The Nature of Rent

by T.R. Malthus

1815

An Inquiry into the Nature and Progress of Rent, and the

Principles by which it is regulated.

by Rev. T.R. Malthus,

Professor of History and Political Economy In the East India

College, Hertfordshire

London, Printed for John Murray, Albemarle Street

1815.

Advertisement

The following tract contains the substance of some notes on

rent, which, with others on different subjects relating to

political economy, I have collected in the course of my

professional duties at the East India College. It has been my

intention, at some time or other, to put them in a form for

publication; and the very near connection of the subject of the

present inquiry, with the topics immediately under discussion,

has induced me to hasten its appearance at the present moment. It

is the duty of those who have any means of contributing to the

public stock of knowledge, not only to do so, but to do it at the

time when it is most likely to be useful. If the nature of the

disquisition should appear to the reader hardly to suit the form

of a pamphlet, my apology must be, that it was not originally

intended for so ephemeral a shape.

The rent of land is a portion of the national revenue, which

has always been considered as of very high importance.

According to Adam Smith, it is one of the three original

sources of wealth, on which the three great divisions of society

are supported.

By the Economists it is so pre-eminently distinguished, that

it is considered as exclusively entitled to the name of riches,

and the sole fund which is capable of supporting the taxes of the

state, and on which they ultimately fall.

And it has, perhaps, a particular claim to our attention at

the present moment, on account of the discussions which are going

on respecting the corn laws, and the effects of rent on the price

of raw produce, and the progress of agricultural improvement.

The rent of land may be defined to be that portion of the

value of the whole produce which remains to the owner of the

land, after all the outgoings belonging to its cultivation, of

whatever kind, have been paid, including the profits of the

capital employed, estimated according to the usual and ordinary

rate of the profits of agricultural stock at the time being.

It sometimes happens, that from accidental and temporary

circumstances, the farmer pays more, or less, than this; but this

is the point towards which the actual rents paid are constantly

gravitating, and which is therefore always referred to when the

term is used in a general sense.

The immediate cause of rent is obviously the excess of price

above the cost of production at which raw produce sells in the

market.

The first object therefore which presents itself for inquiry,

is the cause or causes of the high price of raw produce.

After very careful and repeated revisions of the subject, I

do not find myself able to agree entirely in the view taken of

it, either by Adam Smith, or the Economists; and still less, by

some more modern writers.

Almost all these writers appear to me to consider rent as too

nearly resembling in its nature, and the laws by which it is

governed, the excess of price above the cost of production, which

is the characteristic of a monopoly.

Adam Smith, though in some parts of the eleventh chapter of

his first book he contemplates rent quite in its true light,(1\*)

and has interspersed through his work more just observations on

the subject than any other writer, has not explained the most

essential cause of the high price of raw produce with sufficient

distinctness, though he often touches on it; and by applying

occasionally the term monopoly to the rent of land, without

stopping to mark its more radical peculiarities, he leaves the

reader without a definite impression of the real difference

between the cause of the high price of the necessaries of life,

and of monopolized commodities.

Some of the views which the Economists have taken of the

nature of rent appear to me, in like manner, to be quite just;

but they have mixed them with so much error, and have drawn such

preposterous and contradictory conclusions from them, that what

is true in their doctrines, has been obscured and lost in the

mass of superincumbent error, and has in consequence produced

little effect. Their great practical conclusion, namely, the

propriety of taxing exclusively the net rents of the landlords,

evidently depends upon their considering these rents as

completely disposable, like that excess of price above the cost

of production which distinguishes a common monopoly.

M. Say, in his valuable treatise on political economy, in

which he has explained with great clearness many points which

have not been sufficiently developed by Adam Smith, has not

treated the subject of rent in a manner entirely satisfactory. In

speaking of the different natural agents which, as well as the

land, co-operate with the labours of man, he observes,

'Heureusement personne n'a pu dire le vent et le soleil

m'appartiennent, et le service qu'ils rendent doit m'etre

paye.'(2\*) And, though he acknowledges that, for obvious reasons,

property in land is necessary, yet he evidently considers rent as

almost exclusively owing to such appropriation, and to external

demand.

In the excellent work of M. de Sismondi, De la richesse

commerciale, he says in a note on the subject of rent, 'Cette

partie de la rente fonciere est celle que les Economistes ont

decoree du nom du produit net comme etant le seul fruit du

travail qui aj outat quelquechose a la richesse nationale. On

pourrait au contraire soutenir contre eux, que c'est la seule

partie du produit du travail, dont la valeur soit purement

nominale, et n'ait rien de reelle: c'est en effet le resultat de

l'augmentation de prix qu'obtient un vendeur en vertu de son

privilege, sans que la chose vendue en vaille reellement

d'avantage.'(3\*) The prevailing opinions among the more modern

writers in our own country, have appeared to me to incline

towards a similar view of the subject; and, not to multiply

citations, I shall only add, that in a very respectable edition

of the Wealth of nations, lately published by Mr Buchanan, of

Edinburgh, the idea of monopoly is pushed still further. And

while former writers, though they considered rent as governed by

the laws of monopoly, were still of opinion that this monopoly in

the case of land was necessary and useful, Mr Buchanan sometimes

speaks of it even as prejudicial, and as depriving the consumer

of what it gives to the landlord.

In treating of productive and unproductive labour in the last

volume, he observes,(4\*) that, 'The net surplus by which the

Economists estimate the utility of agriculture, plainly arises

from the high price of its produce, which, however advantageous

to the landlord who receives it, is surely no advantage to the

consumer who pays it. Were the produce of agriculture to be sold

for a lower price, the same net surplus would not remain, after

defraying the expenses of cultivation; but agriculture would be

still equally productive to the general stock; and the only

difference would be, that as the landlord was formerly enriched

by the high price, at the expense of the community, the community

would now profit by the low price at the expense of the landlord.

The high price in which the rent or net surplus originates, while

it enriches the landlord who has the produce of agriculture to

sell, diminishes in the same proportion the wealth of those who

are its purchasers; and on this account it is quite inaccurate to

consider the landlord's rent as a clear addition to the national

wealth.' In other parts of his work he uses the same, or even

stronger language, and in a note on the subject of taxes, he

speaks of the high price of the produce of land as advantageous

to those who receive it, it but proportionably injurious to those

who pay it. 'In this view,' he adds, 'it can form no general

addition to the stock of the community, as the net surplus in

question is nothing more than a revenue transferred from one

class to another, and from the mere circumstance of its thus

changing hands, it is clear that no fund can arise out of which

to pay taxes. The revenue which pays for the produce of land

exists already in the hands of those who purchase that produce;

and, if the price of subsistence were lower, it would still

remain in their hands, where it would be just as available for

taxation, as when by a higher price it is transferred to the

landed proprietor.'(5\*)

That there are some circumstances connected with rent, which

have an affinity to a natural monopoly, will he readily allowed.

The extent of the earth itself is limited, and cannot be enlarged

by human demand. And the inequality of soils occasions, even at

an early period of society a comparative scarcity of the best

lands; and so far is undoubtedly one of the causes of rent

properly so called. On this account, perhaps, the term partial

monopoly might be fairly applicable. But the scarcity of land,

thus implied, is by no means alone sufficient to produce the

effects observed. And a more accurate investigation of the

subject will show us how essentially different the high price of

raw produce is, both in its nature and origin, and the laws by

which it is governed, from the high price of a common monopoly.

The causes of the high price of raw produce may be stated to

be three.

First, and mainly, that quality of the earth, by which it can

be made to yield a greater portion of the necessaries of life

than is required for the maintenance of the persons employed on

the land.

Secondly, that quality peculiar to the necessaries of life of

being able to create their own demand, or to raise up a number of

demanders in proportion to the quantity of necessaries produced.

And, thirdly, the comparative scarcity of the most fertile

land.

The qualities of the soil and of its products, here noticed

as the primary causes of the high price of raw produce, are the

gifts of nature to man. They are quite unconnected with monopoly,

and yet are so absolutely essential to the existence of rent,

that without them, no degree of scarcity or monopoly could have

occasioned that excess of the price of raw produce, above the

cost of production, which shows itself in this form.

If, for instance, the soil of the earth had been such, that,

however well directed might have been the industry of man, he

could not have produced from it more than was barely sufficient

to maintain those, whose labour and attention were necessary to

its products; though, in this case, food and raw materials would

have been evidently scarcer than at present, and the land might

have been, in the same manner, monopolized by particular owners;

vet it is quite clear, that neither rent, nor any essential

surplus produce of the land in the form of high profits, could

have existed.

It is equally clear, that if the necessaries of life the most

important products of land - had not the property of creating an

increase of demand proportioned to their increased quantity, such

increased quantity would occasion a fall in their exchangeable

value. However abundant might be the produce of a country, its

population might remain stationary And this abundance, without a

proportionate demand, and with a very high corn price of labour,

which would naturally take place under these circumstances, might

reduce the price of raw produce, like the price of manufactures,

to the cost of production.

It has been sometimes argued, that it is mistaking the

principle of population, to imagine, that the increase of food,

or of raw produce alone, can occasion a proportionate increase of

population. This is no doubt true; but it must be allowed, as has

been justly observed by Adam Smith, that 'when food is provided,

it is comparatively easy to find the necessary clothing and

lodging., And it should always be recollected, that land does not

produce one commodity alone, but in addition to that most

indispensable of all commodities - food - it produces also the

materials for the other necessaries of life; and the labour

required to work up these materials is of course never excluded

from the consideration.(6\*)

It is, therefore, strictly true, that land produces the

necessaries of life, produces food, materials, and labour,

produces the means by which, and by which alone, an increase of

people may be brought into being, and supported. In this respect

it is fundamentally different from every other kind of machine

known to man; and it is natural to suppose, that it should be

attended with some peculiar effects.

If the cotton machinery, in this country, were to go on

increasing at its present rate, or even much faster; but instead

of producing one particular sort of substance which may be used

for some parts of dress and furniture, etc. had the qualities of

land, and could yield what, with the assistance of a little

labour, economy, and skill, could furnish food, clothing, and

lodging, in such proportions as to create an increase of

population equal to the increased supply of these necessaries;

the demand for the products of such improved machinery would

continue in excess above the cost of production, and this excess

would no longer exclusively belong to the machinery of the

land.(7\*)

There is a radical difference in the cause of a demand for

those objects which are strictly necessary to the support of

human life, and a demand for all other commodities. In all other

commodities the demand is exterior to, and independent of, the

production itself; and in the case of a monopoly, whether natural

or artificial, the excess of price is in proportion to the

smallness of the supply compared with the demand, while this

demand is comparatively unlimited. In the case of strict

necessaries, the existence and increase of the demand, or of the

number of demanders, must depend upon the existence and increase

of these necessaries themselves; and the excess of their price

above the cost of their production must depend upon, and is

permanently limited by, the excess of their quantity above the

quantity necessary to maintain the labour required to produce

them; without which excess of quantity no demand could have

existed, according to the laws of nature, for more than was

necessary to support the producers.

It has been stated, in the new edition of the Wealth of

nations, that the cause of the high price of raw produce is, that

such price is required to proportion the consumption to the

supply.(8\*) This is also true, but it affords no solution of the

point in question. We still want to know why the consumption and

supply are such as to make the price so greatly exceed the cost

of production, and the main cause is evidently the fertility of

the earth in producing the necessaries of life. Diminish this

plenty, diminish the fertility of the soil, and the excess will

diminish; diminish it still further, and it will disappear. The

cause of the high price of the necessaries of life above the cost

of production, is to be found in their abundance, rather than

their scarcity; and is not only essentially different from the

high price occasioned by artificial monopolies, but from the high

price of those peculiar products of the earth, not connected with

food, which may be called natural and necessary monopolies.

The produce of certain vineyards in France, which, from the

peculiarity of their soil and situation, exclusively yield wine

of a certain flavour, is sold of course at a price very far

exceeding the cost of production. And this is owing to the

greatness of the competition for such wine, compared with the

scantiness of its supply; which confines the use of it to so

small a number of persons, that they are able, and rather than go

without it, willing, to give an excessively high price. But if

the fertility of these lands were increased, so as very

considerably to increase the produce, this produce might so fall

in value as to diminish most essentially the excess of its price

above the cost of production. While, on the other hand, if the

vineyards were to become less productive, this excess might

increase to almost any extent.

The obvious cause of these effects is, that in all

monopolies, properly so called, whether natural or artificial,

the demand is exterior to, and independent of, the production

itself. The number of persons who might have a taste for scarce

wines, and would be desirous of entering into a competition for

the purchase of them, might increase almost indefinitely, while

the produce itself was decreasing; and its price, therefore,

would have no other limit than the numbers, powers, and caprices,

of the competitors for it.

In the production of the necessaries of life, on the

contrary, the demand is dependent upon the produce itself; and

the effects are, in consequence, widely different. In this case,

it is physically impossible that the number of demanders should

increase, while the quantity of produce diminishes, as the

demanders only exist by means of this produce. The fertility of

soil, and consequent abundance of produce from a certain quantity

of land, which, in the former case, diminished the excess of

price above the cost of production, is, in the present case, the

specific cause of such excess; and the diminished fertility,

which in the former case might increase the price to almost any

excess above the cost of production, may be safely asserted to be

the sole cause which could permanently maintain the necessaries

of life at a price not exceeding the cost of production.

Is it, then, possible to consider the price of the

necessaries of life as regulated upon the principle of a common

monopoly? Is it possible, with M. de Sismondi, to regard rent as

the sole produce of labour, which has a value purely nominal, and

the mere result of that augmentation of price which a seller

obtains in consequence of a peculiar privilege; or, with Mr

Buchanan, to consider it as no addition to the national wealth,

but merely as a transfer of value, advantageous only to the

landlords, and proportionately injurious to the consumers?

Is it not, on the contrary, a clear indication of a most

inestimable quality in the soil, which God has bestowed on man -

the quality of being able to maintain more persons than are

necessary to work it? Is it not a part, and we shall see further

on that it is an absolutely necessary part, of that surplus

produce from the land,(9\*) which has been justly stated to be the

source of all power and enjoyment; and without which, in fact,

there would be no cities, no military or naval force, no arts, no

learning, none of the finer manufactures, none of the

conveniences and luxuries of foreign countries, and none of that

cultivated and polished society, which not only elevates and

dignifies individuals, but which extends its beneficial influence

through the whole mass of the people?

In the early periods of society, or more remarkably perhaps,

when the knowledge and capital of an old society are employed

upon fresh and fertile land, this surplus produce, this bountiful

gift of providence, shows itself chiefly in extraordinary high

profits, and extraordinary high wages, and appears but little in

the shape of rent. While fertile land is in abundance, and may be

had by whoever asks for it, nobody of course will pay a rent to a

landlord. But it is not consistent with the laws of nature, and

the limits and quality of the earth, that this state of things

should continue. Diversities of soil and situation must

necessarily exist in all countries. All land cannot be the most

fertile: all situations cannot be the nearest to navigable rivers

and markets. But the accumulation of capital beyond the means of

employing it on land of the greatest natural fertility, and the

greatest advantage of situation, must necessarily lower profits;

while the tendency of population to increase beyond the means of

subsistence must, after a certain time, lower the wages of

labour.

The expense of production will thus be diminished, but the

value of the produce, that is, the quantity of labour, and of the

other products of labour besides corn, which it can command,

instead of diminishing, will be increased. There will be an

increasing number of people demanding subsistence, and ready to

offer their services in any way in which they can be useful. The

exchangeable value of food will, therefore, be in excess above

the cost of production, including in this cost the full profits

of the stock employed upon the land, according to the actual rate

of profits, at the time being. And this excess is rent.

Nor is it possible that these rents should permanently remain

as parts of the profits of stock, or of the wages of labour. If

such an accumulation were to take place, as decidedly to lower

the general profits of stock, and, consequently, the expenses of

cultivation, so as to make it answer to cultivate poorer land;

the cultivators of the richer land, if they paid no rent, would

cease to be mere farmers, or persons living upon the profits of

agricultural stock. They would unite the characters of farmers

and landlords - a union by no means uncommon; but which does not

alter, in any degree, the nature of rent, or its essential

separation from profits. If the general profits of stock were 20

per cent and particular portions of land would yield 30 per cent

on the capital employed, 10 per cent of the 30 would obviously be

rent, by whomsoever received.

It happens, indeed, sometimes, that from bad government,

extravagant habits, and a faulty constitution of society, the

accumulation of capital is stopped, while fertile land is in

considerable plenty, in which case profits may continue

permanently very high; but even in this case wages must

necessarily fall, which by reducing the expenses of cultivation

must occasion rents. There is nothing so absolutely unavoidable

in the progress of society as the fall of wages, that is such a

fall as, combined with the habits of the labouring classes, will

regulate the progress of population according to the means of

subsistence. And when, from the want of an increase of capital,

the increase of produce is checked, and the means of subsistence

come to a stand, the wages of labour must necessarily fall so

low, as only just to maintain the existing population, and to

prevent any increase.

We observe in consequence, that in all those countries, such

as Poland, where, from the want of accumulation, the profits of

stock remain very high, and the progress of cultivation either

proceeds very slowly, or is entirely stopped, the wages of labour

are extremely low. And this cheapness of labour, by diminishing

the expenses of cultivation, as far as labour is concerned,

counteracts the effects of the high profits of stock, and

generally leaves a larger rent to the landlord than in those

countries, such as America, where, by a rapid accumulation of

stock, which can still find advantageous employment, and a great

demand for labour, which is accompanied by an adequate increase

of produce and population, profits cannot be low, and labour for

some considerable time remains very high.

It may be laid down, therefore, as an incontrovertible truth,

that as a nation reaches any considerable degree of wealth, and

any considerable fullness of population, which of course cannot

take place without a great fall both in the profits of stock and

the wages of labour, the separation of rents, as a kind of

fixture upon lands of a certain quality, is a law as invariable

as the action of the principle of gravity. And that rents are

neither a mere nominal value, nor a value unnecessarily and

injuriously transferred from one set of people to another; but a

most real and essential part of the whole value of the national

property, and placed by the laws of nature where they are, on the

land, by whomsoever possessed, whether the landlord, the crown,

or the actual cultivator.

Rent then has been traced to the same common nature with that

general surplus from the land, which is the result of certain

qualities of the soil and its products; and it has been found to

commence its separation from profits, as soon as profits and

wages fall, owing to the comparative scarcity of fertile land in

the natural progress of a country towards wealth and population.

Having examined the nature and origin of rent, it remains for

us to consider the laws by which it is governed, and by which its

increase or decrease is regulated.

When capital has accumulated, and labour fallen on the most

eligible lands of a country, other lands less favourably

circumstanced with respect to fertility or situation, may be

occupied with advantage. The expenses of cultivation, including

profits, having fallen, poorer land, or land more distant from

markets, though yielding at first no rent, may fully repay these

expenses, and fully answer to the cultivator. And again, when

either the profits of stock or the wages of labour, or both, have

still further fallen, land still poorer, or still less favourably

situated, may be taken into cultivation. And, at every step, it

is clear, that if the price of produce does not fall, the rents

of land will rise. And the price of produce will not fall, as

long as the industry and ingenuity of the labouring classes,

assisted by the capitals of those not employed upon the land, can

find something to give in exchange to the cultivators and

landlords, which will stimulate them to continue undiminished

their agricultural exertions, and maintain their increasing

excess of produce.

In tracing more particularly the laws which govern the rise

and fall of rents, the main causes which diminish the expenses of

cultivation, or reduce the cost of the instruments of production,

compared with the price of produce, require to be more

specifically enumerated. The principal of these seem to be four:

first, such an accumulation of capital as will lower the profits

of stock; secondly, such an increase of population as will lower

the wages of labour; thirdly, such agricultural improvements, or

such increase of exertions, as will diminish the number of

labourers necessary to produce a given effect; and fourthly, such

an increase in the price of agricultural produce, from increased

demand, as without nominally lowering the expense of production,

will increase the difference between this expense and the price

of produce.

The operation of the three first causes in lowering the

expenses of cultivation, compared with the price of produce, are

quite obvious; the fourth requires a few further observations.

If a great and continued demand should arise among

surrounding nations for the raw produce of a particular country,

the price of this produce would of course rise considerably; and

the expenses of cultivation, rising only slowly and gradually to

the same proportion, the price of produce might for a long time

keep so much ahead, as to give a prodigious stimulus to

improvement, and encourage the employment of much capital in

bringing fresh land under cultivation, and rendering the old much

more productive.

Nor would the effect be essentially different in a country

which continued to feed its own people, if instead of a demand

for its raw produce, there was the same increasing demand for its

manufactures. These manufactures, if from such a demand the value

of their amount in foreign countries was greatly to increase,

would bring back a great increase of value in return, which

increase of value could not fail to increase the value of the raw

produce. The demand for agricultural as well as manufactured

produce would be augmented; and a considerable stimulus, though

not perhaps to the same extent as in the last case, would be

given to every kind of improvement on the land.

A similar effect would be produced by the introduction of new

machinery, and a more judicious division of labour in

manufactures. It almost always happens in this case, not only

that the quantity of manufactures is very greatly increased, but

that the value of the whole mass is augmented, from the great

extension of the demand for them, occasioned by their cheapness.

We see, in consequence, that in all rich manufacturing and

commercial countries, the value of manufactured and commercial

products bears a very high proportion to the raw products;(10\*)

whereas, in comparatively poor countries, without much internal

trade and foreign commerce, the value of their raw produce

constitutes almost the whole of their wealth. If we suppose the

wages of labour so to rise with the rise of produce, as to give

the labourer the same command of the means of subsistence as

before, yet if he is able to purchase a greater quantity of other

necessaries and conveniencies, both foreign and domestic, with

the price of a given quantity of corn, he may be equally well

fed, clothed, and lodged, and population may be equally

encouraged, although the wages of labour may not rise so high in

proportion as the price of produce.

And even when the price of labour does really rise in

proportion to the price of produce, which is a very rare case,

and can only happen when the demand for labour precedes, or is at

least quite contemporary with the demand for produce; it is so

impossible that all the other outgoings in which capital is

expended, should rise precisely in the same proportion, and at

the same time, such as compositions for tithes, parish rates,

taxes, manure, and the fixed capital accumulated under the former

low prices, that a period of some continuance can scarcely fail

to occur, when the difference between the price of produce and

the cost of production is increased.

In some of these cases, the increase in the price of

agricultural produce, compared with the cost of the instruments

of production, appears from what has been said to be only

temporary; and in these instances it will often give a

considerable stimulus to cultivation, by an increase of

agricultural profits, without showing itself much in the shape of

rent. It hardly ever fails, however, to increase rent ultimately.

The increased capital, which is employed in consequence of the

opportunity of making great temporary profits, can seldom if ever

be entirely removed from the land, at the expiration of the

current leases; and, on the renewal of these leases, the landlord

feels the benefit of it in the increase of his rents.

Whenever then, by the operation of the four causes above

mentioned, the difference between the price of produce and the

cost of the instruments of production increases, the rents of

land will rise.

It is, however, not necessary that all these four causes

should operate at the same time; it is only necessary that the

difference here mentioned should increase. If, for instance, the

price of produce were to rise, while the wages of labour, and the

price of the other branches of capital did not rise in

proportion, and at the same time improved modes of agriculture

were coming into general use, it is evident that this difference

might be increased, although the profits of agricultural stock

were not only undiminished, but were to rise decidedly higher.

Of the great additional quantity of capital employed upon the

land in this country, during the last twenty years, by far the

greater part is supposed to have been generated on the soil, and

not to have been brought from commerce or manufactures. And it

was unquestionably the high profits of agricultural stock,

occasioned by improvements in the modes of agriculture, and by

the constant rise of prices, followed only slowly by a

proportionate rise in the different branches of capital, that

afforded the means of so rapid and so advantageous an

accumulation.

In this case cultivation has been extended, and rents have

risen, although one of the instruments of production, capital,

has been dearer.

In the same manner a fall of profits and improvements in

agriculture, or even one of them separately, might raise rents,

notwithstanding a rise of wages.

It may be laid down then as a general truth, that rents

naturally rise as the difference between the price of produce and

the cost of the instruments of production increases.

It is further evident, that no fresh land can be taken into

cultivation till rents have risen, or would allow of a rise upon

what is already cultivated.

Land of an inferior quality requires a great quantity of

capital to make it yield a given produce; and, if the actual

price of this produce be not such as fully to compensate the cost

of production, including the existing rate of profits, the land

must remain uncultivated. It matters not whether this

compensation is effected by an increase in the money price of raw

produce, without a proportionate increase in the money price of

the instruments of production, or by a decrease in the price of

the instruments of production, without a proportionate decrease

in the price of produce. What is absolutely necessary, is a

greater relative cheapness of the instruments of production, to

make up for the quantity of them required to obtain a given

produce from poor land.

But whenever, by the operation of one or more of the causes

before mentioned, the instruments of production become cheaper,

and the difference between the price of produce and the expenses

of cultivation increases, rents naturally rise. It follows

therefore as a direct and necessary consequence, that it can

never answer to take fresh land of a poorer quality into

cultivation, till rents have risen or would allow of a rise, on

what is already cultivated.

It is equally true, that without the same tendency to a rise

of rents, occasioned by the operation of the same causes, it

cannot answer to lay out fresh capital in the improvement of old

land - at least upon the supposition, that each farm is already

furnished with as much capital as can be laid out to advantage,

according to the actual rate of profits.

It is only necessary to state this proposition to make its

truth appear. It certainly may happen, and I fear it happens

frequently, that farmers are not provided with all the capital

which could be employed upon their farms, at the actual rate of

agricultural profits. But supposing they are so provided, it

implies distinctly, that more could not be applied without loss,

till, by the operation of one or more of the causes above

enumerated, rents had tended to rise.

It appears then, that the power of extending cultivation and

increasing produce, both by the cultivation of fresh land and the

improvement of the old, depends entirely upon the existence of

such prices, compared with the expense of production, as would

raise rents in the actual state of cultivation.

But though cultivation cannot be extended, and the produce of

the country increased, but in such a state of things as would

allow of a rise of rents, yet it is of importance to remark, that

this rise of rents will be by no means in proportion to the

extension of cultivation, or the increase of produce. Every

relative fall in the price of the instruments of production, may

allow of the employment of a considerable quantity of additional

capital; and when either new land is taken into cultivation, or

the old improved, the increase of produce may be considerable,

though the increase of rents be trifling. We see, in consequence,

that in the progress of a country towards a high state of

cultivation, the quantity of capital employed upon the land, and

the quantity of produce yielded by it, bears a constantly

increasing proportion to the amount of rents, unless

counterbalanced by extraordinary improvements in the modes of

cultivation.(11\*)

According to the returns lately made to the Board of

Agriculture, the average proportion which rent bears to the value

of the whole produce, seems not to exceed one fifth;(12\*) whereas

formerly, when there was less capital employed, and less value

produced, the proportion amounted to one fourth, one third, or

even two fifths. Still, however, the numerical difference between

the price of produce and the expenses of cultivation, increases

with the progress of improvement; and though the landlord has a

less share of the whole produce, yet this less share, from the

very great increase of the produce, yields a larger quantity, and

gives him a greater command of corn and labour. If the produce of

land be represented by the number six, and the landlord has one

fourth of it, his share will be represented by one and a half. If

the produce of land be as ten, and the landlord has one fifth of

it, his share will be represented by two. In the latter case,

therefore, though the proportion of the landlord's share to the

whole produce is greatly diminished, his real rent, independently

of nominal price, will be increased in the proportion of from

three to four. And in general, in all cases of increasing

produce, if the landlord's share of this produce do not diminish

in the same proportion, which though it often happens during the

currency of leases, rarely or never happens on the renewal of

them, the real rents of land must rise.

We see then, that a progressive rise of rents seems to be

necessarily connected with the progressive cultivation of new

land, and the progressive improvement of the old: and that this

rise is the natural and necessary consequence of the operation of

four causes, which are the most certain indications of increasing

prosperity and wealth - namely, the accumulation of capital, the

increase of population, improvements in agriculture, and the high

price of raw produce, occasioned by the extension of our

manufactures and commerce.

On the other hand, it will appear, that a fall of rents is as

necessarily connected with the throwing of inferior land out of

cultivation, and the continued deterioration of the land of a

superior quality; and that it is the natural and necessary

consequence of causes, which are the certain indications of

poverty and decline, namely, diminished capital, diminished

population, a bad system of cultivation, and the low price of raw

produce.

If it be true, that cultivation cannot be extended but under

such a state of prices, compared with the expenses of production,

as will allow of an increase of rents, it follows naturally that

under such a state of relative prices as will occasion a fall of

rents, cultivation must decline. If the instruments of production

become dearer, compared with the price of produce, it is a

certain sign that they are relatively scarce; and in all those

cases where a large quantity of them is required, as in the

cultivation of poor land, the means of procuring them will be

deficient, and the land will be thrown out of employment.

It appeared, that in the progress of cultivation and of

increasing rents, it was not necessary that all the instruments

of production should fall in price at the same time; and that the

difference between the price of produce and the expense of

cultivation might increase, although either the profits of stock

or the wages of labour might be higher, instead of lower.

In the same manner, when the produce of a country is

declining, and rents are falling, it is not necessary that all

the instruments of production should be dearer. In a declining or

stationary country, one most important instrument of production

is always cheap, namely, labour; but this cheapness of labour

does not counterbalance the disadvantages arising from the

dearness of capital; a bad system of culture; and, above all, a

fall in the price of raw produce, greater than in the price of

the other branches of expenditure, which, in addition to labour,

are necessary tO cultivation.

It has appeared also, that in the progress of cultivation and

of increasing rents, rent, though greater in positive amount,

bears a less, and lesser proportion to the quantity of capital

employed upon the land, and the quantity of produce derived from

it. According to the same principle, when produce diminishes and

rents fall, though the amount of rent will always be less, the

proportion which it bears to capital and produce will always be

greater. And, as in the former case, the diminished proportion of

rent was owing to the necessity of yearly taking fresh land of an

inferior quality into cultivation, and proceeding in the

improvement of old land, when it would return only the common

profits of stock, with little or no rent; so, in the latter case,

the high proportion of rent is owing to the impossibility of

obtaining produce, whenever a great expenditure is required, and

the necessity of employing the reduced capital of the country, in

the exclusive cultivation of its richest lands.

In proportion, therefore, as the relative state of prices is

such as to occasion a progressive fall of rents, more and more

lands will be gradually thrown out of cultivation, the remainder

will be worse cultivated, and the diminution of produce will

proceed still faster than the diminution of rents.

If the doctrine here laid down, respecting the laws which

govern the rise and fall of rents, be near the truth, the

doctrine which maintains that, if the produce of agriculture were

sold at such a price as to yield less net surplus, agriculture

would be equally productive to the general stock, must be very

far from the truth.

With regard to my own conviction, indeed, I feel no sort of

doubt that if, under the impression that the high price of raw

produce, which occasions rent, is as injurious to the consumer as

it is advantageous to the landlord, a rich and improved nation

were determined by law, to lower the price of produce, till no

surplus in the shape of rent anywhere remained; it would

inevitably throw not only all the poor land, but all, except the

very best land, out of cultivation, and probably reduce its

produce and population to less than one tenth of their former

amount.

From the preceding account of the progress of rent, it

follows, that the actual state of the natural rent of land is

necessary to the actual produce; and that the price of produce,

in every progressive country, must be just about equal to the

cost of production on land of the poorest quality actually in

use; or to the cost of raising additional produce on old land,

which yields only the usual returns of agricultural stock with

little or no rent.

It is quite obvious that the price cannot be less; or such

land would not be cultivated, nor such capital employed. Nor can

it ever much exceed this price, because the poor land

progressively taken into cultivation, yields at first little or

no rent; and because it will always answer to any farmer who can

command capital, to lay it out on his land, if the additional

produce resulting from it will fully repay the profits of his

stock, although it yields nothing to his landlord.

It follows then, that the price of raw produce, in reference

to the whole quantity raised, is sold at the natural or necessary

price, that is, at the price necessary to obtain the actual

amount of produce, although by far the largest part is sold at a

price very much above that which is necessary to its production,

owing to this part being produced at less expense, while its

exchangeable value remains undiminished.

The difference between the price of corn and the price of

manufactures, with regard to natural or necessary price, is this;

that if the price of any manufacture were essentially depressed,

the whole manufacture would be entirely destroyed; whereas, if

the price of corn were essentially depressed, the quantity of it

only would be diminished. There would be some machinery in the

country still capable of sending the commodity to market at the

reduced price.

The earth has been sometimes compared to a vast machine,

presented by nature to man for the production of food and raw

materials; but, to make the resemblance more just, as far as they

admit of comparison, we should consider the soil as a present to

man of a great number of machines, all susceptible of continued

improvement by the application of capital to them, but yet of

very different original qualities and powers.

This great inequality in the powers of the machinery employed

in procuring raw produce, forms one of the most remarkable

features which distinguishes the machinery of the land from the

machinery employed in manufactures.

When a machine in manufactures is invented, which will

produce more finished work with less labour and capital than

before, if there be no patent, or as soon as the patent is over,

a sufficient number of such machines may be made to supply the

whole demand, and to supersede entirely the use of all the old

machinery. The natural consequence is, that the price is reduced

to the price of production from the best machinery, and if the

price were to be depressed lower, the whole of the commodity

would be withdrawn from the market.

The machines which produce corn and raw materials on the

contrary, are the gifts of nature, not the works of man; and we

find, by experience, that these gifts have very different

qualities and powers. The most fertile lands of a country, those

which, like the best machinery in manufactures, yield the

greatest products with the least labour and capital, are never

found sufficient to supply the effective demand of an increasing

population. The price of raw produce, therefore, naturally rises

till it becomes sufficiently high to pay the cost of raising it

with inferior machines, and by a more expensive process; and, as

there cannot be two prices for corn of the same quality, all the

other machines, the working of which requires less capital

compared with the produce, must yield rents in proportion to

their goodness.

Every extensive country may thus be considered as possessing

a gradation of machines for the production of corn and raw

materials, including in this gradation not only all the various

qualities of poor land, of which every large territory has

generally an abundance, but the inferior machinery which may be

said to be employed when good land is further and further forced

for additional produce. As the price of raw produce continues to

rise, these inferior machines are successively called into

action; and, as the price of raw produce continues to fall, they

are successively thrown out of action. The illustration here used

serves to show at once the necessity of the actual price of corn

to the actual produce, and the different effect which would

attend a great reduction in the price of any particular

manufacture, and a great reduction in the price of raw produce.

I hope to be excused for dwelling a little, and presenting to

the reader in various forms the doctrine, that corn in reference

to the quantity actually produced is sold at its necessary price

like manufactures, because I consider it as a truth of the

highest importance, which has been entirely overlooked by the

Economists, by Adam Smith, and all those writers who have

represented raw produce as selling always at a monopoly price.

Adam Smith has very clearly explained in what manner the

progress of wealth and improvement tends to raise the price of

cattle, poultry, the materials of clothing and lodging, the most

useful minerals, etc., etc. compared with corn; but he has not

entered into the explanation of the natural causes which tend to

determine the price of corn. He has left the reader, indeed, to

conclude, that he considers the price of corn as determined only

by the state of the mines which at the time supply the

circulating medium of the commercial world. But this is a cause

obviously inadequate to account for the actual differences in the

price of grain, observable in countries at no great distance from

each other, and at nearly the same distance from the mines.

I entirely agree with him, that it is of great use to inquire

into the causes of high price; as, from the result of such

inquiry, it may turn out, that the very circumstance of which we

complain, may be the necessary consequence and the most certain

sign of increasing wealth and prosperity. But, of all inquiries

of this kind, none surely can be so important, or so generally

interesting, as an inquiry into the causes which affect the price

of corn, and which occasion the differences in this price, so

observable in different countries.

I have no hesitation in stating that, independently of

irregularities in the currency of a country,(13\*) and other

temporary and accidental circumstances, the cause of the high

comparative money price of corn is its high comparative real

price, or the greater quantity of capital and labour which must

be employed to produce it: and that the reason why the real price

of corn is higher and continually rising in countries which are

already rich, and still advancing in prosperity and population,

is to be found in the necessity of resorting constantly to poorer

land - to machines which require a greater expenditure to work

them - and which consequently occasion each fresh addition to the

raw produce of the country to be purchased at a greater cost - in

short, it is to be found in the important truth that corn, in a

progressive country, is sold at the price necessary to yield the

actual supply; and that, as this supply becomes more and more

difficult, the price rises in proportion.(14\*)

The price of corn, as determined by these causes, will of

course be greatly modified by other circumstances; by direct and

indirect taxation; by improvements in the modes of cultivation;

by the saving of labour on the land; and particularly by the

importations of foreign corn. The latter cause, indeed, may do

away, in a considerable degree, the usual effects of great wealth

on the price of corn; and this wealth will then show itself in a

different form.

Let us suppose seven or eight large countries not very

distant from each other, and not very differently situated with

regard to the mines. Let us suppose further, that neither their

soils nor their skill in agriculture are essentially unlike; that

their currencies are in a natural state; their taxes nothing; and

that every trade is free, except the trade in corn. Let us now

suppose one of them very greatly to increase in capital and

manufacturing skill above the rest, and to become in consequence

much more rich and populous. I should say, that this great

comparative increase of riches could not possibly take place,

without a great comparative advance in the price of raw produce;

and that such advance of price would, under the circumstances

supposed, be the natural sign and absolutely necessary

consequence, of the increased wealth and population of the

country in question.

Let us now suppose the same countries to have the most

perfect freedom of intercourse in corn, and the expenses of

freight, etc. to be quite inconsiderable. And let us still

suppose one of them to increase very greatly above the rest, in

manufacturing capital and skill, in wealth and population. I

should then say, that as the importation of corn would prevent

any great difference in the price of raw produce, it would

prevent any great difference in the quantity of capital laid out

upon the land, and the quantity of corn obtained from it; that,

consequently, the great increase of wealth could not take place

without a great dependence on the other nations for corn; and

that this dependence, under the circumstances supposed, would be

the natural sign, and absolutely necessary consequence of the

increased wealth and population of the country in question.

These I consider as the two alternatives necessarily

belonging to a great comparative increase of wealth; and the

supposition here made will, with proper restrictions, apply to

the state of Europe.

In Europe, the expenses attending the carriage of corn are

often considerable. They form a natural barrier to importation;

and even the country which habitually depends upon foreign corn,

must have the price of its raw produce considerably higher than

the general level. Practically, also, the prices of raw produce,

in the different countries of Europe, will be variously modified

by very different soils, very different degrees of taxation, and

very different degrees of improvement in the science of

agriculture. Heavy taxation, and a poor soil, may occasion a high

comparative price of raw produce, or a considerable dependence on

other countries, without great wealth and population; while great

improvements in agriculture and a good soil may keep the price of

produce low, and the country independent of foreign corn, in

spite of considerable wealth. But the principles laid down are

the general principles on the subject; and in applying them to

any particular case, the particular circumstances of such case

must always be taken into consideration.

With regard to improvements in agriculture, which in similar

soils is the great cause which retards the advance of price

compared with the advance of produce; although they are sometimes

very powerful, they are rarely found sufficient to balance the

necessity of applying to poorer land, or inferior machines. In

this respect, raw produce is essentially different from

manufactures.

The real price of manufactures, the quantity of labour and

capital necessary to produce a given quantity of them, is almost

constantly diminishing; while the quantity of labour and capital,

necessary to procure the last addition that has been made to the

raw produce of a rich and advancing country, is almost constantly

increasing. We see in consequence, that in spite of continued

improvements in agriculture, the money price of corn is ceteris

paribus the highest in the richest countries, while in spite of

this high price of corn, and consequent high price of labour, the

money price of manufactures still continues lower than in poorer

countries.

I cannot then agree with Adam Smith, in thinking that the low

value of gold and silver is no proof of the wealth and

flourishing state of the country, where it takes place. Nothing

of course can be inferred from it, taken absolutely, except the

abundance of the mines; but taken relatively, or in comparison

with the state of other countries, much may be inferred from it.

If we are to measure the value of the precious metals in

different countries, and at different periods in the same

country, by the price of corn and labour, which appears to me to

be the nearest practical approximation that can be adopted (and

in fact corn is the measure used by Adam Smith himself), it

appears to me to follow, that in countries which have a frequent

commercial intercourse with each other, which are nearly at the

same distance from the mines, and are not essentially different

in soil; there is no more certain sign, or more necessary

consequence of superiority of wealth, than the low value of the

precious metals, or the high price of raw produce.(15\*)

It is of importance to ascertain this point; that we may not

complain of one of the most certain proofs of the prosperous

condition of a country.

It is not of course meant to be asserted, that the high price

of raw produce is, separately taken, advantageous to the

consumer; but that it is the necessary concomitant of superior

and increasing wealth, and that one of them cannot be had without

the other.(16\*)

With regard to the labouring classes of society, whose

interests as consumers may be supposed to be most nearly

concerned, it is a very short-sighted view of the subject, which

contemplates, with alarm, the high price of corn as certainly

injurious to them. The essentials to their well being are their

own prudential habits, and the increasing demand for labour. And

I do not scruple distinctly to affirm, that under similar habits,

and a similar demand for labour, the high price of corn, when it

has had time to produce its natural effects, so far from being a

disadvantage to them, is a positive and unquestionable advantage.

To supply the same demand for labour, the necessary price of

production must be paid, and they must be able to command the

same quantities of the necessaries of life, whether they are high

or low in price.(17\*) But if they are able to command the same

quantity of necessaries, and receive a money price for their

labour, proportioned to their advanced price, there is no doubt

that, with regard to all the objects of convenience and comfort,

which do not rise in proportion to corn (and there are many such

consumed by the poor), their condition will be most decidedly

improved.

The reader will observe in what manner I have guarded the

proposition. I am well aware, and indeed have myself stated in

another place, that the price of provisions often rises, without

a proportionate rise of labour: but this cannot possibly happen

for any length of time, if the demand for labour continues

increasing at the same rate, and the habits of the labourer are

not altered, either with regard to prudence, or the quantity of

work which he is disposed to perform.

The peculiar evil to be apprehended is, that the high money

price of labour may diminish the demand for it; and that it has

this tendency will be readily allowed, particularly as it tends

to increase the prices of exportable commodities. But repeated

experience has shown us that such tendencies are continually

counterbalanced, and more than counterbalanced by other

circumstances. And we have witnessed, in our own country, a

greater and more rapid extension of foreign commerce, than

perhaps was ever known, under the apparent disadvantage of a very

great increase in the price of corn and labour, compared with the

prices of surrounding countries.

On the other hand, instances everywhere abound of a very low

money price of labour, totally failing to produce an increasing

demand for it. And among the labouring classes of different

countries, none certainly are so wretched as those, where the

demand for labour, and the population are stationary, and yet the

prices of provisions extremely low, compared with manufactures

and foreign commodities. However low they may be, it is certain,

that under such circumstances, no more will fall to the share of

the labourer than is necessary just to maintain the actual

population; and his condition will be depressed, not only by the

stationary demand for labour, but by the additional evil of being

able to command but a small portion of manufactures or foreign

commodities, with the little surplus which he may possess. If,

for instance, under a stationary population, we suppose, that in

average families two thirds of the wages estimated in corn are

spent in necessary provisions, it will make a great difference in

the condition of the poor, whether the remaining one third will

command few or many conveniencies and comforts; and almost

invariably, the higher is the price of corn, the more indulgences

will a given surplus purchase.

The high or low price of provisions, therefore, in any

country is evidently a most uncertain criterion of the state of

the poor in that country. Their condition obviously depends upon

other more powerful causes; and it is probably true, that it is

as frequently good. or perhaps more frequently so, in countries

where corn is high, than where it is low.

At the same time it should be observed, that the high price

of corn, occasioned by the difficulty of procuring it, may be

considered as the ultimate check to the indefinite progress of a

country in wealth and population. And, although the actual

progress of countries be subject to great variations in their

rate of movement, both from external and internal causes, and it

would be rash to say that a state which is well peopled and

proceeding rather slowly at present, may not proceed rapidly

forty years hence; yet it must be owned, that the chances of a

future rapid progress are diminished by the high prices of corn

and labour, compared with other countries.

It is, therefore, of great importance, that these prices

should be increased as little as possible artificially, that is,

by taxation. But every tax which falls upon agricultural capital

tends to check the application of such capital, to the bringing

of fresh land under cultivation, and the improvement of the old.

It was shown, in a former part of this inquiry, that before such

application of capital could take place, the price of produce,

compared with the instruments of production, must rise

sufficiently to pay the farmer. But, if the increasing

difficulties to be overcome are aggravated by taxation, it is

necessary, that before the proposed improvements are undertaken,

the price should rise sufficiently, not only to pay the farmer,

but also the government. And every tax, which falls on

agricultural capital, either prevents a proposed improvement, or

causes it to be purchased at a higher price.

When new leases are let, these taxes are generally thrown off

upon the landlord. The farmer so makes his bargain, or ought so

to make it, as to leave himself, after every expense has been

paid, the average profits of agricultural stock in the actual

circumstances of the country, whatever they may be, and in

whatever manner they may have been affected by taxes,

particularly by so general a one as the property tax. The farmer,

therefore, by paying a less rent to his landlord on the renewal

of his lease, is relieved from any peculiar pressure, and may go

on in the common routine of cultivation with the common profits.

But his encouragement to lay out fresh capital in improvements is

by no means restored by his new bargain. This encouragement must

depend, both with regard to the farmer and the landlord himself,

exclusively on the price of produce, compared with the price of

the instruments of production; and, if the price of these

instruments have been raised by taxation, no diminution of rent

can give relief. It is, in fact, a question, in which rent is not

concerned. And, with a view to progressive improvements, it may

be safely asserted, that the total abolition of rents would be

less effectual than the removal of taxes which fall upon

agricultural capital.

I believe it to be the prevailing opinion, that the greatest

expense of growing corn in this country is almost exclusively

owing to the weight of taxation. Of the tendency of many of our

taxes to increase the expenses of cultivation and the price of

corn, I feel no doubt; but the reader will see from the course of

argument pursued in this inquiry, that I think a part of this

price, and perhaps no inconsiderable part, arises from a cause

which lies deeper, and is in fact the necessary result of the

great superiority of our wealth and population, compared with the

quality of our natural soil and the extent of our territory.

This is a cause which can only be essentially mitigated by

the habitual importation of foreign corn, and a diminished

cultivation of it at home. The policy of such a system has been

discussed in another place; but, of course, every relief from

taxation must tend, under any system, to make the price of corn

less high, and importation less necessary.

In the progress of a country towards a high state of

improvement, the positive wealth of the landlord ought, upon the

principles which have been laid down, gradually to increase;

although his relative condition and influence in society will

probably rather diminish, owing to the increasing number and

wealth of those who live upon a still more important surplus(18\*)

- the profits of stock.

The progressive fall, with few exceptions, in the value of

the precious metals throughout Europe; the still greater fall,

which has occurred in the richest countries, together with the

increase of produce which has been obtained from the soil, must

all conduce to make the landlord expect an increase of rents on

the renewal of his leases. But, in reletting his farms, he is

liable to fall into two errors, which are almost equally

prejudicial to his own interests, and to those of his country.

In the first place, he may be induced, by the immediate

prospect of an exorbitant rent, offered by farmers bidding

against each other, to let his land to a tenant without

sufficient capital to cultivate it in the best way, and make the

necessary improvements upon it. This is undoubtedly a most

short-sighted policy, the bad effects of which have been strongly

noticed by the most intelligent land surveyors in the evidence

lately brought before Parliament; and have been particularly

remarkable in Ireland, where the imprudence of the landlords in

this respect, combined, perhaps, with some real difficulty of

finding substantial tenants, has aggravated the discontents of

the country, and thrown the most serious obstacles in the way of

an improved system of cultivation. The consequence of this error

is the certain loss of all that future source of rent to the

landlord, and wealth to the country, which arises from increase

of produce.

The second error to which the landlord is liable, is that of

mistaking a mere temporary rise of prices, for a rise of

sufficient duration to warrant an increase of rents. It

frequently happens, that a scarcity of one or two years, or an

unusual demand arising from any other cause, may raise the price

of raw produce to a height, at which it cannot be maintained. And

the farmers, who take land under the influence of such prices,

will, in the return of a more natural state of things, probably

break, and leave their farms in a ruined and exhausted state.

These short periods of high price are of great importance in

generating capital upon the land, if the farmers are allowed to

have the advantage of them; but, if they are grasped at

prematurely by the landlord, capital is destroyed, instead of

being accumulated; and both the landlord and the country incur a

loss, instead of gaining a benefit.

A similar caution is necessary in raising rents, even when

the rise of prices seems as if it would be permanent. In the

progress of prices and rents, rent ought always to be a little

behind; not only to afford the means of ascertaining whether the

rise be temporary or permanent, but even in the latter case, to

give a little time for the accumulation of capital on the land,

of which the landholder is sure to feel the full benefit in the

end.

There is no just reason to believe, that if the lands were to

give the whole of their rents to their tenants, corn would be

more plentiful and cheaper. If the view of the subject, taken in

the preceding inquiry, be correct, the last additions made to our

home produce are sold at the cost of production, and the same

quantity could not be produced from our own soil at a less price,

even without rent. The effect of transferring all rents to

tenants, would be merely the turning them into gentlemen, and

tempting them to cultivate their farms under the superintendence

of careless and uninterested bailiffs, instead of the vigilant

eye of a master, who is deterred from carelessness by the fear of

ruin, and stimulated to exertion by the hope of a competence. The

most numerous instances of successful industry, and well-dir