. It assuredly should not be paid by the magnitude of the occupancy. It would be much better paid, as it is in the United States, by a house or property (not income) tax, and the control of it should be in the hands of local committees, instead of being based on foolish, frantic, and mischievous examinations.

But by far the most formidable, and on the whole least defensible, forms of local taxation remain. The researches of modern science have shown that the health of a community must be considered in the supply of pure water, and in the adequate elimination by sewage works of unwholesome and dangerous matter. A district should not be declared habitable, or allowed to be occupied with houses, in which pure water is not forthcoming, and dirt is not effectually removed. Under the same rule overcrowding should not be permitted, the building of unwholesome houses should be forbidden, and in general, the public health should be consulted. But the restraint on overcrowding and what is called jerry building, a term I believe imported from the other side of the Atlantic, is, like the inspection of food, a matter of police, and should be defrayed as other police liabilities should be.

But the supply of water and the removal of sewage are, or ought to be, permanent charges on the owner of habitable land. By the laws of sanitary science, and, what is more important, for the

purposes of economical inquiry, building land is or should be of no more value than ordinary agricultural land, if these conditions are not complied with. It was from ignorance only that they were not made obligatory by early English law. In the city of London the supply of water reputed to be pure was imposed on the civic authorities, and assistance was accorded to them for the purpose, The city estate, which lies west of St. James' Street, was granted to the Corporation in early times, in order that it should contain reservoirs for the City supply of water, the streams formerly utilized for the purpose at Paddington being now diverted into the Serpentine. In equity then, and on economical grounds, the supply of pure water and the removal of sewage matter should be a charge on building land.

The greater part of the local debt, which now figures as so serious an item in local budgets is due to these permanent improvements. In most cases the debt is terminable, that is, the occupiers are constrained to pay off principal and interest, and as I have stated, are engaged in benefiting an estate, the owners of which can and will make them pay interest on the improvement which they have effected at their own cost. The same reasoning applies to workhouses, to prisons, to county halls, and a host of other permanent structures created out of the occupier's money for the landowner's benefit. It is not easy to conceive a system which more completely offends against every canon of economical equity. If outlay is beneficial, immediately or indirectly, it ought to be defrayed by those who secure the benefit.

But this is not all. The property which is liable to a rate is assessed by the local authorities either in person or by deputies. But there is an appeal from the judgment of the assessor to Quarter Sessions. The rating Act of William IV. bids the Court of Appeal take into account the fair letting value of premises, a direction which is entirely equitable in nearly all cases. But it is not equitable in the very class of cases, in which the justices in Quarter Sessions are generally interested, viz., their own houses. They have therefore interpreted the clause greatly in their own favour, and county mansions, however costly their construction, are rated at nominal sums, on the plea that their letting value is an unknown quantity. The Quarter Sessions shrinks from the

logical conclusion of its own premises, which should be that they must not be rated at all, and attempts a compromise. There is nothing, I believe, which has excited more universal condemnation than this evasion of an obvious duty. There is no practice more dangerous, for the most powerful stimulant to socialism is the conviction that the forces of government are perverted to the interests of a particular class. When my friend Lord Wemyss declaims against socialism at St. Stephen's in the Lords, it is only wise to trace the circumstances to which this movement which he stigmatises owes its origin. In England socialist opinions are expressions of discontent at existing and indefensible practices, not an organization directed against the very foundations of economical progress.

Two manifestations have lately been made, indirectly attacking the existing system of local taxation in England. One of these is the enfranchisement of leaseholds by a compulsory process, the other is the special taxation of ground rents. The first is intended, it seems, to obviate the consequences which ensue from the artificial preservation of family interests under the forms of a settlement of land, the second is an assault on the principle which levies all local taxation on the occupier. Now nothing excuses the former, except it be that it purports to supply a remedy for an existing practice which is believed to be mischievous, unless it also urges that in a densely peopled country, everything which distributes real estate is to be commended, everything which accumulates it is to be discouraged. It is, however, open to some doubt whether the strict enforcement of sanitary conditions is not a better remedy against the owners of house property and building land, than compulsory sale as a remedy against accumulation. In the United States such accumulation is not only discouraged by public opinion, but by the more drastic effect of levying local taxation to the full on all lands and tenements, whether void or occupied, and by putting this taxation entirely on the owner. But the condition of workmen's houses in the States, to judge from the latest report in the State of Pennsylvania, is worse than in any civilized country, and the rents are enormous. Of course, there is much which is exceptional in the fiscal system of America to account for this, but it also implies that facilities for acquiring ownership, undoubtedly

present in the States, do not inevitably lead to beneficial results.

The special taxation of ground rents, except as a remedy to the unfairness of levying local taxation on occupiers only, and as part of the theory of progressive taxation, a very agreeable topic in the economical analysis of finance, is an attempt to levy a special tax on a special kind of fertility. Fertility, among political economists, represents those exceptional advantages which particular pieces of income-bearing land possess, by reason of their yielding a larger return to the possessor than other pieces do. In ground rents this is proximity to the market. The ground rent of a plot in the city of London is exceptionally high, because the occupation of it gives exceptional advantages for carrying on a profitable business. It may be just and prudent, as Mr. Mill alleged, to levy special taxes on accidental fertility, *i.e.*, such fertility as is in no sense the creation of the owner, and is due to the recognition by others of the exceptional advantages which the site yields. But to be just, the same liability should be extended to every kind of exceptional and spontaneous advantage, and in the analysis of economical fertility, it is by no means easy to determine what is spontaneous and what is consciously acquired, even in the possession of land. Purchasers may, by reason of their own acuteness, anticipate the pressure of demand, and subsequently stimulate it. Are they to be exceptionally taxed because they have been exceptionally acute or farseeing?

After the publication of Mr. Goschen's work, in which the author advocated the equal partition of local taxation between owner and occupier, the landowners in Parliament became alarmed. It is constantly alleged that the payment of local taxes by occupiers is merely an indirect payment by owners, and that if the owner paid them in the beginning, the tenant would pay them in the end. But this contention proves too much. If it be true, no harm would acrue to the owner if he did pay them in the beginning, a reversal of practice to which owners show a very rational repugnance. Besides, if Parliament transfers any tax from owner or occupier to the consolidated fund, it is inevitable that *pro tanto*, a present is made to the owner out of the public taxes, and no boon whatever is bestowed on the occupier by such a lightening of

local taxation, for the hypothesis is that the landowner can and will exact all the remission in an increased rent. But such reasoning implies that the landowner has a power of enhancing the rent at his pleasure, a position which, if it were affirmed and believed, would be an unanswerable argument for regulating all rents, however voluntary in appearance, by the state. In fact, he has no such power, as recent experience is proving, in the decline, not of agricultural rents only, but in the slower reduction of house rents. The value of building sites, and of houses erected on them, is determined by the ordinary laws of value. It is subjective, *i.e.*, it lies in the discretion of the occupying applicant, not objective, *i.e.*, in the will of the consenting owner, unless, of course, the state assists him to some extent in fixing a monopoly price.

The parliaments of 1868 and 1874 began the transference of considerable masses of local taxation from the occupier to the consolidated fund. All the charges of prisons were transferred in this way, all the charges of lunacy, and a notable amount of the charges on roads. These were ancient liabilities on land, and on the profit of its use. Since the date at which this practical answer to Mr. Goschen's suggestion was made, no new tax of a substantial kind has been imposed; some have been reduced, and very urgent demands in the interest of manufacturers have been put forward, especially for the reduction or abolition of the taxes on gold and silver plate, and on the use of carriages, taxes alleged to be exceedingly injurious to two British manufactures. I have already referred to the budget of 1885 and its failure. As a consequence, these remissions have been made entirely at the cost of those who pay income tax; and when I investigated the subject, and based a motion in the House of Commons on it near two years ago, I found that half the income tax had become a subvention to local taxation, and, according to the ordinary interpretation, to landowners, in relief of traditional charges.

Some of the burden of local taxation, indeed of any taxation, must rest on the person who first pays it. This is, I believe, the case even in those excise and customs duties which, on the theory of finance, are transferred from dealers to customers. I do not otherwise understand the unanimously expressed grievance of the tobacco dealers at Sir Stafford Northcote's increased tobacco tax in

1878, since remitted, or the equally unanimous anticipation of what the effect of the increased beer tax in the budget of 1885 would be on the profits of brewers. The power of transferring a tax is one of degree. It is greatest when the person who primarily pays it bases his calling on further relations with a body of consumers, and this quite apart from the check to business which increased taxation has a tendency to produce. It is least when the person who pays it first has no further relation with customer and consumer, and therefore has his power of transmission hindered *ab initio*. And so I conclude that, if a moiety of local taxation were paid by the owner, and the other moiety by the occupier, on the principle laid down by Mr. Goschen, the former would almost certainly be disabled from transferring his tax, and the latter would not be much affected in all new transactions.

With these views, and on these grounds, I made my motion in the House of Commons on March 23, 1886, when I proposed that for the future local taxation should, as in Scotland and Ireland, be divided into moieties, of which the owner should contribute one part, the occupier another, power being given to the occupier to deduct the owner's moiety from his rent. This motion I carried by a majority of forty, after a prolonged debate. In less than three months, the decision of the House of Commons was followed by a political cataclysm. But I have no doubt as to what the solution of the question will hereafter be, and that the precedent of 1886 will be followed in the settlement of a system which is still exciting increasingly grave discontents.

XXIII.

THE POLICY OF GOVERNMENT IN UNDERTAKING SERVICE AND SUPPLY.

The tendency of government to extend its functions, and its motives—The economist and the politician—The Post Office and its management—The purchase of the telegraphs—Jealousy at the functions of government—The construction of railways in England—The United States and the European continent—Arguments for and against their acquisition by the state—Mr. Mill's scheme for making the state a universal landlord—The practice of Parliament in making purchases or sanctioning them—Government as a producer—Dockyards—The defence of the system—The frauds of contractors—Precautions against them.

THERE is always a disposition on the part of governments to allege that the Administration can carry out the business of private life and private action better than individuals can. I have illustrated to some extent this habit of mind on the part of more or less permanent officials in my lecture on the limits of *laissez faire*. I have given some account of the facts which bring about or justify this tendency in the last lecture on the origin and development of local taxation. Now the general inclination of governments to undertake such functions is partly due to fear, partly to conceit. There are, and will be, occasions on which administrations, justly dreading criticism, wish, as far as possible, to keep certain processes of action entirely in their own hands. In Europe at present nearly all railways from the Rhine to the border of Asia owe their initiative and their control to government. They are primarily the mechanism for military concentration. Again, it is natural

for an administration which represents the will or intelligence of the central authority to affirm that the limits of its action should be extended, that it may prudently be entrusted with details, and be allowed to supersede, or at least to control, spontaneous efforts. It must be allowed that the results of this meddlesomeness are not reassuring. I have only taken one instance of the love of interfering in a part of Europe. The consequence has been that the inevitable errors or disappointments of government are open to destructive and malignant criticism; that powerful statesmen have had to oscillate between deference to domestic discontent and deference to foreign authority, sometimes to make friends with the red international, sometimes with the black, sometimes with the yellow; and that in those parts of Europe, where the initiative has been taken incessantly, the authorities have as incessantly been met with anarchy.

It is much better, even if they disobey it in spirit, for governments, in the letter at least, to acknowledge that they are acting under a popular mandate. The effect is that by doing so they obviate any criticism beyond that of having misconceived their mission, and experience tells us that an error in generalities is more readily pardoned than one in details. I remember some time ago that an old general with whom I had a slight acquaintance told me that he had been once appointed governor of a Crown colony, in which the function which he held was coupled with that of being Lord Chancellor, or principal judge in equity. He waited on the minister to whom he owed his place, and expressed his doubts as to whether a person, all whose experiences were military, could be trusted with purely legal functions, and was assured, by being told that as long as he gave no reasons for his legal decisions, he had no cause for alarm. Now this is not a satire on law, but an eulogy of it, because it alleges that equity is natural justice. But it is also of great practical value, for as long as you let your neighbours supply reasons for your action, you are in a far safer position than you would be if you gave the reasons yourself. And by parity of reason, if you have to state the grounds on which you take up a particular line of action, the lines of action should be as few as possible. I am persuaded that much of the domestic trouble with which foreign governments have to grapple is due to the fact that they have

taken so many initiatives, and have given so many disputable reasons for their action.

Now, though an economist should abstain from the criticism of political action, he always has to discuss social motives and practices, to search into the causes which bring about the former, and to predict the consequences which follow from the latter. The economist and the politician are equally busied with human society, but the function of the economist is limited by observation and analysis, that of the politician is to proceed to action. Public men have often had to do many things which economists naturally criticize. Economists have been known to draw conclusions which public men are constrained to disregard, or perhaps to repudiate. Perhaps the principal use of economical inferences is that which is derived from what I am in the habit of calling negative inductions, under which it is shown that premises, in the first instance seductive or attractive, have disastrous effects. Not much less valuable are the positive inductions, by which it may be shown that private rights, admittedly sacred up to a certain point, may, if carried to excess, inflict serious evils on society. The earliest economists, notably Adam Smith and his predecessors in France, chiefly elaborated negative inductions. The best efforts of their successors have been directed to those positive inductions which discover the strain that will be put on society by the undue acceptance of private rights. You will remember that, on very high authority, modern writers of a more rigid school, who have insisted on the acceptance of their conclusions in practical life, have been recommended to betake themselves to Saturn.

Now I have made this short preface to my lecture to-day in order to point out to you that a prudent administration will be very cautious in either directing private enterprise or in rivalling it. The less it takes in hand, out of its legitimate sphere, of adjudicating, through the machinery of Parliament, on the best means for reconciling contending claims, the less does it invite adverse criticism. The function of such an equitable interpretation is difficult enough, and the decision will constantly be challenged. But it has to be made, even though long, and perhaps useful, delay is occasioned by the collection of evidence. But to undertake many more offices than that of a judge in equity on the principles of

legislation, where the parliament, with the administration, is competent to take evidence and arrive at a decision, is the acceptance of a function which needs a constant apology. Now, there are occasions on which the apology is complete, and the public admits that government has rightly appropriated to itself the supply of certain services. It is much more disputable whether government is ever wise in undertaking the economical function of production. Almost all the evidence as to the latter action is hostile to the practice. An examination of instances is the best means of arriving at reasons for determining on general rules.

The supply of a service is best illustrated by the Post Office. The origin of this institution was quite as much a measure of police, as it was to serve a commercial convenience. It was instituted under Cromwell's government, and the Act of the Commonwealth which created it states that it was to be "for the benefit of commerce, for the conveyance of government despatches, and for the discovery of wicked and dangerous designs against the commonwealth." The Act of 1657 was ratified at the Restoration, and the Post Office soon became a notable source of royal revenue, being early charged with pensions. The convenience of the service was great, and it was soon made compulsory, the rates charged for conveying letters being very high, though comparatively slight when contrasted with the old cost of sending them by private hand. In course of time the Post Office profits were transferred to the general revenue. In 1840 the rate was reduced on the plea that the distribution, and not the weight of the letter, was the principal charge on the service. It was supposed that the revenue under the new system would soon equal the amount received under the old, but this did not happen till after the lapse of a considerable time. Hence the experiment was deemed premature by Peel, who foresaw that no little experimental boldness would be needed, in order to get rid of annual deficits, and make the revenue elastic.

The economical defence of the Post Office system is that a service is performed by the government with a punctuality, dispatch, speed, and certainty which could not be achieved by individuals under any competitive system, and that in this function, at least, a state monopoly of service is thoroughly justified. It is further alleged,

that through this agency a cheap service is carried out indeed, but that by the fact of the monopoly a considerable revenue is also acquired. Now it is highly probable that a considerable part of this contention is correct. The government was anxious to secure, under the old system, a notable revenue. But however thoroughly Parliament would have granted them a monopoly of collection and distribution, it is certain that the results to the government would have been disappointing if those ends to which I have alluded had not been satisfied, and that the Post Office would have had interloping rivals, as indeed to some extent they did have under the old rates. But much of the success which has attended the Post Office in this country is due to the constant public criticism to which its details have been subjected and its efficiency examined. This criticism, too, came from exactly those classes whose influence any government would have been anxious to conciliate, and unwilling to offend. The Post Office, in short, is as much the work of the people as it is of government, for it owes its usefulness and therefore its efficacy, to the constant supervision it submits to.

The peculiar position which a government occupies towards the people whose affairs it administers has made it decline to become a bailee, that is, to be responsible for the safe delivery of that which it conveys. The fact is important, as it shows how cautious a government should be in competing for a service which might be satisfied by private hands, unless it has an exceedingly strong case to show. Now it is part of the Common Law that a common carrier is liable for the goods which are entrusted to his custody, though this liability has been from time to time limited, unless special terms are made with him for transmitting articles of extraordinary value. But soon after the Post Office was instituted, as early as the reign of William III., the judges decided that the Post Office was not liable for the safe delivery of letters, and the case has been determined again to the same effect. The reason, I apprehend, is to be found in a well-grounded suspicion that the Post Office would be treated more harshly by juries than common carriers would be, and that in consequence the liability must be entirely repudiated, because the contingency would assuredly be abused. Even now—when the business of the Post Office has been so greatly extended in several new directions, now that it has become banker,

carrier, is made an annuity office, and has undertaken the transmission of telegraphic messages—it still, except to a limited amount and under certain circumstances only, declines to acknowledge similar liabilities to those who supply analogous services.

The difficulty of a government in undertaking a public service is further illustrated by the purchase of the telegraph companies. The government was anxious to obtain the monopoly of all messages which were transmitted by electricity, and negotiated the purchase of the various companies which had hitherto supplied the want. The purchase money was enormous, and out of all proportion to the value of what was bought. The government might with perfect justice have entered into the field of competition itself, and have forced its rivals to submit to more reasonable terms. So high was the price, that Mr. Lowe, then Chancellor of the Exchequer, told me that he was strongly disposed to throw the whole scheme over, for that the bargain gave nearly the price of consols for a capital and plant, which would require to be replaced every twelve or fifteen years. No corporation would have given any such price for that which the nation was called on to purchase. But the government was held to the bargain and the purchase was effected. There is no entity against which the doctrine of vested rights and extravagant compensation for compulsory purchase is pressed with so much energy and so much success as it is against the Treasury; and I may say (till recently, when I had the satisfaction of arresting one of these attempts) with such ample, such profuse concessions made by Parliamentary authority, when the details are settled by a committee. "The revenue," says Lamb, with much truth as well as humour, "is an abstract which I don't care much about." The effect of this bargain is, that with better facilities than any other country, telegraphic messages are dearer in England than elsewhere, and the receipts from the service hardly pay interest on the purchase money.

If the government then attempts to acquire the machinery of an existing service hitherto supplied by private enterprise, it has to pay an excessive price for the acquisition. If it attempts rivalry it is met by the most jealous obstruction, and very effective obstruction too. Experience of Parliamentary procedure, not here only, but in other countries as well, alone can inform people as to the

difficulties of remedial legislation, when such legislation alarms existing interests. I am here particularly referring to postal notes, and to deposits in Post Office savings banks. Now there is considerable debate about the expediency of issuing a small note circulation. The advantages are that it saves the wear of a gold currency, and is a convenient means of transmitting small sums by post. The objections alleged are that the system would make the reserves of bullion so much the less, and that therefore bullion operations through the foreign exchanges would be subject to more frequent fluctuations; that the tendency of such a circulation, the paper acting as money, would tend to artificially heighten prices, or at any rate to induce disturbances in value which would be injurious. Another reason which I do not remember to have heard alleged in debate, is that a power of such issues conceded to private banks, or to banks having a power of local issue, would bring persons within the risk of loss, who had no interest in the issuing bank, and no means of checking its action, that, for example, in such a case the Warwickshire working men might have been constrained or misled into taking some of the Greenways' notes. These difficulties do not apply to the issue of postal notes. But the bankers in the House of Commons finally constrained the government to levy a heavy commission on the issue, to limit the amount of the note, and to limit the time of its legal circulation. In the same way they put a limit on the amount of deposit which an individual might make yearly with a post office, and the total amount which he could hold in the form of security. It is difficult to avoid the conclusion that they fancied that there was some danger to bankers' deposits in the change. There are then considerable difficulties when the government of the United Kingdom undertake a competing service. It is certain either to be checked and controlled if it takes the initiative, to be mulcted if it attempts to purchase.

Less jealousy is shown to corporations which undertake service or even supply. Parliament would not, I am sure, make very satisfactory bargains upstairs for corporations seeking to purchase compulsorily, as I very well know from my experience on committees. But generally well-managed corporations negotiate the terms first, and come to Parliament for confirmation only. Besides,

if they have any local powers, they have that of competing supply, and such a power greatly expedites negotiation. Hence it is the practice with corporations to undertake supply. They have generally purchased or created gas and water works. Under the impression that the process was complete enough for economical use, they obtained some two or three years ago the power of supplying the electric light. But a little reflection will show why these services are performed more satisfactorily by corporations than they would be by government. The administration is more close to the people. Economies in administration and supply are more sensibly and more immediately felt, and the machinery of local government is far more under the control of the ratepayers than the expenditure of a government is under the control of Parliament. The policy which makes the existence of a Parliament depend on the acceptance of the budget and the estimates confers, in my opinion, powers on an administration which are not in the public interest. I do not believe that municipal affairs could be conducted with any continuity or certainty, if the rejection of financial schemes by a town council was the signal of its dissolution and re-election.

Furthermore, I do not think that the local taxation of towns would be borne with patience, if the economies of the local authorities were subjected too entirely to vested interests. If I made myself at all clear to you in my last lecture, I showed you how onerous and, on economical grounds, how indefensible many of them are. But they have at least the semblance of self-imposed burdens. To heighten them by adventitious charges would be to throw an unwelcome light on their incidence and their equity. I am ready enough to acknowledge the economy of the quarter sessions, on which the advocates of the system dwell. If they added extravagance to the obvious inconvenience of their administration, the institution would long since have been revised. When they were entrusted a century ago with the function of fixing the labourer's wages, they found it an exceedingly unpopular thing to issue a considerate scale.

I have dwelt on the case of the Post Office and its details at some length, and have touched lightly on the powers which corporations have acquired and use for the purposes of rendering supply and

service to the burgesses of municipalities, in order that I may deal from one point of view only with another public service. I shall reserve to a separate occasion the very important question as to the control which the state should exercise over the means of travel and the carriage of commodities. I purpose on the present occasion to merely deal with that of the acquisition of railways by the state.

In England railways have been entirely constructed by private enterprise and private capital. The projectors of these undertakings have planned them, got government sanction for them through the two Houses of Parliament, procured the requisite land for them, constructed them, enlarged and extended them, and worked them entirely at the expense of the shareholders. The nation, through the administration and Parliament, has given or granted them nothing whatever, but has put on them outrageous and indefensible expenses, expenses which should have been published as preliminary charges, in order that the English people might see how these public undertakings have been fleeced. So heavy were they, that we owe to them that railway travelling and freight are necessarily higher here than in any other civilized country. In no other has the whole cost been borne by private enterprise. Even in the United States the government granted the great railways large blocks of land on either side of the line, the subsequent sale of which has been of great advantage, while in the United Kingdom by a standing order of the Lords, the railways were jealously excluded from getting a single square yard beyond what was needed for their way, sidings, and stations, so that they have often had to pay heavily for the very fertility or adventitious value which they have created.

In France the land was given by the state, the construction of the line, property in which was conceded for a long term of years, being the work of private enterprise. In Belgium, Germany, Italy, Spain, &c., they were almost entirely constructed by the state, and are under state control. In Russia they are entirely the work of government, the purpose of the way being wholly military. In British India and the Colonies they are the product of British capital, the interest on the loan, sometimes on the working of the railway, being guaranteed by the Government of India or the Colonies. They are nearly all the work of the last fifty years, and

certainly in no period of the world's history has so much capital been advanced and expended on any public works as has been laid out on these roads.

Now, there are many persons who conclude that it would be well, if by some gigantic operation, these undertakings became in England the property of the state. "The operation," they say, "is very large, but it is an operation on paper only. Railway transit," they say, "has so completely superseded all other modes of conveying persons and goods, that it is not only a necessity, but the public is as much in debt to the shareholders of railways, as if the capital, estimated at its dividend-bearing value, were inscribed with the rest of the public debt in the books of the Bank of England. Competition of any serious kind with the great lines is out of the question, and however much it be affirmed in theory would constitute, if it were seriously thought of, much more, if it were put in practice, a gross breach of faith. Nor is there a genuine competition between the great lines, from which Parliament expected so much. The companies have found out that competition at low prices is ruinous, and have accepted the younger Stephenson's maxim that where combination is possible, competition ceases. The directors try to encourage traffic, cautiously, but with growing intelligence. They put their fares as low as they can, for they know that high fares check travelling. Their only competition against each other, when they run from and to the same places, is that of who shall convey passengers and goods with the greatest rapidity and punctuality. In England the railways are all made, and the use which can be made of railways has been exactly tested. We know all that we want to know about them, and though improvements in detail may be effected, these are minor matters compared with what has been done. Their value, estimated from their earnings and dividends, can be exactly calculated."

"The saving of cost," they go on to say, "consequent on the acquisition of railways by the government would be enormous. Without in the least degree curtailing the comfort or convenience of passengers and traders, a great economy might be made in working expenses, by weeding out superfluous and competing trains. Why in the world should a train from London to Manchester start and arrive at exactly the same time, by the North-Western and the

Midland, and arrive at exactly the same time, each at its destination? Again, how great would be the saving in getting rid of these innumerable boards of directors, their fees, their right of free user over all the lines with which their own is brought in contact. One half or more of these officials could be disposed of, the efficiency increased, and the money saved. Then again, Parliament would be rid of the squabbling over the various Railway Bills, the partisanship in the House of Commons, the unseemly and costly struggles upstairs, the waste of the Committees' time and temper. The time is ripe for the conversion, the value of the property can be easily appraised, and the public which, as you say, has really kept the Post Office efficient, would have as extensive and as healthy an influence on the railways."

No doubt a very strong case may be made out for the transaction. But, on the other hand, "It is a very serious thing to hand over to the administration the whole mechanism of transit. Nor for many reasons is the case of the Post Office and that of the railways parallel. In the conveyance of letters, distribution is everything, nearness and distance are almost unimportant factors. In railways the latter are all important. Then the non-liability of the Post Office as a carrier is a minor inconvenience, but life and property would be seriously imperilled, if the government declined, on its own account, those liabilities which it has wisely imposed on railways, in respect of passengers. The railway authorities, by the threat and by the reality of substantial damages, have been obliged in self-defence to undertake those precautions against risk, which have made railway travelling almost the safest business one can undertake. They would never have done so much but for the law. Is it reasonable to believe that a government official will be influenced by these alarms? Dividends are nothing to him, and the government, if he be ever so negligent, will be pretty sure to shield him. We shall rue the day, if in order to diminish danger and lower cost, we are hereafter called to travel at the German rate, thwarted and badgered at every turn with a number of insolent government nominees, who will consider their places to be freeholds, and use us as such officials do now, when we have experience of them. You say that competition is reduced to that of dispatch, punctuality, and, I may add, uniform civility. Are we to expect these when, on undertaking a journey,

we are reduced to Hobson's choice, and must accept what an officer chooses to offer us ? We shall lose more than we gain by handing over our railways to a central government office."

"Besides, experience and prudence teach us to curtail rather than to extend the functions of government. Many of us think that centralization has been carried a great deal too far, that Parliament undertakes what it cannot possibly carry out, that in consequence the administration, and especially the permanent officials, are the Legislature, and the two Houses are becoming more and more, the one a debating society, the other a pageant. The proposal which you commend will enormously increase the official class, will put one of the most important instruments of modern society into the hands of the government, and put us under a bureaucracy with a witness. You know, since Monk's Bill admitted them to the franchise, how importunate, how insatiable the Civil Service is, how they compete by hundreds for the least vacant place, how they grumble and sulk about their pay and promotion when they get in. Are all our railway officials of the future to have freehold offices, as they will assuredly claim to have ? Every one knows what trouble there is in dockyards, what pressure is put on government to retain useless hands and to continue useless works. Every town in which railway men live for the future, supposing your scheme be adopted, will be a focus of conspiracy against the public purse. It may be doubted, whether the economy which you expect from abolishing boards of directors will come to much, when the whole of these new officials, from the highest to the lowest, will be shouting for short hours and long pay. It is very possible, perhaps, that in foreign countries officials are content with moderate salaries. Perhaps they compensate themselves by ill manners. Our experience is different. We shall certainly have to pay the high salaries, and are pretty certain to get the bad manners into the bargain."

"You say that the value of these properties can be exactly calculated on the basis of their past earnings, which are on record. But what reason is there to believe that Parliament will accept the calculation as the basis of purchase ? If it does it will go against all its traditions. It has long acted on, and can hardly refuse to continue its 10 per cent. compensation for disturbance, above the valuer's price. It was prepared, till the theory was overset by some

of us, to take into consideration the clause in the old railway Acts, contained, we believe, in all, that a company should limit its dividends to 10 per cent., as a pledge that such a maximum should be taken into account in dealing with minimum earnings. And then where are you to get your valuer? Is it to be a gentleman like Mr. E. Smith, who valued plant for us as though it were as indestructible as matter, and wanted us to give this actuarial value, with other items for property that was not worth 15 years' purchase at best? You have had experience of a Parliamentary purchase in the telegraph companies, is it likely that you will get better terms with the railway people? The telegraph stockholders held out for their price, and the government gave in. Is the railway interest less strong? The directorate in the House of Commons is not a weak body, the proprietary is an overwhelmingly strong one. Outside the House it is not to be trifled with. According to the latest returns which have been furnished, the proprietors of stock, shares, and debentures have an average of £14 a year from their holdings. Of course much of the stock is held in large masses. If the conversion is to take place every one of these holders will be on the alert to prey on the government, and to insist that the concession should be favourable to him. The prosperous railways will point to their solid success, the unprosperous ones to their public services and to their deferred hopes. As it is they can blame their fortunes or their directors, but assuredly they will look to government, *i.e.*, the taxpayer, to make them amends for what they have lost, if the conversion is to come."

The arguments which I have given you in this sketch for and against the purchase of railways in the United Kingdom by the government are by no means imaginary. I have used them, I leave you to conclude which way, over and over again, during the time, not passed yet, in which the dissatisfaction of traders with railway freights has been made the subject of one or two abortive Bills, and is like to be the subject of many more. But I venture on predicting that if government seriously inclined to the purchase, and hinted that the traditionary practice of Parliament would be followed in the valuation, the hubbub would cease as suddenly as the storms raised by Æolus was when Neptune put his head above the waters. But whether the purchase would be as satisfactory to the nation as it would be to the stock and shareholders,

and whether the management would be as economical, and the service as satisfactory to the public, is a question on which, at present I believe, opinion decidedly inclines in one way.

Some years ago, my late friend, Mr. J. S. Mill, seriously proposed that the State should constitute itself the universal landlord of the British Islands. Of course, for Mr. Mill was by no means disposed to repudiate the rights at present enjoyed by the living owners of property, though he had very strong views about the ownership of intestate estates, he conceived that the acquisition should be made on the basis of an equitable purchase, in which the full value of his interest would be given to the dispossessed owner. In the valuation of such interests, there would be strong claims for compensation on the ground of the disturbance of traditional associations, in the demand for which the men who have done nothing but disgrace their ancestral origin would be as loud advocates of a sentimental price as those have, whose personal merit is as great as that of any ancestor with whom their holding is associated. Now when under the law, say for a street improvement, a tenement in which, to the scandal of municipal or other authority, human beings have to live, but pigs should not be housed, had to be appropriated for public works, the owner of the abomination obtained over and above the valuation price, never lower than the true price, 10 per cent. for disturbance, and till recently a valuation based on the rent which he or his sub-lessee contrived to extract from misery. I have no doubt that Parliament, if we assume that the scheme came within a reasonable prospect of completion, would lean to its traditions, and that the nation, if Mr. Mill's plan had been adopted, would have had to pay fully 20 per cent. above the existing value of the property. I say nothing here about the wisdom or justice of the various Irish Land Acts; but any one who studies the claims put forward at the landowners' conference can form an estimate from the demands made on the part of men, who have not a shred of Parliamentary influence left, what would be expected by those who still have and are like to have a great deal of Parliamentary influence.

I have no doubt as to what were the motives which induced Mr. Mill to contemplate this gigantic operation. He knew that the rent of all kinds of land available for human occupation, agricultural

and other, had risen from the remotest time for which there was any evidence in this country, and that it was rising still. He knew that the rise of rent was due to the increase of demand for land, and he concluded, with Ricardo, that this resulted from the pressure of population, and the law of diminishing returns, when some of us had begun to see that, given free trade in food, of which Mr. Mill was a staunch advocate, the cause in the rise of rent, whatever it might be of, was due to the expectation of increasing profit, that hitherto trade and agricultural profits had been progressive or seemed to be progressive, and that in consequence there was a steady competition for occupancy. Believing, then, that rent was increasing by reason of the increase of demand, and believing that as population increased, the demand would be still more keen, he treated as unimportant or less important, the continuity of trade and agricultural profit, and the consequent necessity that capital and skill must be attracted to these callings, and must be provided with obvious and adequate guarantees. He never contemplated the case of agricultural capital being destroyed by the mixed operation of the tenant's ignorance and the landlord's cupidity, and with it the skill which makes a profit and therefore makes a rent. Now Mr. Mill was ready, being an entirely just man, to recognize the present value of a monopoly rent. He was under the impression that it would go on increasing in the future, and he gave the name, now historical in more senses than one, of the unearned increment to this future growth. In order to secure this future increment, he recommended its present purchase. He propounded his scheme in London more that twenty years ago, and asked me to come and support him. I told him that I thought him in the wrong, and he pressed me the more to come and attack him. I did so to the best of my power, though I did not then possess a tenth part of the information which I have since collected as to the history and development of rent.

One can of course be wise after the event, and every one can see that if, more than twenty years ago, Mr. Mill's scheme had passed into the region of practical politics, the purchase would have been disastrous, nay ruinous, to the people of the United Kingdom, and that probably popular discontent would have led to the bargain being repudiated. I do not pretend to assert that I foresaw the

fall of rents, consequent on bad harvests in England, decreasing agricultural capital, discouraged skill, and cheap freights. I did not, till I learned twelve years ago, how much agricultural capital had already shrunk, foresee the inevitable issue, and then foresaw it only in part. But more than twenty years ago, I had learned that the Ricardian theory of rent was a metaphysical conclusion, that its progress and even its continuity, under free trade, was due to an intelligible but precarious set of conditions, in which the fertility of land, the pressure of population, and the law of diminishing returns played but an unimportant part, and that, very possibly, the unearned increment of the future was entirely hypothetical and probably visionary, certainly too doubtful to admit of being made the basis of a gigantic operation.

But let us suppose that the unearned increment had gone on increasing, that the purchase had been made on reasonable terms, and that, on the whole, the dispossessed landowner would have been glad, at the present time, to recover his property on the terms of a compulsory purchase made twenty years ago. What would have been the situation? The cultivation of the soil would have exchanged a landlord, who is, after all, a human being, with sympathy and consideration, at least at times, with some desire to live at peace and goodwill among his neighbours, for a government office, the servants of which, by a very natural impulse, would manipulate the whole estate by a set of hard inelastic rules. They would, by the very nature of their duties, be unaffected by all sympathetic influences. Their first object would be to earn the interest on the purchase money, and to insist on its punctual payment, come what would. The business of the office would be enormous, and prodigiously costly. The farmers of the state lands would get no mercy, and as for the unearned increment, if it had gone on even in the way that farmer's rents rose between 1853 and 1873, it would have been entirely swallowed up, in the costs of the office. Even under the present system, the tenant of Crown lands is by no means the most contented of farmers, the rent of Crown lands, by no means cheaply collected. Under the proposed scheme, the tenants would soon be in rebellion, and the English plan of campaign would be far more minatory, than the project which bears that name in Ireland. Even the worst

landlord has some knowledge of his property and its capabilities, the state landlord has no knowledge but what he pays for.

This is by no means, however, the whole case. Governments are essentially weak, that is, they are peculiarly open to indirect influences, and those governments which make the greatest show of firmness, weakest of all, because to be firm with one set of people makes it necessary to conciliate another set. For in an administration, the law of self-preservation is exceedingly keen, and the means which would be adopted for self-preservation, which might be disdained by an individual, represent only a divided responsibility in a government, to say nothing of the fact that, under the exceeding leniency of our political system, even the crimes of a government now go entirely unpunished. As a consequence, the new land office would swarm with jobs. I feel convinced that the virtue of no Parliament would resist the temptations which would aggregate in a land office, which would be professedly the only landowner in the kingdom, which would be managed indeed by clerks and surveyors, but would be manipulated by the administration. Even the Woods and Forests office has been charged with the gravest scandals, with the offence of corrupt favouritism, and this not in historical times only, but in very recent cases. Before the Colonial Office surrendered the Crown lands in the Colonies to the Colonial governments, there was evidence of the grossest jobs perpetrated on behalf of the soundest patriots in the two Houses, and indeed outside them, for persons in very high places were said to have been implicated in transactions which we should call fraudulent. The unearned increment may be a reality. I am disposed to think it no better than a hypothesis. But be it ever so real, we may buy gold too dear, and universal corruption with universal discontent is too heavy a price for the unearned increment.

I reasoned in this way twenty years ago, in opposition to my friend's suggestion, and longer experience has not changed me. Of course the scheme to which I referred, though I believe mistaken, was scrupulously honest. There is another scheme for the nationalization of land, on which I hope to comment in a future lecture. I only say in passing that this later scheme is not intentionally dishonest. It is exceedingly startling, but it purports to

be the resumption of a neglected right, the restoration of a system of which negligence and cupidity have permitted the violation. As I have more than once said, the crudest economical fallacies have generally some truth, always much plausibility in their composition, and it is not wise or just to denounce those who astonish us with their theories, as being brigands and anarchists. Long experience and labour given exceptionally to the study of economical society, have convinced me that there are reasonable causes for all discontents, however unreasonable and nugatory are the remedies which discontent avers to be proper, righteous, and necessary.

It still remains that I should dwell on the other aspect of government propounded in this lecture, viz., government as a producer. In the cases which I have already given government is supposed to be doing a service, or is invited to do a further service, and I have by no means criticized all the invitations. In what remains, I shall consider government as a producer only, that is, as competing against ordinary manufacturers, for the supply of government stores, or even of the public wants. But I shall not on this occasion deal with what is a favourite topic with some continental socialists, the elevation of the government into the function of a gigantic and all-embracing manufacturer, who is to appropriate all capital, or to annihilate its private use, and distribute and regulate all industries in the interests of labour. I have to deal on the present occasion with a humbler function, one which has been in part traditional from the earliest times, and is in part a subsequent development for which an economical justification is alleged. The larger question I hope to deal with hereafter.

As soon as ever grants were made in Parliament for the construction of navies, the Crown began to establish navy docks and works. These are known to have been in existence on the Thames and Mersey for a long time, but Henry VIII. was the real founder or restorer of the town and dock of Portsmouth, which indeed appears to have been an arsenal and port during the time of the Roman occupation, and probably those on the Thames and Medway. But for a long time the work at these ports, Greenwich, Deptford, and Portsmouth, was casual and interrupted. There was no practical difference, except in the artillery, between a private vessel and a man-of-war, and, in point of fact, the strongest and most important

part of the mercantile marine were the armed ships of the East India Company. The sovereign could therefore constantly call on the merchant shipping for vessels of war, and it would seem that the custom, only recently remitted, of pressing seamen in the merchant service for the purpose of manning the navy, was a relic of that general embargo which early tradition put on the vessels and men in the several English ports. But as soon as ever war, the preparations for war, and the national defence at sea became an object of public consideration, the various dockyards were kept in a state of constant activity. The jealousy with which for generations public men viewed, or affected to view, the army was not felt towards the navy, and Englishmen began gradually to be convinced, and with good reason, that to a maritime power, the best weapon of defence was a well-appointed marine.

For a long time a royal dockyard was pretty well the only place in which a first-rate man-of-war could be built and equipped. The Dockyard was therefore as necessary an element in the naval defences as the Horse Guards and the depôts were to the army, and there grew up in these institutions a permanent staff of overseers and workmen who claimed, with some reason or analogy, to be an abiding part of the naval establishment. In course of time, however, the shipbuilding firms on the Tyne and the Clyde, especially the latter, began to have yards of a magnitude which rivalled in completeness and efficiency the public works at the older docks already referred to, and the newer establishments at Chatham, Plymouth, and Devonport. Nor did the development of the later system of armour-plated vessels carrying a few guns of great power and projectile force tend to confine the manufacture of war vessels to government dockyards. The shipbuilders of the north took contracts with foreign governments, and constructed all kinds of munitions of war for them. But the government continued to extend its manufacturing operations, to undertake, as it did not at first, the supply of small arms from its own factories, and, in brief, to take into its own hands the production of all the necessaries for the public defence.

This system, it is said, was commenced after the Crimean War, before which time the principal supply of munitions of war was obtained from private firms, under competitive contracts. Now the

objections to the change were, that the cost of all government works was incomparably greater than the charges which would be incurred by dealing with private firms, as was proved by the large dealings of foreign states with our manufacturers; that it loaded the manufacture with departmental charges; that the accounts of expenditure returned from these factories were delusive, because they set down nothing to interest on buildings and plant; that it quartered on the exchequer a whole heap of experimental inventors, of whose failures we heard nothing, though the public had to pay the cost; that it lead inevitably to a system of favouritism, because, it being necessary that some practical man should be put at the head of the establishment, the selection of any one person was the exclusion of every one else; that in consequence foreign governments are likely to be better supplied with naval and military stores than ourselves, because they were free to choose their market; and that the system discouraged rather than stimulated invention and improvement. In short, it was argued that we were getting inferior results at extravagant prices.

There has generally, too, been a financial loss and a political inconvenience in multiplying dockyards, and in them workmen depending on the naval department. Such localities were, it was long alleged, seats at the disposal of the government, at least as long as the complement of men was kept up. If, however, the government showed any signs of a rational economy, they imperilled the allegiance of the constituency and lost support. It is a danger, people alleged, to political integrity, to have a large number of working-men electors—and most of the men even under the old franchise were electors, whose livelihood and the continuity of whose work depends on the lavish, and it may be unnecessary and unwise, expenditure of public money. It is, in short, politic, for motives of public morality and fiscal economy, to confine government manufactures within the narrowest limits possible, to confine government to the duties of government. If one is to make a beginning with large and small arms, the same reasoning will apply to clothing establishments, to boot-and-shoe making, and to every conceivable kind of work, which is better left in private hands, and selected by contract.

It was alleged, on the contrary, that government acts wisely in

producing and testing its own stores, when such serious consequences depend on the skill and integrity of an examiner of contracts, and the goodness of the article requires the highest practical skill on the part of the official who passes it. There are articles such as those quoted, which can be easily tested by a moderate experience. What we manufacture requires a special and highly educated experience. Besides we have this advantage in producing arms and munitions ourselves. They are made on such exact patterns, that a flaw which escapes careful scrutiny, and can only be found out in use, is easily replaced from the stores where all the parts are precisely alike. In matters of the greatest importance, too, we cannot trust contractors. We cannot always escape heedlessness; we cannot always detect fraud. In that very Crimean war, owing to a serious oversight in the commissariat department, the army was brought into the greatest peril. We can exercise much more vigilance over processes which we ourselves superintend, than over products which are merely supplied by contractors, and inspected by our own experts, for a false finish, hiding serious flaws, may be given to goods. To avoid loss on their contracts, private firms would put upon us those failures which our more careful scrutiny rejects. Our process may be a little more expensive, but it makes up to the public in safety what it increases in cost.

It will be seen that in all this reasoning the question in debate is generally one of facts. It is not disputed, that in the supply of government stores, if one can rely on the integrity, the dispatch, the finish, the efficiency of what is supplied by public competition, there are very considerable advantages in procuring what a government wants by the ordinary course of trade. It is also probable that by making themselves the source of their own supply, the government cuts itself off from those economies and improvements which it is invariably the aim of competitive producers to accept and adopt. Practically the administration has a bottomless purse, or, at worst, in the matter of the public defences, an inexhaustible store of patience to appeal to, and people on whom economy is not enforced, rarely seek out economical processes for themselves. Now, in manufactures, economy is all but invariably coupled with improvement. The producer who

competes against other producers is, by the very law of his being, not content with doing a thing cheaper. That is at best his own look-out, and no one has reason to thank him for saving his own expense. What he has to prove to his customers is that he turns out a better article. So that, after all, efficiency is best promoted by purchasing under competitive contracts, and if the public safety is implied in efficiency, this competition, under proper restraints and conditions is, and always will be, the best guarantee of the public safety.

It has always seemed to me that that part of the defence of government manufactories, which insists on the difficulty of testing work done, is the weakest part of their case. It implies corruption or incompetence, or both. I will admit that it is difficult to provide against these risks, and I must allow that our system of giving government officials of all grades freeholds in their offices is a practice of very questionable wisdom. I am certain that no private trader could afford the experiment. In the government offices, forty or fifty years ago, there were all the evils present of a close corporation of self-elected officials. When I was a youth my father asked a friend of his, then naval lord in the Admiralty Board, to put me in the Navy office. He told my father that he could willingly do so, but that my life would be a burden to me if he did, for that the Admiralty clerks were a family party, who would endure no outsider among them, in an estate which was divided among a few families. So I never went, and a member of one of the families was put in. A quarter of a century afterwards, I had the melancholy satisfaction of getting my rival a sentence of penal servitude. My friend, Mr. Baxter, then Secretary to the Navy, was entirely convinced that frauds were common in the Navy contracts. He came to Oxford, and did me the honour to consult me as to how he might get evidence. I told him that I knew of a person here who was very experienced in the leather trade, and that I would get his services. My friend was so anxious about it that, though he was a devout Scotchman, he gave, to his own amazement, audience to the leather expert on the Sabbath. The result was, he discovered the fraud, saved the nation a quarter of a million, while the clerk expiated his political offence in a political livery.

I am convinced that it is well to circumscribe the functions of

government. I am saying this not as a politician, but as an economist. I believe that by competition and scrutiny, the former as free as possible, the latter as rigid as possible, the country would be better served, and the necessary expenses of the state would be lessened. The weakness of the executive is so great, its exposure to perfectly sincere but very dangerous advisers is so constant, that it is best by far to confine itself to the function of a choice between rivals. Of course, under these circumstances, the whole difficulty lies in the inspection of contracts. In old times this used to be done in all which the government bought, by a jury from those city companies whose business was in early days associated with the mystery of which they are now ignorant members. In particular, the Merchant Taylors inspected the cloth purchased by contract for the forces. I do not select the Taylors invidiously, but they could hardly fulfil the function now, for I suspect that there is not a ready-made clothier among them, and this, I suppose, is what is meant by a Merchant Taylor.

But I cannot doubt that it would be possible to procure as I procured, for mere justice between contractors and the public, a competent body of persons who would undertake the test of all that is bought for the public service. Assuredly such persons with such aims would not only save the public purse, but would give a healthy stimulus to trade. Experience teaches us that protected interests have a sickly and costly existence. The statement is true of a government producer, as well as of a producer protected in an artificial price by government, for practically there is no difference between them. It is not reasonable to expect faithful service from an inspector of contracts, who is able and, as I know is, willing to blackmail the contractor. Such a practice is so common, that it forms, I am told by many manufacturers, who know about government contractors, a sensible element in the contract price. It may be that the act is a serious criminal offence. It is surely one which should be obviated, if it is difficult to detect it. Our forefathers were not always unwise in their processes. The government established, and the traders acquiesced in, a jury of experts. They did this, not only for purchases made on behalf of the Crown, but for trade carried on in the interests of the public. I think we might in a modified form, revert to their practice. It is the duty

of a government to prevent fraud, not only when itself is the victim, but when the people whose affairs it administers are defrauded. The discovery of the process of detection ought not to be difficult. I am convinced that its action would not be unpopular.

THE END.

INDEX.

A

Abbots, their way of living, 65
Abraham, call of, the origin of modern history, according to some, 338
Accounts, farming, &c., cause of the survival of, 3; not kept by farmers, 178
Acquisition, cost of, 260
Acts of Parliament, 23 Ed. III., 25 Ed. III., 31 Ed. III., 34 Ed. III., 36 Ed. III., 42 Ed. III., 26–28; 1 Ric. II., 28; 9 Ric. II., 12 Ric. II., 31; 4 Hen. IV., 7 Hen. IV., 2 Hen. V., 4 Hen. V., 2 Hen. VI., 32; 3 Hen. VI., 6 Hen. VI., 11 Hen. VI., 15 Hen. VI., 18 Hen. VI., 23 Hen. VI., 33; 11 Hen. VII., 7 Hen. VIII., 28 Hen. VIII., 34; 5 Eliz., 38; 31 Eliz., 42; 32 Hen. VIII., 103; 5 Eliz., its effects, 240; collections of, 241; 9 Geo. I., 22 Geo. III., 247; 15 Hen. IV., 34 Ed. III., 299; 1 Anne, 430; 9 Geo. III., 433; 22 Hen. VIII., 485
Addington, his income tax, 131
Addison, on English credit, 216
Adisham, rate of production at, 53
Administrations, meddlesomeness and conceit of, 501
Admiralty office, old, a narrative of, 522
Adulteration, why punishable, 362
Advertisements, Elizabeth's, not put into practice, 199; loss of incurred, to gain a footing, 406
Ad valorem taxes, their effect on export values, 402
Agio rapidly developed on Bank notes, 210
Agricultural Board, country reports of, 379
Agricultural distress, a synonym for cheap food, 377
Agricultural gangs, the worst kind of child labour, 355
Agricultural skill, a work of art, 275
Agricultural system, the new, its characteristics, 268; British, its present decline, 160
Agriculture, practical, in eighteenth century, 176
Agriculture, success of, its meaning, 46; importance of, 47; a universal occupation, 143; always yields more than the cultivator's subsistence, 165; character of, in early times, 170; progress of, in eighteenth century, 177
Agriculturist, British, his capacity, 48
Aid of 1503, its distribution, 147
Aix la Chapelle, peace of, 467
Alarmist calculation, an, quoted by Mr. Giffen, 400
Alexandria, a great centre of banking 207
Alien priories, suppression of the, 418
Allotments Act of Elizabeth, 42
Allowance system, origin of, 247
All Souls College, a fellow of, and his conscience, 192
Alton, Hants, robbers of, 142
America, its occasional practices, 224
American citizens, practices of, in visits to England, 368
American civil war, prolonged and destructive, 293
American colonies, effect of the Seven Years' War on, 468
American plantations, planters of, their character, 329; federation in, why dominant, 481
American roads, origin of, 490
Americans, their boasted freedom and

its reality, 383; travelling in England, numbers of, and effect thereof, 403
Amsterdam, Bank of, 211; a centre of trade once, 401; causes of its ruin, 109
Anglican church, Selden on the, 81
Anglican clergy, representatives of, 72
Antwerp, negotiation of bills at, 102
Apprenticeship, limit put on rights of, 32; origin of, 300; well regulated, its value, 362
Apprenticeships in husbandry, endurance of, 305
Arable rents, rise of, 180
Archdeacons, antiquity of, declared by a military Colonial governor, 338
Archers' tax of 1453, its distribution, 147
Arches, brick in Henry VIII.'s time, 280
Architects, mediæval, why unknown, 20
Architecture, masters of, in Middle Ages, 304
Argyll, Duke of, his illustration of husbandry, 48; his opinion about a nineteen years' lease, 181
Aristocracy, English, pride of, in eighteenth century, 176
Aristotle, on crimes as contracts, 343
Arkwright, inventions of, 267
Army assessment, 1649, 152
Army, English, its early origin, 119
Art, its connection with utility, 275
Artificial rents, means of procuring, 181
Artizans, mediæval, the architects, 20; wages of, how to be interpreted, 303
Assets of Banks, how to be held, 219
Assiento Treaty, the, its objects, 320; origin of slavery in the American colonies, 449
Audit, independent, should be exacted from banks, 218
Avignon, secession to, and effects of, 74; gold currency at, 189.

B.

Babbage, Mr., on width of market, 371
Babylonian bankers, practice of, 206
Bailee, government in service, not a, 505
Bailiff's account, exactness of the, 54
Balance of bargain, doctrine of, 96
Bank Act of 1844, motives for, 224; its effects, 225
Bank of England, the, founded by the Independents, 86; a fortunate disability of, its relations to government, 216; condition of on Dec. 4, 1696, 220; its history for a century, 222; its services in 1694–5, 313
Banker, name of, in Greek and Latin, 207
Bankers, restraint of, 360; in House of Commons, their action, 507
Banking, has existed apart from coins, 184; practice of, probably never lost, 208; private, in England, 212; in United States based on public securities, 404
Bankruptcy laws, their economic meaning, 238
Barley, imports of, to Netherlands, 285
Battle Abbey, its home farms, 66
Baxter, Mr., on the leather contracts, 522
Bayonets, flexible, 362
Beaufort, Cardinal, effigy of, 274
Becket, the reported inventor of scutage, 119
Beet-root sugar, bounty paid producers of, their condition, 378
"Beggars, Supplication of," estimates alms to friars, 242
Belgian glass and iron, reputed imports of, 409
Belgians, their saving habits, 438
Belvoir estate, rents of, 1692, 168
Benedictine order, services of the, 71
Benevolence, private, cannot deal with destitution, 242
Benevolences, history of, 132
Bentham, his service on usury laws, 237
Bentinck, enrichment of, unpopular, 428
Berkshire, magistrates of, at end of the eighteenth century, 247
Bessemer, his process for steel, 233
Bigod, Roger, his Irish estate, 282
Bimetallism, some difficulties in, 191
Biscay, source of iron, 276
Bishops, murder of two in 1450, 80; pillaged by Elizabeth's courtiers,

180 ; impoverished by Elizabeth, 421
Bismarck, and his protectionist policy, 357
Blackburn, Archbishop, his earlier career, 108
Blomfield, on village guilds, 306
Blue Posts, supper at the, 425
Board of Trade returns, analysis of, 401
Bodmin, generally the staple town of tin, 283
Bolingbroke (St. John), his criticism of Harley, 448
Bonded warehouses, effects of, 405 ; Walpole's scheme of, 467
Boots, French, made in London, 282
Boots and shoes, made in England, exported to France, &c., 410
Borgia, Bull of, 103
Borgia's Bulls, object of, and outcome of, 323
Borrowing, when undertaken by government, 393 ; from foreigners, how limited, 438
Bosworth, combatants at, few, 419 ; policy of king, after, 420
Bounty, the, of 1689, 270 ; its origin, and the effects of, 377
Brabant, agriculture of, 289
Bradford, manufacturers of, 406
Brakelond, chronicle of, on Abbot Samson and Oxford, 298
Bricks, art of making lost in England, 279
Bridges, repairs of, law of, 486
Brill, capture of, 278
Bristol, its rise, 150
Bristol merchants, expedition of, to Iceland, 103
Britain, Great, a centre of prices, 390
British islands, temperature of, 490
Brougham, Lord, his protest in 1850, 126
Bruges, mission of Wiklif to, 77
Buccaneers, the English, 398
Budget, the acceptance or rejection of, its effect on Parliament, 508
Bullion dealer, trade of the, 261
Bunyan, sketched unconsciously Henry VIII.'s character, 35
Burcot pier, navigation of Thames from, 279
Burdens on land, absurdity of alledging, 238
Burnet, Bishop, on the English climate, 288
Bye-industries, effects of, on rent, 175

C.

Cabot, Sebastian, his voyage, 106
Cadets of the Royal house, their disaffection, 417
Caird, Sir James, on losses by eviction, 173
Calais, staple town of wool, 129
Cambridge, distinguished for its eels, 298
Canada, proposals of a zollverein with the States, 465
Canadians, French, concessions to, 333
Canning, his saying about the New World, 320
Canterbury, St. Pancras Church at, 279
Cape Colony, acquisition of, 334
Cape trade, far less than expense incurred for it, 335
Capital, function of, 17 ; aggregation of, praised in every one but workmen, 311 ; British, in foreign investments, 394
Capital and labour, endless warfare of, 23 ; priority of, a barren question, 228
Capitalist farmers cannot be extemporised by artificial prices, 374
Captains, first English, buccaneers, 321
Cardwell, his publication of Peel's writings, 455
Carlow, cloth manufactory at, 282
Cash payments, suspension of, 442
Castlereagh, Lord, his invitation to Parliament, 475
Cattle, breeds of, 61
Cavaliers, their character, 44
Cecil, his "Book of Rates," 421
Centralization, motives for, 480, *sqq.*
Chamberlain, Mr., on Canadian financial proposals, 465
Chaplin, Mr., his remedy for English agriculture, 382
Charles I., his desire to debase the currency, 198; his theory of government, 422
Charles II., his risks in 1684, 86; his alienation of Crown estates, marriages of his illegitimate sons, 423 ; dukes created by, 465
Charles V. says mass at a fishcurer's tomb, 278
Charles the Bold, purposes of, 482
Charles the Great, empire of, brief, 71

Charter, Great, its restraining clauses, 120
Charters of City Companies, origin of, 299
Chartism, origin of, and bias of, 248
Chatham (Pitt), his belief in his own policy, 445
Cheltenham, manor of, in fifteenth century, 264
Chevallier, Mr., on ratios of gold and silver, 189
Chichele, his purchase of the alien priories, 418
Childers, Mr., his budget in 1885, 478
Children's labour, restraints on, 354
China, currency in, 185; effects of adopting a silver currency by, 190
Chivalry, a pretentious sham, 351
Christianity, appeals to, by traders, suspicious, 329
Christie, Mr., on Shaftesbury, 6
Church, changes in the, 458
Church, Canadian, its powers, 334
Church, English parties in the, 72
Churches, use of, in Middle Ages, 144
Cicero, his oration for Flaccus, its interest, 207
Cinque Ports, privileges of, 136
Cities and towns, English, population of, in 1377, 283
City Companies, possible utilization of, 523; London, duties of, 299
City (London), estate in the west, its origin, 148
Civil war, American, result of Assiento Treaty, 450
Clarendon, on condition of England, 139
Class privileges, danger of, 352
Clergy, poverty of in the seventeenth and eighteenth centuries, 87
Clergy, English, victory of Edward I. over the, 122
Clergy, regular, the services of the, 62
Clipped money, difficulty of the, and explanations given of, 200
Cloth, Early English, coarseness of, 286
Cloth manufacture, migrations of, 286
Cloves, bloodshed for possession of, 109
Coach, stage, story of submersion of one, 490
Coal, demand for after the Franco-German war, 230
Colleges, estates of, 180; meagre life of in Elizabeth's reign, 199
Colonial Office, government of colonies by, 336; jobs in, 517
Colonial protection, put out of the retaliatory theory, 380; defence of, 385
Cobden, Mr., his commercial treaty with France, and his motives, 113; his translation of Chevallier, 189
Cochrane, Lord, story of, 201
Coinage, invention of place of not known, 184
Coins, all sorts of, in Venetian treasury, 209
Coke, family of, their public services, 268
Colbert, policy of, effects of, 460
Colonial system, the, described and criticized, 325
Colonial trade, growth of in the seventeenth century, 288; effects of on trade values, 328
Colonies, of conquest, their cost, and their practices, 324; British, after war of American independence, 332; of conquest, and of settlement, different character of, 333; present relations of, 339
Colonies, British, loans in, 440; difficulties of, 441
Colonists, American, mainly agriculturists at the outbreak of the War of Independence, 331
Columbus, his voyage, 106
Combinations of workmen, condemned by the wage-fund theory, 309
Commercial disadvantage, inevitable under Protection, and why, 381
Commercial law, relics of from an early age, 208
Committees, Special, of House of Commons, their constitution, and futility of, 492
Common employment, an abominable doctrine, 352
Commonwealth, more generous to labour than monarchy, 44; growth of England under and after the, 287; wages in time of, 372
Common, rights of, their value, 42
Company, feelings of trader towards his, 302
Competition, effect of on prices and profits, 232
Competition rents, long unknown, 171
Competitive and famine rents, no distinction between, 173
Compromises, necessity of, 113; blamed, but inevitable, 356
Canons of taxation, Smith's four, 116

Concerted action, more remedial than legislative restitution, 353
Congleton, Lord, his proposals, 474
Conqueror, people who say their families came over with the, 413
Conquest, barons of, some extirpated, 272; nobles of the, some extirpated, 413
Conservative, Peel was, but a dangerous ally, 455
Conspiracy, constructive, an engine of tyranny, 45
Constituencies, in dockyards, tendencies of, 520
Constitution, unfair use of the, 165
Constitution, American, powers of Supreme Court in, 344
Consumption, taxes on, 383
Continental war, effects of, 292
Contraband trade, the, in Hampshire, 123
Contracts, enforcement of, why necessary, 342; risks of, 523
Contracts for use of land, must be regulated by law, and why, 359
Controversy, a practical rule in, 158
Convocation, grants of, confirmation of, 134
Copyholds, purchases of by gentlemen, 264
Cook, Captain, his discoveries and annexations, 291
Co-operative stores, a complaint against, 477
Corn Law, first real, that of the Pensionary Parliament, 377
Corn rents, Act of, in 1576, 199
Cornwall, Earldom of, 416
Corporations not safe bankers under despotisms, 212; their undertakings, 507
Corruption, in the United States, 385
Cost, saving of, effects of, 233
Cotiller, Sir Ralph, and abbess of Sion, 264
Cotton, use of, origin of, 327
Counties, English, wealth or poverty of, 145
Counties of towns, creation of, 415
Country banks, treatment of by Peel, and reasons for, 225
Court favourites, dislike to, in England through its history, 125
Court Rolls, importance of, 3
Coventry Parliament, 1459, its action, 420
Coxe, Archdeacon, his life of Walpole, 465
Credit, power of Banks over, 219
Crimean war, indirect effects of, 293; dangers in, origin of, 521
Criminal investigation, a director of, his function, 370
Criminal Law Amendment Act, clause in, 361
Criticism, social, in the last quarter of the fourteenth century, 22; parliamentary, its effect, 451
Crompton, invention of, 267
Cromwell, Lord, in the fifteenth century, his rise, 64; his statement in 1438, 419
Cromwell, his New Model, 119; national bank, suggested in time of, 212; his exaltation of England, 287; his establishment, 422; his imitation of Dutch finance, 436; finance of, 457
Crown, estate of, its original magnitude, 412; in 1703, 430; its present position, 431
Crown lands, rents of, 516
Croydon, sewage farm at, 231
Cultivation, system of, in open fields, 60
Cumberland, permanently the poorest English county, 149
Currencies, continental, accounts of, 203
Currency, debasement of, by Henry and his son's guardians, 36; importance of true understanding of, 183; debasement of, history of, 197; two kinds of, efficiency of, 203; regulation of forms of, by the State, 205; gold and silver, relations of, 254; restoration of, reasonings at time of, 454
Customs, difficulty of collecting, 123
Customs duties, grant for its purpose, 398

D.

Danske trade, extent of, 101
Dartford, paper made at, 280
Davenant, on Resumptions, 118; his return of the poor rate, 245; his narrative of Burnet's conversation, 288; his pamphlet on Resumptions, his literary abilities, 424
Debt, liquidation of, present, 455
Debt, floating, not funded after Peace of Ryswick, 429
Debt, permanent, oldest part of the, 449

Debts, colonial, effects of, 339; early, their character, 450
Decentralization, motives for, 480, *sqq.*
Deer forest, rent of, a poor defence, 233
Delusions, popular, cheap investments in, 339
Demagogues, frequent tendencies of, 458
Demetrius of Ephesus, his advocacy of vested interests, 345
Departments, spending, claims of, 451
Derbyshire, production of lead in, 283
Derry, county, estates of Companies in, 448
Despotic government, loans to, precarious, 448
Destitution, economical defence of, relief of, 244
De Witts, murder of the, 212; their position in Holland, 427
Differential duties, effects of, 329
Di Gama, Vasco doubles the Cape, 106
Diminishing cost, effect of, on prices, 255
Diplomatic instruments, wealth of in England, 4
Direct taxation, its unfairness inevitable, 124; its effect on the nation, 297
Discount, rate of, and interest, 451
Dissenters founded Bank of England, 214
Dissolution of monasteries, connected by some with pauperism, 243
Distress, law of, 172
Distribution, laws of, human, 234
Distribution of products, order of, 163
Distribution of wealth, laws of, 50; difficult to interpret at present, 141
Docks, origin of English, 518
Dockyards, development of, 519
Domesday, its importance, 3; its evidence as to the distribution of wealth, 141
Domestic servants, wages of, 488
Dominion, civil, Wiklif's treatise, criticism of, 75
Dominion of Canada, fiscal policy of, 334
Donationes inter vivos, constantly practised by rich people, 478
Downs, cultivation of, in Hampshire, 179
Doyle, Mr., on early history of the American plantations, 322
Drake the character of his expeditions, 10
Dryden, like Caliban in the re-modelled "Tempest," 266
Dublin, valuation of, in 1657, 153
Duchies, the, of Lancaster and Cornwall, 432
Dudley, Dud, his invention or improvement, 287
Dutch, the, their objects in trade, 109; origin of their resources, 260; and the family of Orange, 334; their services to civilization, 435; their sympathy with the Stuarts, and their reward, 459
Dutch trade, character of, 327
Dutch war, assessment for 1672, 154
Dumont, his collection of treaties, 92

E

East Anglia does not love the clergy, 80
East Coast, Navigation of the, 282
East India Company, remodelling of, by Parliament, 86; before Mr. Mill's mind when he advocated a temporary protection, 387
East India Company, Dutch, its origin, 108
East India Company, New, origin of, 462
East, trade with, first impugned the balance of cash doctrine, 391
Eastern produce, early routes of, 10
Eastern trade, routes of, in fourteenth century, 104
Ecclesiastical history, a limited teaching of, in Oxford, 70
Economical facts, neglect of, its effects, 1
Economists, rashly predict impossibilities, 50; French, rise of, 347; politicians, their relations, 503
Eden, Mr., his treaty of 1786, 112
Eden, Sir Frederic, his work, and its value, 247; on the wages of the poor, and the discontent of the farmers thereat, 375
Edinburgh, assessment of, in 1657, 153
Education develops hereditary powers, 290; elementary, cost of, put on parents, 356; and wages, 357; taxes, &c., who should pay, 495
Edward I., projects and policy of, 122; his theory of representation and taxation, 126
Edward II., causes of his deposition, 417

Edward III., his claim to French throne, 74; marriages of his sons, 417; borrowed of Florentine bankers and repudiated, 434
Edward IV., his character misrepresented, 132; his project of invading France in 1472, 135
Edward VI., his guardians, and their baseness, 36; reign of, waste of, by his guardians, 421
Effects endure after causes, 52; do not cease with causes, 350
Egypt, decline of, after the conquest of Selim, 11
Eighteenth century, progress in the, 289; temper of, illustrated in, 347
Eight hours' day, rule of, in England, 303
Elizabeth, poverty of, and reforms of, 37; re-coinage by, facts of, 195; proclamation of, 196; her restoration of the currency, 416
Ellesmere, Lord (James I.), on mortgages, 343
Employers, paid higher wages than magistrates' assessments allowed, 241; benefit by a Poor Law, 245; some begin to see that Trade Unions are useful, 315
Employment, provision of, by the state, 313; stint of, effect of, 373
Enumerated and non-enumerated goods, meaning of, 331
Enclosure Acts, compensation for, 487
Enclosures, effects of, on the poor, 246
England, distribution of wealth in, 138, *sqq.*; influx of silver into, 196; its wrongdoings with Holland, 211; Bank of, origin of, 213; population of, in North and South, 246; downfall of, under Henry VIII., 265; development of, difficult, 296; has often lost what it gained, 319; cannot produce everything, 409; local institutions in, 482
England, Northern, its poverty, 145
English people, by no means patient, 193; confuses names with things, 449
English roads, origin of, 490
English, their hindrances to international comity, 94; relations of, to Flemings, 101; naturally not an inventive people, 272
English trade, early character of, 100
Enjoyment, possibility of, fundamental, in taxation, 117
Enterprise, individual, partnership, Joint Stock, 208
Equation, always effected by trade, but in different ways, 395
Equity, rules of, in enforcing contracts, 344
Ernest of Saxe-Coburg, debasement of currency by, 197
Europe, at once protectionist and military, 382; wars in, from 1714 to 1793, 110
European history, Dutch war the most striking fact in, 435
Errors and injuries of Government, how far to be incurred, 346
Evans, Mr., on the early British currency, 185
Examinations, absurdity of, 290; present system of, its absurdity in primary schools, 358
Exchange, free, its benefits, 93
Exchanger, King's, his function, 96; origin and history of the office, 187
Exchanges, early process of, 206; fluctuations of the, 213; foreign, process of, 198
Exchequer Bills, origin of, 222
Exchequer, dialogue on the, 412
Excise, first imposition of, 137; the Dutch, its universality, 436
Exhaustion, political, signs of, 439
Export duty, conditions of an, 10
Exports and imports, general theory of, 96, *sqq.*; study of, a puzzle, 390
Exports, customs on, rarely possible, 398

F

Factory Acts, arguments for, 355
Fair trader, his case, 371
Fair traders, sophistries of, 240
Famine of 1438, petition during, 55
Famines, occasions of, in England, 16; the great, of the fourteenth century, and those of the sixteenth, 56; dates of, 262; in the seventeenth century, 266
Far West, stories about, 106
Farmer, unjust to put a police rate on holding of, 493
Farmers, bilingual, 54; imitate the new system, 177
Farmers' rents, income tax from, 475
Farm hand, accomplishments of the, 20
Fastolfe, his trade, 66; his purchases, 115

Fawcett, Mr., on Trade Unions or labour partnerships, 307
Federation, varied fortunes of, as a principle, 480
Fertility, economic senses of, 166; meaning of, with economists, 498
Feudal liabilities, assessment for 1660, 154
Fictions, occasionally instructive, 370; pressed into arguments, 409
Field, Mr. Cyrus, the author's prediction to, 385
Fifteenth century, characteristics of, 264; English mercantile marine in, 319
Financial motives, have often caused revolts, 194
Fiscal system, effect of a bad, in British industry, 372
Fish, diet on, in Middle Ages, 277
Fitzherbert, on the extortion of landlords, 67; on landlords, 171
Fitzherbert (Long-beard), his insurrection, 129
Fitzjames, his purchases, 151
Flaccus, his conduct, 207
Flanders, political relations of, to England, cause of, 8; early immigrants from, to Norfolk, 90; trade of, 102; influence of, on Norfolk, 144; description of, 1467–77, 285; ruin of, and causes of, 286
Flax, compulsory cultivation of, 144
Fleetwood, Bp., his "Chronicon Preciosum," 192
Flemings, trade of the, 101; the weavers of Europe, 273
Florentine bankers, loans of, to Edward III., 434
Food, interpretation of wages in, 43; policy of government about, in early English times, 377
Forces, two, in government, 479
Foreign debt, effects of, 260
Forestalling and regrating, offence of, why created, 377
Forest laws, motives for, 483
Forms, antiquity of, suggestive, 296
Forster, W. E., and early English cloth, 285
Fox, Henry, his wish to make England a free port, 468
France, position of, in 1763, 110; war with, and grants during, 127; the degradation of, 197; attempts to conquer, 273; has coveted the Rhine, 287; its modern colonies, 290; exports and imports of, 404; king of, in 1640 and 1688, 458; federalism, why unpopular in, 489
Franklin, his retort to Gibbon, 331
Franks, his gift to Oriel College, 67
Freeman, Professor, his "Norman Conquest," 3
Free port, the United Kingdom, virtually a, 398
Free Trade can be less easily abandoned than Protection, 47; growth of principle of, 349; a question before the American Republic, 385
Free trader, risks of, in the United States, 366
Freight, charges of, reduction of, 230; diminished cost of, 256; cost of, from America, 271; effects of regulating by law, 327; cost of, a natural protection, 369; invisible export and import, 397; not taxed by United States, 403
Fremantle, Mr., on the risks of private coining, 190
French, modern colonies of, 323
Friar Bacon and Friar Bungay, play of, 62
Front benches, the two, their ideal, debates, 351
Froude, Mr., thinks Henry a patriot king, 36; on the patriot king's offences, 197
Funding system, process of, and criticism of, 452

G.

Galton, Captain, on heredity of genius, 289; on hereditary genius, 356
Game, capture of, by labourers, 42
Gamlingay, survey of, in 1603, 59; small parcels of land in, 172
Gardiner, Mr., on Wentworth and Laud, 6
Gascoigne, his opinion about the monks, 73; on the Papal court, the bishops and monasteries, 263
Gascony, conquest and revolt of, 102
Genoa, Bank of, its history, 210; loans of, repudiated by Phillip III., 434
George, Mr., the origin of his theory in Malthus and Ricardo, 7; on Ricardo's theory, 162
German scholars do not seem to have studied early economical history of Germany, 286

Germany, troubles of, at the beginning of seventeenth century, causes of, 12; her gold currency, 189; her modern colonies, 290; wars in, since 1860, 294; its modern attempt at colonization, 323
Gibbon, his message to Franklin, 331
Giffen, Mr., value of his essays, 8; his phrase about freights, 397; his essays on finance, 400; on the earnings of freight, 401
Gilbert's Act, purpose of, 245
Gladstone, Mr., on the picture of the English clergy, drawn by Macaulay, 87; his defence of the income tax, 131; on currency and love, 202
Glass, imports of, defence of, 409
Glass-making, improvements in, 274
Gloucestershire, cultivation of tobacco in, 322
Gold, price of and coinage of, 188; price of, in 1462, 195; production of, in Ireland, 258
Golden bough, the discovery of the, 351
Goldsmiths, the, original English bankers, 212
Government, English, never colonized, but with convicts, 321
Government, necessary development of a central, 164; theory and practice of, 345; favours of, 378; its powers of borrowing, 437; borrowing, its conditions in loans, 451
Government paper, issue of, effects of, 441
Governments, desire of, for money, 95; often in the wrong, and always impatient, 323; the principal agents in ruining nations, 393; always weak, and liable to influences, 517
Goschen, Mr., on income tax returns, 370; his committee on local taxation, 492; effect of his publication on local taxation, 498
Governor, Colonial, story of, when made a judge in equity, 502
Grant, special, of 1375, its distribution, 147
Grants, extraordinary distrust at, 125; to Crown, origin of, 118; from Crown, duration of, 423
Greenbacks, circulation in America, 442
Greenways Bank, failure of, 218
Greenways, Messrs., bank of, 361
Gresham, Sir Thomas, his formula, 37; the king's Antwerp agent, 198
Grimston, Sir Harbottle, his signature to the book of customs, 323
Grocer, business of a, illustrates exports and imports, 407
Grocers' Company, fines inflicted by, 299
Grotius, his dispute with Selden, 278
Ground rents, taxation of, 497
Guienne, revolt of, and financial measures on, 134
Guilds, rural, spoliation of, 15; town and country, traits of, 305; endowments of, 306

H.

Half truths, danger of, illustrated, 346
Hallam, Mr., on mediæval villages, 4; his authorities, 13
Hamburgh, imports of "sherry" from, 401
Hammond, Mr., M.P. for Huntingdon, his papers, *temp.* Anne and George I., 330
Hanover, house of, stability of, 432
Hanseatic League, origin, purposes, and fortunes of, 100
Harcourt, Sir W., on a female domestic at the Treasury, 290
Harley, his indecision in Anne's reign, 448
Hartlib, on production in England, 53
Hearth tax, inferences from, 158
Heaven-born minister, an inaccurate name for Pitt, 223
Heiresses, weddings of king's sons with, 414
Hemp, compulsory cultivation of, 144
Henley, Walter de, on agricultural produce, 53
Henry II., church parties in the time of, 72; his provision for his sons, 413; dominions of, 482
Henry III., his difficulties with the Alton robbers, 142; nearly deposed, and why, 416
Henry IV., breaks his own law at Windsor, 32; his marriage and his poverty, 418
Henry VI., his character, 83; marriage of, its unpopularity, 417; impoverishment of Crown in reign of, 418

Henry VII., his claim of aids, 135
Henry VIII., his character and actions, 35; debasement of currency by, 197; his mania for brick buildings, 279; his acquisitions and his extravagance, 420
Henry of Portugal, his discoveries, 106
"Heralds at arms," "Debate of," 103
High and low prices, causes of, often intricate, 261
Higher or technical education at the expense of the state, 362
Highways, condition of, 62
History, neglect of economical facts in, 2; its progress and shortcomings, 4; constitutional and political, 183; philosophy of, hollow and wearisome, 272; secret materials of, concealed and discreditable, 470
History, philosopher of, his chaotic talk, 450
Hoarding, how passion for arises, 235
Holdings, small at Tandridge, 239
Holkham estate, rents of, 1629–1706, 168
Holland, struggle of, after independence, its importance, 211; its services and its enemies, 400; a Free Trade country, 436
Holywell, Oxford, jurisdiction in manor of, 143
Honour, codes of, in callings, 314
Hope, Mr., on the Bank of Amsterdam, 212
Hops, a peculiarly risky crop, 180
Houblon, Sir John, first governor of Bank of England, his origin, 215
Houghton, his collections and prices of Bank stock, 214
House of Commons, growth of power of, early, 122; taxes originate in, origin of the custom, 132; its reflection on William in Anne's reign, 430; British, its present freedom from corruption, 433
House of Lords, its original character, 133
Houses, acreage to, in 1690, 158
Houses of Parliament, history of, in seventeenth century, 87
House taxes, grossly unequal, 494
Huguenots, the, immigration of, into England, 288
Human institution, laws of, in what sense used, 234
Humanity, claims of, the true defence of a poor rate, 489
Hume, Joseph, procured the repeal of the labour statutes, 45
"Humphrey Clinker," its evidence as to English roads, 484

I.

Idola specus, illustrations of, 351
Imperialists, British, calumnies of, 336
Imperial Institute, its peril, 380
Importers, value of imports on authority of, 401
Import values, exaggeration of, 402
Impossibilities, present and manifest, 229
Improvements, some do not increase rent, 179
Income Tax, the, unfair, 118; Pitt's, 474; Peel's, 475; unfairness of, and incidence of, 476; payers of, pay what should be local taxes, 499
Income Tax returns, not conclusive as to the distribution of wealth, 140
Indebtedness of foreign countries to the United Kingdom, effects of, 98; foreign to England, effects of, 204
Independence, War of, its effects on the Colonial system, 469
Independency, chief home in London, 85
Independents, the founders of the Bank of England, 86
"Indestructible powers," an absurd phrase, 161
India Bill, Fox and Pitt on a, 349
India, British, loans for, 440
India, struggle in, between France and England, 110; value of rupee in, 190
Inductions, negative, generally the work of economists, 503
Industries, early English character of, 321
Industry, real, what Protection does to, 367
Industry, English, in Middle Ages, chiefly agricultural, 21; early attempt to stimulate, 376
Inheritance, national, succession to, 445; taxes on, defence of, examined, 471, *sqq.*
Institutions, human, never entirely just, 344
Insurrection, the, of 1381, 22
Intelligence, human, progressive, but its limits unknown, 49

Intercursus Magnus, policy of, 111
Interest, its relation to profits, 19; natural diminution of, 237; dangerous to meddle with, 238; amount payable on loans, 395
International currency, amount of, in England, 203
International, the kinds of, 502
Invention, motives of, 284
Inventions of nineteenth century, generally English, 292
"Invisible export and import," a phrase of Mr. Giffen, 397
Ireland, assessment of, in 1657, 153; landlord and tenant in, 163; production of gold in, 258; manufactures of proscribed, 325; manufactures of destroyed, 378; exemption of, from Act of 1 Anne cap. 6, 431
Irish Academy, treasures of the, 258
Irish Americans, export of money to Ireland by, 403
Irish estates of London Companies, their origin, 421
Irish Land Acts, the various, 514
Irish landowners, Arthur Young on, 376
Irish, opinion of, on Cromwell and James II., 460
Irish pension list, scandalous character of the, 431
Irish priest, the, his influence, 81
Irish rebellion, assessment for, 152
Irish tenant, interest of, made precarious, 343
Irish union, the first Sir Robert Peel on the, 327
Irish woollens, suppression of, advised by Davenant, and why, 288
Iron, high price of, effects of, 61; want of, and dearness of in early agriculture, 276
Italy did not quarrel with the Papacy, and why, 79; revival of banking in, 207; its taxes on public dividends, 443
Ivan the Terrible, reign of, and relations of, with England, 104

J.

Jacob, example of, perhaps suggested seven years' apprenticeship, 301
James I., no one in the right, who was on good terms with, 278; his wrath at tobacco smoking, 322; his absurdities, his expedients for money, 421
Jenkins' ears, story of, 467
Jevons, Mr., on coal measures, 229
Jews, the, interfered with by Flaccus, 207; pedigrees of, in the days of Nehemiah, 413; thrift of the, 438
John the Good, of France, his acts, 197
John, nearly deposed, 416
Joint stock principle, its effect on prices, 312
Jones Loyd and Co., bills of, 217
Judges, effect of their getting freeholds, 41; immovability of, 424
Justice, administration of, its value in developing nationality, 296
Justice of peace, his function and action, 297
Justice-room, less effective than Manor Court, 143
Justices' assessments, number of existent, 40

K.

Ket, insurrection of, 151
Kidd, Captain, execution of, 108; 321
King, Gregory, his estimate of wages, 44; on production in England, 53; his law of prices, 55; on saving powers of a bishop and a farmer, 175; his law of prices, 250; on power of saving, 267
King, Lord, his action in 1811, 224
King's College, Cambridge, its payments to Edward IV. and Henry VIII., 423
Kings, deposition and murder of by English, 273
Kings, English, what they were expected to do with their revenues, 413
King's estate, nature and extent of, 119
King's peace, why kept in England, 9
King's taxes, fiction of the, 399
Kingston estate, rents of, 1690, 168
Kitchin, Dean, on St. Giles' fair, Winchester, 284

L.

Labour, rise of price of, 266; importation of into the United States, and its value, 407
Labourers, prosperity of in the

fifteenth century, 34; position of in first half of eighteenth century, 270
Labour partnerships, little noticed by political economists, 307; proscribed till 1825, 314
Labour statute of Elizabeth, provisions of, 38, *sqq.*
Labour statutes, number of, 40
Laissez faire, a principle with the French economists, 348; when to be acknowledged, 350
Lancashire, at first the poorest English county, 149
Land Bank, the, in 1696, 222
Land, distribution of, in the mediæval village, 14; historical changes in ownership and occupation of, 52; owners of, make laws, 163; in Colonies, surrender of to Colony, 337; Mr. Mill's theory on its increment, 515
Land hunger of fifteenth century, its effects, 264
Landless man, how understood in early England, 295
Landlords, English, repaired buildings and insured stock, 169
Landowner, duty of, 174; great privileges and exemptions of the, 358; Adam Smith's view of the, 376; his right to rent, 51; early, the instructors of the farmers, 54; of eighteenth century, their action, 58; the cause of agricultural trouble, 166; transference of liabilities of the others, 164; their services to agriculture in the eighteenth century, 177; their folly and injustice, 238; the, of the eighteenth century, their services, 269; agricultural, and horse racing, their different actions, 374; action of, after Mr. Goschen's book was published, 498
Landowners, English, their policy in 1773, 491
Land system, English, and the families 358
Land tax, assessment of, 155; re-imposition of, 462; re-assessment of, contemplated by Walpole, 466
Langdon, Thomas, his survey of Gamlingay, 59
Latimer on landlords, 171
Latin Union, silver issues of, 189
Law and order, interest of, a stock phrase, 454
Law, corruption of, while keeping to the letter, 41
Law makers, incompetence of, 326
Laws, collection of all English, 23; economic, which human and which natural, 234
Lead, relations of, to silver, 186; prices of, as an index of silver prices, 259
League, Anti-Corn Law, dissolution of the, 349
Learning, special, has a price, 356
Lease for years, its occurrence early, 66
Leaseholds, enfranchisement of, 497
Leases of Colleges, character of, 180
Leather industry, great in London, 408
Leeward Islands, proprietors of, 330
Legislature, power of, over wages and profits, 239
Lenders of money not patriots, 439
Letters, safe delivery of, Post office not responsible for, by law, 505
Liabilities, always fixed, 120
"Libel of English Policy," its object and facts, 101; its information, 150
Linen manufacture, special seats of, 410
Liverpool, Lord, on ratio of gold and silver, 188; on merchants' petition, 345
Loanable money, plenty in England, 396
Loans, why made by colonists, 394; of the Dutch, origin of, 437; facility of making a serious matter, 445; two processes of creation, 450
Local charge, first in time, poor relief, 484
Local debt, origin of, and payment of by occupiers, 426
Local interest, causes of colonial loans, 444
Local taxation, development of modern, 486; two recent attacks on, 497; motion of author on, in 1886, 500
Locke King, on Lord King's action, 224
Locke, on the recoinage, 200
Lollard, the, his social and political tendencies, 80
London, by far the largest town, 148: notes at first circulated in, principally, 258; filthiness of, and unhealthiness of, 268; a centre of trade, 401; a vast manufacturing

city, 408; financial influence of, 448
London, City of, its estate, west of St. James, origin of, 496
Lords, the, Standing Order of, 509
Louis XIV., on the last pistole, 95; his opinion of Davenant's abilities, 425
Louis XVI., policy of, its effects, 319
Lovell, Lord, the price of his wool, 62; his farming book, and his profits, 177
Lowe, Mr., and new Poor Law, 248; the author of school examinations, 358; on the transference of income tax by traders, 477
Lowther, Mr. Jas., on competition in collieries, 230
Lubbock, Sir J., his Shop Hours Committee, 355
Luxuries, difficulty of defining, 368
Lynn, King's, early importance of, 282

M.

Macaulay, criticism of his history, 5; on the English clergy, 87; probably saw no perfect copy of Houghton, 214; on Nonconformists, 215; had not duly weighed Davenant's essay, 426; on William III., 427; on the public debt, 446
MacCulloch, Mr., on Dutch rates of interest, 110; on the discovery of the Ricardian theory of rent, 161; his absurdity about rent, 236
Madox, his antiquities, 13; early indications of apprenticeship in, 301
Magdalene College, Oxford, charter to from Henry VIII., 423
Magistrates, assessments of wages by, 1593–1684, 241
"Making of England," hollowness of the phrase, 272
Malthusian theory, some economists on the, 477
Manor courts, jurisdiction of, effectual, 142
Mansions, rating of unfair, 140
Manufactures, prohibited in the Colonies, 331; economy and improvement simultaneous in, 521
Manufactures by Government, origin of, 519
Manufacturing regions, generally heretical, 79
Manx judges, oath of, 344
Margaret of Anjou, her army, and its effects, 25; her northern army in 1461, 145
Mariner's compass, use of, 278
Maritime enterprise, England slow in, 319
Mark, the, the unit of Teutonic currencies, 184
Market, non-protection of and width of, stimulants to production, 371
Markets and fairs, very distant frequented, 284
Mark Lane Gazette, average crops in, 370
Marlborough, request that a pension should be settled on, refused, 430
Marling, custom of, 170
Mary, her wish to restore the currency; the day of her death kept as a holiday, 198
Mason, wages of, in Oxford 440 years ago, 303
Masses, endowments of, apparently free of law of mortmain, 305
May, highest prices generally in, 56
Maynard, Serjeant, his reply to William III., 41
Meonwaras, settlement of the, 284
Merchants and governments view money differently, 95; London, their objections to the bonding system, 399
Merchants' petition, Lord Liverpool on, 345
Merton College, Oxford, its cultivation in 1333–6, 52; its survey of Gamlingay, 59
Metaphysicians discuss apologies for taxation, 460
Methuen treaty, the, in 1703, its policy, 112
Mickle, his translation of Camoens, he reviles Adam Smith in its notes, 348
Migrations, during civil war, probable, 159
Mill, Mr., on wage fund, 17; on the purchase of the landowner's interest, 51; his sinister predictions, 229; on buying out landlords, 237; his defence of poor law relief, 244; on wages fund, 308; on wages and profits, 316; on "the price of liberty," 342; on retaliatory tariffs, 379; a happy expression of, 381; his defence of Protection in "young

and rising nations," examined, 386, *sqq.*; deference of colonists to opinions of, 441; on taxes on inheritance, 472; on precarious incomes, 476; his defence of the relief of destitution, 489; on taxation of accidental fertility, 498; on making the state, the universal landlord, 514
Mining countries not necessarily wealthy, 259
Mischief-makers, meanness of, 374
Moleyns, Adam de, on Irish gold, 258
Monasteries, dissolution of, their wealth, 35; the, contrived the stock and land lease, 65; treasures of, enormous, 420
Monastic lands, grantees of, their obligations, 357; property, very scattered, 484
Money, impossibility of keeping in, 96; circulation of, 188; power of a bank to coin, a misconception, 218: the basis of notes and credit, 219; depletion of, not yet an extinct delusion, 392
Money, old, did not disappear, 193
Monk's Act, and civil servants, 512
Monopoly, price of, to be fixed, 354
Montacute, Earl of Salisbury, his sympathy with the rebels of 1381, 29
Montague, his attitude at the Recoinage, 200; his project of the Bank of England, 214
Montfort, Simon de, his Parliament, and his motive, 121
Morrill, Mr., his tariff and his motives, 294; the price of his tariff, 384
Mortimer, overthrow of, 417
Moscow, march to, and the uniform of French soldiers, 292
Muratori, his collection of diplomas, 4; his *Antiquitates*, 92; on gold currencies, 189; on Italian banking, 207
Musical instrument, land bearing rent, compared to by the Duke of Argyll, 48

N.

Napoleon, his commercial policy, 215; an idol of idiots, his character, 292
Nation, benefit to, collectively, by primary education, 357
National Debt, a guarantee of the settlement, 448
National laws, discovery and adaptation of, effects of, 49
National ledger, interpretation of, 389
National pride, phrases appealing to, 333
Navigation Act, effects of, 327
Navigation, once a knack, now an art, 257
New College, Oxford, its house property in 1458, 169; possesses specimens of early cloth, 285
New England, soil of, uninviting, 322
Newspaper tax, imposition of, 464
Newton, Sir I., on the recoinage, 200
Nicholls, Mr., and new Poor Law, 248
Nimeguen, peace of, effects of, 460
Nobles, sons of, in the Church, 64; great, intrigues of, in France, 482
Nonconformists, their cohesion and influence, 215
Norfolk, early opulence of, 89; industries of, 144; its early position, 149
Norfolk, North, talk in, about Lord Lovell's farming, 177
Norman, Mr., on Bank of England, 224
Northern England, rudeness and poverty of, 145
North, Lord, his attitude on the American tea duty, 469
North, Roger, on the circulation of specie, 392
Nory, his precedents for ship money, 136
Notes, natural limitation of, issues of, 217; inoculation of, 218; early denominations of, high, 258; bank, restraint of issue of, 360; inconvertible, why circulated, 441
Nullum Tempus Act, origin of, 433

O.

Oaths taken on Land Tax, 462
Obligations, local in England, 483
Obloquy, newspaper, to sensible men, cackle, 332
Obstacles, greatest to human progress, ignorance and science, 289
Occupancy, local taxation on, unfair, 494
Occupiers, payment of taxes by, said to be payment by owners, 498
Official clergy, class of, 72
Old Testament, reading of, its effects, 78
Omnibus Bills, their purpose, 405

Open fields, system of, 59; custom of, a hindrance to agriculture, 178
Opposition, irrational, not always met, by calling it so, 363
Orange, house of, its degradation, 435
Oresme, Bishop of Lisieux on money, 95; on the circulation of specie, 392
Organization, its universality in early English life, 295
Oriel College, its purchase of a reversion, 67; its trade in masses, &c., 305
Outlaws, haunts of, 142
Overstone, Lord, his opinions on the Bank, 224
Oxford city and university, assessments of 1693, 156
Oxford Colleges, house property of pre-Reformation, how procured, 305
Oxford professor, a, on American paper currency, 37
Oxfordshire, its early relative wealth, 149
Oxford, the origin of all religious monuments in England, illustrated, 73; the farm rent of, 128; St. Mary's church at, its use, 144; roads of, ancient and modern, 491.
Oxford town, its municipality subjected to the University, 298

P.

Painters, English school of, late, 274
Palmerston Lord, his adage rejected, 345
Papal clergy, types of, 72
Paper currency, forced, in England, 201; why accepted, 220
Paper issues of Austria and Russia, effects of, 189
Paper, manufacture of, in England, 280
Paper money, issue of, in American War, 384
Parliament, rolls of, imperfect, 127; tries punishments before remedies, 200; theory and practice of, 345; relations of to railways, 353; a mouthpiece for popular indignation, 421; the old, a travesty, 448; alone able to create a monopoly, 462; claims right of taxing the Colonies, 468; the, of 1529, its duration and its acts, 485; limitations on the functions of, 503
Parliament, Irish, its corruption, 431
Parliamentary franchise, the, of 1406 and of 1430, 297
Parish, English, its position as a social unit, description of, 13
Parishes, close and open, effects of 245
Parish life, exceedingly insulated, 283
Paris, Matthew, his opinions, 72; on the condition of England, 139; on reign of Henry III., 170
Paris, peace of, 1763, state of Europe at, 290
Parnell, Sir H. (Lord Congleton), his financial proposals, 474
Parochial settlement, law of, and origin of, 245; law of an appeal to old traditions, 295
Passport system of 12 Ric. II., 31
Past and present, continually muddled by writers, 304
Pasture rents, rise of, 180
Paterson, his earlier career, 108
Patriots, Indian, their criticism on loans, and answer to, 440
Peace, armed, what it means, 294; maintenance of and charges of, on whom it should be imposed, 493
Peace of 1815, one of languor, 292
Peasant, with land, his advantages, 240
Peasant, English, his life, 15; his superiority to those of France and Germany, 16; his early struggles for freedom, his present attitude, 82
Peasant or artizan, sacrifices of, in the education of his children, great, 357
Peasantry, outbreaks of, 81; organizations of, 300
Pecok, Bishop, his teaching, 83
Peel, his defence of his income tax, 131; his famous question, What is a pound? 201; and Bank Act of 1844, 224: premature death of, 226; his tariff reforms, 443: services of, and abilities of, 455; financial position on his coming to office in 1841, 475; on post office reform, 504
Peel, Sir Robert (the first), on Irish trade, and the Irish Union, 327
Peer, a, his tactics with his personal property, 474
Peers, claims of, to writ of summons, 133
Penal code, the, in Ireland, 81
Penn, William, pension to heirs of 330

Pennsylvania, workmen's houses in, 497
Penny, supposed degradation of, 185
Pepper, price of, 106
Pepys, his correspondence with Houblon, 215
Permanent and terminable loans, difference of, 446
Personal government, extinction of, in England, 448
Personal property, taxes on inheritance of, 471, *sqq*.
Pessimism, economical, a risk, 229
Philip II., his resources in money, 95; and Bank of Genoa, 211; origin of his resources, 260; his loans in Genoa, 434
Philip le Bel, his quarrel with Boniface VIII., 74
Phillips, Prof., on the extent of coal measures, 230
Philologers, their occupations, 275
Philosophy of history, its progress and its risks, 5; illustration of paradoxes in, 308
Phrases, their power over men, 329
Piracy, why an offence which all may punish, 398
Pitt, Elder, his objects, 318
Pitt, his income tax, 131; his action in 1797, 201; his real breach of law in 1797, 216; his policy, and his relations to the Bank, 223; death of, its attendant circumstances, 349; his respect for Adam Smith, 349; his "patriotic loan" a failure, 439; in 1798, makes the Land Tax perpetual, 463; his accession to office, 470; successors of, their finance, 474
Plague, Great, causes of, and effects of, 263
Plague, the, of 1349, its effects, 21
Plantations, American, their origin, 322
Plate, silver, price of, 195
Plautus on relations of man to man, 341
Police, modern, origin of, 493
Political economists, their practical errors, 7; generally in the right on financial questions, 454
Political economy, neglect of economical facts by, 2; illustrations of its speculative side, 50; nearly all the fallacies of, partially true, 307
Political nicknames in Flanders, 278
Political pamphlets, importance of two centuries ago and onwards, 424
Poll taxes, beginning of, 129
Pomeranian leather, a special import, 410
Poole, Mr., visited by American citizens, and why, 368
Poor, doctrine that they should live on the land affirmed, 243; harshness of political economists to, 310; desire of fair traders to make a raid on, 372; maintenance of the, a growing charge, 486; relief on, not settled on economical grounds, 489
Poor Law, derivable from the bad acts of government, 244; ancient defence of, 487
Poor laws, between 1541 and 1601, 241
Poor priests, foundation of order of, 77
Poor rate, return of, at 1685, 43; incidence of, in 1685, 159; relative amount of, in 1685, 246; payment of, by those who do not employ labour, 488; the distribution of, to various objects, 489
Pope, the, expensiveness of his Court, 187
Population, amount of, in England, at different times, 53; abundance of, no necessary test of prosperity, 140 in England, calculations on, 157
Porter, on the Progress of the Nation, 446
Portsmouth, created or restored by Henry VIII., 518
Portugal, discoveries of, 320
Postal notes, restraints on, 507
Post office, the, best illustration of governmental work, 504
Pound, the, unit of currencies derived from Roman system, 184
Poverty, expedients to relieve by law, 242
Precious metals, how procured in non-producing countries, 257
Presbyterians of seventeenth century, now Unitarians, 85
Prestige, its influence in France, 460
Price, the giver of a price attracts the dealer, 397
Price, his sinking fund, 455
Prices, rise of, cause of, 17; regulation of, general, 25; wages do not rise with, 37; evidence of, as to degeneracy of coins, 194; laws of, 251, *sqq*.; causes affecting, 253; rise in, historical epochs of, 257;

general uniformity of, from 1260 to 1540, 262; high, occasions on which they induce high wages, 373
Primogeniture, effect of, at first unimportant, 63
Printing, an invention of foreigners, 280
Prisons and hospitals, taxes for, 494
Private coining, little risk of, 190
Private interest, doctrine that it is a public duty, an impudent fallacy, 382
Privileges, purchase of, 128
Proclamations, Elizabeth's, volume of, 40
Producer, Government, like a protection for manufactures, 523
Production, cost of, 260; motive of, the expectation of a market, 370
Professional classes, wages of, small, 301
Professional incomes, taxes on, 477
Professors, Oxford and Cambridge, statistics of, 370
Profit, the vital object to get a balance of, 391
Profits increase more rapidly than wages, 306
Profits, natural, in what sense used, 340
Promissory oaths, futility of, 296
Propertied classes, their services to agriculture, 414
Property, respect for in England, general but peculiar, 24; not a basis of notes, and why, 221
Property taxes, graduated, instances of, 124; grants were nearly always, 127; of fifteenth century, character of, 130
Proprietory rights, attempts to deal with in Parliament, 330
Protection, to corn, given in 1660, 270; definition of, vague and shifting; advocates of, 365; not quoted fully, 366; object of, 368; must be on articles of necessary use, and considerable, 369; "robbing somebody else," 375; in United States, its history, 383
Protectionist countries, cries in, 316
Protectionist manufacturers, an indirect advantage to, 406
Protectionists employ their imaginations like painters and poets, 411
Protective tariff, effects of, 261
Protectorate, taxation of landowners during the, 422
Provisions, rise of after 1541, 240
Proxies, origin of, 133
Public characters, contradictory criticism of, 6
Public Debt, English, its origin, 447
Public Debts, best conditions for creating, 443
Public schools, endowments of, appropriated by the rich, 355
Public service, gains in, 466
Public stocks, income tax on, a practical repudiation, 443
Purchase of land by state, effects of, had Mr. Mill's proposal been carried, 515
Purchase of railways by the state, arguments for and against, 510, *sqq.*
Puritan movement, social character of, 84
Puritans, their character, 44; colonies of, 321; their extent and influence, 458

Q.

Quakers, rise of the, 85
Quarter sessions, the conduct of, in rating mansions, 496

R.

Rack rents, origin of, 67
Railway Rates Bill of 1886, author's comments on, in Parliament, 353
Railways, control of, necessary, 353; British charges put on, 354; loans for, 444; construction of, in England and elsewhere, 509
Raleigh, his Eldorado, 321
Rates," "Book of, issues of, and effects, 135
Rating Act, the, of William IV., 496
Raw material, not easy to define, and why, 256
Real estate remained liable to land tax, and why, 463
Reasons, wise not to give, 502
Rebellions, colonial, how met and condoned, 336
Recoinage by Elizabeth, facts of, 195
Reciprocity, attractions of to some minds, 325
Re-exportation great from the United Kingdom, 400
Reform impossible, if the doctrine of

vested interests is extended or strained, 352
Reformation, English, its true promoters, 84
Religion, extirpation of a, possible, 89; people give more liberally to, than to want, 242
Religion, wars of, interpretation of characters in, 12
Religious movements, conditions of, 80
Religious opinions honestly entertained and enforced, 69
Remigius, a German paper-maker in England, 280
Rent, compared to the hire of a musical instrument, 48; history of definitions of, 160; of no interest but to the landowner, 165; regulation of in Europe, 175; the last received in distribution, 233; its real position, 236; attacks on, 238; in seventeenth century, and comments on it, 267; agricultural, rise of in England, 293; why considered a fit subject of taxation, 463
Rents, early, fixed and unalterable, 15; arable, ancient amount of, 167; pasture, ancient amount of, 167; do not depend on prices, 271; forcible elevation of, process of, 173; not so much affected by cattle and sheep-raising, 179; rise of, in seventeenth century, 199; not necessarily raised by protection, 374
Republic, Roman, nationalized land, and with what effect, 51
Republic, Athenian and Roman, loans negotiated by, 448
Repudiation, risks of, 340
Restoration does not always follow reform, 350
Restoration, the ruling of lawyers at, 422
Resumption Bill, Walpole on, in 1702, 465
Retaliation, policy of, examined, 379
Revenue of Crown, fixed and inelastic, 415
Revolution, the effects of, in relation to the Crown and its estate, 428; financial situation of, 456
Revolution, English, of 1642, sects of, 85
Revolution, French, interruption of commercial treaties by, 113; Arthur Young on the, 269; paper of, 442; character of, and interference with, 470
Revolutions, causes of, in English history, 432
Rhenish cities, origin of wealth of, 10
Rhine, policy of France as regards the, 287
Ricardo, his definition of rent, 161; his merits on currency questions, 185
Richard I., captivity of, its cost, 120
Richard II., state of society at beginning of reign of, 78; and De Vere, 417
Rich, different law for, and poor, 171
Richelieu, his policy, 458
Richmond, Duke of, descent of, and grants to, 352
Risk, its relation to profits, 19
Ritual, character of, during Elizabeth's reign, 421
Roads, early condition of, 483; maintenance of, a just tax on landowners, 490
Rock salt quarried but not refined, 277
Roman Empire, survivals of, 70; the, ruined its subjects, 393
Rothschild, Lord, on foreign stocks, 390
Royalists, their conduct to the peasants in 1642–5, 25
Rubens, his apotheosis of Villiers, Duke of Buckingham, 274
Russia, attempts of England to reach, 103; its use of gold, 190
Russian corn trade, shock to, by Crimean war, 293
Rymer, his diplomatic collection, 92

S.

Salisbury, Earl of (Cecil), early history of the family, 136, 422
Salt, price of, illustrates the price of wheat, and why, 57; importance of, 277
Salted meats, general use of, 277
Samson, Abbot, his good offices at Oxford, 298
Sanuto, work of, in 1321, 104
Saturn, limbo of some political economists, 503
Savages, irruption of, on Roman Empire, why successful, 254
Savings banks, post office, restraints on, 507
Savings, various destinations of, 438

Scarborough, fee-farm rent of, 128
Scientific witnesses, disputes of, 363
Scotch universities, Parliamentary grants to, indefensible, 363
Scotland, customs duties in, 123; degradation of pound in, 197; assessment of, in 1657, 153; wealth of from Tav to Tweed, 363
Scott, Sir W., his descriptions of Scottish life, 123
Securities, export of, meaning of, 99; export of, causes for, 396
Seignorage, practice of exacting, 202
Selden, his dissertation on tithes, 162; on the King's Exchanger, 187; his dispute with Grotius, 278
Selim I., his conquest of Egypt and its effects, 11; his conquest of Egypt, 107
Serfs, emancipation of, the effect of, the insurrection of 1381, 30
Servility, worst traits of, 332
Session, Parliamentary, ceremony of closing, 281
Settlement, Act of, immunity of judges under, 424
Seventeenth century, importance of economical facts in, 2; prices and population of, 57; calculation of population in, 158; rents of, 174; men of, 265
Seven years taken generally as a period of qualification, 301
Seven Years' War, effect of, on American plantations, 291; fiscal effects of, 468
Shaftesbury, Lord (the late), on the Factory Acts, and their limited scope, 355
Shakspeare like Prospero in the "Tempest," 265; on winter garments, 286
Sheep, breeds of, 62; losses of, insured by landlords in the fifteenth century, 169; keeping of, in England, 273
Sheep feed, produce of, on acre, 231
Ship money, its imposition, 136; assessment of, 151
Shippon, his attitude, 296; his estimate of himself and of Walpole, 466
Shotover boar, story of the, 490
Sicily, attempt to secure crown of, 121
Siemens, his furnace, 233
Silk manufacture, London, in the fifteenth century, 282
Silver coin, fineness of, 184
Silver greatly produced in England, 186; need of, for Eastern trade, 391
Sinclair, Sir John, his services in Scotland, 60, 270; on apprenticeships in husbandry, 305
Sion Abbey, its home farm, 66
Sion, abbess of, pressure put on, 264; foundation of abbey of, 418
Sixteenth century, scanty information about, 151
Social and political causes not separable, 281
Smiles, Mr., his books, 257
Smith, Adam, on rent, 51; on the mercantile system, 96; borrows from Turgot his canons of taxation, 115; why he called rent a tax, 164, 165; on prices and wages, 181; his phrase about international money, 190; on the Bank of Amsterdam, 212; his theories of rent, 235; on lotteries, 259; on apprenticeship, 300; his description of colonial manufactures, 331; on the Colonial Empire, 338; endeavours to get him a place on the Bengal Council, 348; on the Protectionists of his day, 376; on the Colonial Trade Acts, 378; on nations and governments, 393; on rents, economic, competitive, fixed, 415; on the conceit of nations and individuals, 445; on taxation, 461; Pitt said to be a disciple of, but how, 470
Smith, Goldwin, and the Colonies twenty-five years ago, 335
Smollett, his novel, "Humphrey Clinker," 484
Smuggler, difficulty of dealing with, at Revolution, 461; difficulty of coping with the, 464
Smuggling, cessation of, 465
Socialism, best answer to, is social equity, 316; strength of, in what, 352; stimulants of, 497
Social state of England, how affected by law, 24
Society, may lose some arts, but is safe if it retains others, 253
Sole market, acquisition of the, and its effects, 290
Sole-market theory, the, described, 328
South Sea Bubble, fruit of the Assiento treaty, 449
Sovereigns, English, their continental circulation, 202

Sovereign, the, dependence of, on Parliament, and legislation of 1850, 126; Crown estate does not belong to, 431
Spanish Colonies, Government of the, 320
Spain, trade of England with, 103; its conquests in the New World, 107; discoveries of, 320; war with, in 1739, 467
Speaker, his address to the Crown, 134
Speenhamland Act, its object, 247
Spillman, a German paper-maker at Dartford, 280
Spinning, a universal occupation, 143
Spinola, and bank of Genoa, 211
Squatters, Colonial, impudence of, 336
Stafford on landlords, 171
Stamp Act, the, 468
Stanhope, Lord, his absurd motion, 224
Stanhope, Lord, his political portraits, 6
State, limits of agency of, 311; should define what contracts it enforces, and how far, 343; result of land being owned by, 516
State rights in the American Union, theory of, 481
Statesmen, duty of, in economical inductions, 8; ignorance of and its causes, 344
Statesmen, European, their alliances, 502
States of the Union, defaulting, lesson given to, 340
State, the, finding capital, illusory, 18
Statute of Labourers, enacted, and its provisions, 26
Stephenson, the younger, his dictum, 353
Stock and land lease, the, its character, 64
Stock Exchange, its weakness and its strength, 339
Stock Exchange securities cannot be conveniently taxed, 383
Stock, railway, distribution of, 513
Stocks, conversion, process of, 452
Stourbridge, fair of, 282
Strike, a, rarely successful, and why, 315
Stuart, kings, thefts of bankers' money by, 212
Stuarts, their policy as to judges' patents, 41
Subsidy, amount of, fixed, but is lessened, 126
Substitutes for money, early use of, 205
Success in wealth-getting honoured, 312
Successions, Pitt's tax on, examined, 471
Succession, war of, combatants in the, 64
Sugar, slave grown, objections to, and facts as to, 329
Sumptuary laws, effectiveness of, 377
Superintendence, wages of, their profit, 19
Supplementary estimates, bad finance, 451
Supreme Court, American, decisions of, 481
Surrender, by Colonial Office, to Colonies, in what directions, 337
Suspension of cash payments, debate on, 223
Sussex, forges and glass furnaces of, 287
Sutton's culture, character of, 231
Sweden, source of iron, 276
Swift, on the customs, 123, 464; his political philosophers of Laputa, 457
Sworn-off gold, origin of the phrase, 187

T.

Tandridge, graduated local taxation in, 124; relief of poor at, 243; description of, and local taxes at, 484
Tallage, the, of towns, 120
Tallages, liability to, 128
Tanning, partial, a practice in foreign leather trade, 410
Tariff, protectionist, a war in disguise, 334; American, local defence of, 384; reform of, in Walpole's time, 466
Tariffs, Colonial, meaning of, 337
Taxation, canons of, ambiguous, 116; arbitrary, restraint of, 120; motion on, by author, 131; various grounds for, alleged, 460; present distribution of, 478
Taxation, English, early, peculiar, 115
Taxes, distribution of, a proper subject for a director of criminal investigation, 370; imposed at Revolution, 461
Taxes, sanitary, who should pay, 495
Tax, new, difficulty of levying, 446
Tax, remains, to some extent, on those who first pay it, 499
Tea, use of, said to have caused an increase of rates, 246

Telegraph companies, scandalous purchase of the, 506
Tenancy at will, origin of, late, 67
Tenant, his position to landlord, 359
Terminable annuities, effect of income tax on, 476
Terminable securities, how affected by income tax, 447
Terrorism in the United States, 385
Teuton, imitative and occasionally intrusive, 294
Teutonic certificates, their value, 275
Teutonic irruption, character of, 70
Teutonic race manufactures something besides metaphysics and testimonials, 410
Textile industries, diffused in England, 281
Thimble money, origin of name of, 136
Thirlby, Bishop, his paper mill, 280
Thirty Years' War, causes and provocations of, 287
Tillage, decimal fraction of land gone out of, 370
Tin, produce of, in England, 283
Tithe, payment of rates by, its defence, 488
Tobacco, Virginian, importance of, 322; Spanish, cost of, 323
Tobacco tax, the, of Sir S. Northcote, 499
Tolls taken, but roads not mended, 490; receipts from decline, 491
Tone, Wolfe, his language about the Irish House of Commons, 432
Tories had better writers than Whigs, 464
Tories, historic, authors of the peace of Utrecht, 449
Torrens, Colonel, on the Bank of England, 224
Tower pound, weight of, 184
Towns, taxation of, peculiar, 127; organization of, 297; local taxation of, 508
Trade, British, assistance given to Americans due to a desire to break up, 331
Trade follows the flag, maxim accepted, 291
Trade, its aids to international morality, 98; international character of, 99; early English, small and precarious, 302; reciprocal, effects of, 326
Trade profits, principle of, 109
Traders do not desire to keep money, 94; prudent rule of, 406
Trades, organization of, 298
Trans-shipment, an easy evasion of retaliating duties, 380
Treaty of 1861, character of, 113
Troy pound, weight of, 184
Truck, defence of, and condemnation of, 359
Tull, Jethro, on rent in eighteenth century, 176; on rents, 268
Turgot, his canons of taxation, 115
Turk, the, his mischievous presence, 107
Tzar, his policy ten years ago, how determined, 439

U.

Ulster, linen weaving by peasants of, 84; bye-industries in, 175
Unearned increment, hope for, perpetual, 237
Unemployed, the, statistics of, 370
United Kingdom, its proportion of the world's trade, 408
United States, circulation of greenbacks in, 37; risks to agriculture in, 271; protection in, malignant, 366; advocates of protection in, avoiding their own case, 369; protection in, its history, 383; exports of, and explanation of, 402; growth of trade of, recent, 407; building land in the, 497
Unit, social, weakness of the, 342
Universities, the incorporation of, 293
Universities and Colleges Act 1576, its tendency, 171
Universities, English, founded by private munificence, 363
Usury, laws regulating, 94
Usury law, abrogation of, 349
Utility, connection of art with, 275
Utrecht, treaty of, its effects on English trade, 320

V.

Vaccination, compulsory, opposition to, 368
Valuations, for taxation, Edward's, 122
Van der Weyer, M., on Belgian thrift, 438

Vansittart, Mr., on the Bullion Committee, and his motion, 224; his action, 454; his incapacity, 474
Vegetables, garden, came from Holland, 289
Venice, Bank of, and the practice of the Republic, 209
Vicarious responsibility, characteristic of English life, 121
Village guilds, endowments of, 306
Villiers, Mr. C., his return of wages, 248
Vincent, Mr. Howard, his advocacy of protection, his earlier calling, his action in Parliament, 366
Virginia trade, character of, 326
Volcanoes, social all over Europe, 383

W.

Wadham, Dorothy, her architect, 274
Wage-fund theory of Mr. Mill criticized, 308
Wages, receipt of, its analogy to profits, 19; do not rise with prices, 37; actually paid higher than that allowed, 44; cannot keep up to prices, 266; poor rate, a rate in aid of, and why, 487
Wakefield, Gibbon, his colonial scheme, 337
Wall Street gamblers, and soft money, 223; their intrigues, and the consequences, 384
Walpole, his treatment of public debt, 450; his parliamentary powers, 465, *sqq.*; his project, and his enemies, 399; his consolidated debt, 452
Warehousemen, London, their agency, 404
War, invariable language of government about, 393; just and necessary, a short phrase, 454
War of Spanish succession, cost of, 463
War of Succession, 1453–1485, characteristics of, 265; in the fifteenth century, its causes and character, 419
Wars, European, since 1815, very destructive, 293; European, successive characteristics of, 324; effects of various, 470
Warwickshire, open or common fields in, 178
Water companies, valuation of the, in 1880, 513
Watt, importance of his invention, 267
Waynflete, founder of Magdalene College, Oxford, his practices, 66
Wealth, kinds of, 17; production of, causes of, 227; teaching of political economy on, partial, 310
"Wealth of Nations," delay in the publication of, 348
Weaver, a, synonymous with a heretic, 91; generally a heretic in the Middle Ages, 376
Weight, payments by, the practice, arguments for, 191 *sqq.*
Wells, David, on cost of freight, 232
Wesley, movement of, 88; on slavery, 329
Westminster monks, their home farm, extorted by the Russells, 66
Weymss, Lord, as a speculative politician, 351; on socialism at St. Stephens, 497
Wheat and labour, prices of, inference from, 6
Wheat, ratio of, to barley and oats, 251; highest relative price of, 252; rise of price of, 266; heavy protection on, in the cost of freight, 369
Whig, modern, picture of a, a lampoon, 425
Whigs, monied, their support of the Act of Settlement, 88; first directors of Bank of England generally, 214; and what sort of, 215; historic, created the wars of Spanish succession, 449
Whitbread, Mr., his attempt to make allowances legal, 247
Whiteley, Mr., character of his business, 406
White, William, his history and fate, 79
William the Norman, policy of, 71
William the Primate, proclamation addressed to, in 1349, 26
William III., his position in Holland and in England, 427; the floating debt a scandal to his government, 449
Wiklif, career of, 78
Wilkes, defended as a Nonconformist, 87
Willoughby, voyage of, 320
Woods and Forests, office of, charges against, 517

Wool, American production of, 368
Woolcomber, art of, 285
Wool, English, its importance, 9
Wool taxes, the, amount of, 129
Wool tax of 1341, its distribution, 146
Working classes, *laissez faire* breaks down in, 352; their position deteriorated after 1782, 469
Workman, what he has to sell, 313
Workmen, subjection of, causes of, 240; dislike those who refuse to aid their organization, 317
Wykeham, William of, his mitre case and valise, 286

Y.

York, house of, asks for few grants, 132
York, statute of, its importance, 122
Young, Arthur, on rent in eighteenth century, 176; on increase of poor rates, 246; on eighteenth century agriculture, 268; on the early days of the French Revolution, 269; on Irish landowners and rents, 376; reports sent to, 379
Younger son, the, when he becomes a nuisance, 64