

## ALEXANDER HAMILTON AND ADAM SMITH.

It has often been asserted that Hamilton was familiar with Adam Smith's *Wealth of Nations*. In most cases, probably, the statement has been based upon a passage in J. C. Hamilton's *History of the Republic*, ii. 516, which reads, "Having previously perused the earlier writers, he now entered upon a deliberate examination of the political economy of Adam Smith, and wrote, while a member of Congress, an extended commentary upon his *Wealth of Nations*, which is not preserved."\* That this passage is the common source of the statement is inferred from the fact that, with the three exceptions following, no indication has been offered of the nature of the evidence upon which it is based. Professor Dunbar, in his sketch of "Economic Science in America, 1776-1876," says that Hamilton, in some parts of his Report on Manufactures, was influenced by his familiarity with Adam Smith, and significantly adds that Hamilton pointed out errors in Smith's concessions to the Physiocrats.† Professor H. C. Adams, in his essay on "Taxation in the United States, 1789-1816," says that Hamilton drew his anti-Physiocratic arguments from the *Wealth of Nations*.‡

The first writer, apparently, to make a thorough examination of the question, and to set forth definite results with references, is Professor Ugo Rabbeno, in his recent work on *Protectionism in the United States*.§ Professor Rabbeno shows clearly that Hamilton quotes Adam Smith. The cases were so interesting that I thought it would be worth while to go over the ground carefully, and present a list of passages

\* Stated upon the authority of "P. S. Duponceau, a distinguished civilian of Philadelphia."

† *North American Review*, vol. 122, p. 131.

‡ p. 21, Professor Adams states that he is puzzled by Hamilton's use of quotation-marks in his report, but that some reference is made to the *Wealth of Nations* may be seen by comparing the report with Book IV. chap. ix.

§ *Protezionismo Americano: Saggi Storici di Politica Commerciale*. Milano: Fratelli Dumolard, 1893.

related to each other in parallel columns. Rabbeno discovered the three most striking instances of relationship,—the criticism of the doctrines of the Physiocrats, the analysis of the advantages of the division of labor, and the advantages of increased means of transportation. Of the parallels subjoined, numbers 6, 7, 8, 10, 12, 19, are mentioned by Rabbeno. The rest, so far as I know, are here indicated for the first time.

Hamilton nowhere in the report mentions Adam Smith's name. Why should he have concealed the source of such valuable elements in his report? The answer, I think, is a simple one,—political expediency. The citation of an English writer on Political Economy would have weakened rather than strengthened his case. A friend of mine, recently engaged as a member of a State tax commission, drew material for a passage in their report from one of the leading living American writers on taxation, and proposed to give the original author credit; but the chairman of the commission decided that, on grounds of expediency, it would be better not to quote the authority of a political economist. The *Wealth of Nations* is cited from Rogers's edition and Hamilton's report from Professor Taussig's reprint in *State Papers and Speeches on the Tariff*, published by Harvard University. In this form the report takes up 107 pages as compared with 92 pages in J. C. Hamilton's edition of Hamilton's *Works*.

## SMITH.

[Citations from Rogers's edition.]

1.

Though they [*i.e.*, the colonies] had not, therefore, been prohibited from establishing such manufactures, yet in their present state of improvement a regard to their own interest would probably have prevented them from doing so. (*Wealth of Nations*, Book IV. chap. vii., ii. 162.)

## HAMILTON.

[Citations from Taussig's reprint in "State Papers and Speeches on the Tariff?"]

1.

The expediency of encouraging manufactures in the United States, which was not long since deemed very questionable, appears at this time to be pretty generally admitted. (*Report on Manufactures*, 1.)

2.

[For parallels *cf.* Adam Smith's chapter "Of the Natural Progress of Opulence" (i. 380-386), especially pp. 384 and 385; also portions of chapter iv., Book III., particularly (i. 418-419).]

2.

[The passages on pp. 2, 3, in quotation-marks, are a condensed statement of Adam Smith's teaching in reference to industrial development.]

3.

In our North American colonies, where uncultivated land is still to be had on easy terms, . . . when an artificer has acquired a little more stock than is necessary for carrying on his own business in supplying the neighboring country, he does not, in North America, attempt to establish with it a manufacture for a more distant sale, but employs it in the purchase and improvement of uncultivated land. From artificer he becomes planter, and neither the large wages nor the easy subsistence which the country affords to artificers can bribe him rather to work for other people than for himself. He feels that an artificer is the servant of his customers, from whom he derives his subsistence, but that a planter who cultivates his own land and derives his necessary subsistence from the labor of his own family is really a master, and independent of all the world. (Book III. chap. i., i. 384.)

*Cf.*

3.

. . . The constant allurements to emigration from the settled to the unsettled parts of the country, the facility with which the less independent condition of an artisan can be exchanged for the more independent condition of a farmer. (p. 3.)

4.

By restraining, either by high duties or by absolute prohibitions, the importation of such goods from foreign countries as can be produced at home, the monopoly of the home market is more or less secured to the domestic industry

4.

[The following paragraph of Hamilton's summarizes the doctrine in Smith's chapter "Of Restraints upon the Importation from Foreign Countries of such Goods as can be produced at Home," Book IV. chap. ii. Two or three

employed in producing them. (Book IV. chap. ii., ii. 23.)

That this monopoly of the home market frequently gives great encouragement to that particular species of industry which enjoys it, and frequently turns towards that employment a greater share of both the labor and stock of the society than would otherwise have gone to it, cannot be doubted. But whether it tends either to increase the general industry of the society or to give it the most advantageous direction is not, perhaps, altogether so evident. (*Ibid.*)

If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage. (ii. 29.)

It could therefore have been purchased with a part only of the commodities, or, what is the same thing, with a part only of the price of the commodities which the industry employed by an equal capital would have produced at home, had it been left to follow its natural course. The industry of the country, therefore, is thus turned away from a more to a less advantageous employment, and the exchangeable value of its annual produce, instead of being increased, according to the intention of the law-giver, must necessarily be diminished by every such regulation.

By means of such regulations a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a time may be made at home as cheap or cheaper than in the

parallel passages reveal the relationship.]

If, contrary to the natural course of things, an unseasonable and premature spring can be given to certain fabrics by heavy duties, prohibitions, bounties, or by other forced expedients, this will only be to sacrifice the interests of the community to those of particular classes. Besides the misdirection of labor, a virtual monopoly will be given to the persons employed on such fabrics, and an enhancement of price, the inevitable consequence of every monopoly, must be defrayed at the expense of the other parts of the society. It is far preferable that those persons should be engaged in the cultivation of the earth, and that we should procure, in exchange for its productions, the commodities with which foreigners are able to supply us in greater perfection and upon better terms. (p. 3.)

[*Cf.* this also with Smith's exposition of the Physiocratic criticism of the restriction of foreign trade (ii. 256-57).]

There remains to be noticed an objection to the encouragement of manufactures of a nature different from those which question the probability of success. This is derived from its supposed tendency to give a monopoly of advantages to particular classes at the expense of the rest of the community, who, it is affirmed, would be able to procure the requisite supplies of manufactured articles on better terms from foreigners than from our own citizens, and who, it is alleged, are reduced to a necessity of paying an enhanced price for

foreign country. But, though the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total, either of its industry or of its revenue, can ever be augmented by any such regulation. (ii. 30.)

5.

According to this liberal and generous system, the most advantageous method in which a landed nation can raise up artificers, manufacturers, and merchants of its own, is to grant the most perfect freedom of trade to the artificers and manufacturers and merchants of all other nations. It thereby raises the value of the surplus produce of its own land, of which the continual increase gradually establishes a fund, which in due time necessarily raises up all the artificers, manufacturers, and merchants whom it has occasion for. (Book IV. chap. ix., ii. 256.)

6.

It is because the labor of the cultivators, over and above paying completely all those necessary expenses, affords a net produce of this kind, etc. (Book IV. chap. ix., ii. 249.)

Artificers and manufacturers, in particular, whose industry, in the common apprehensions of men, increases so much the value of the rude produce of land, are in this system represented as a class of people altogether barren and unproductive. Their labor, it is said, replaces only the stock which employs them, together with its ordi-

whatever they want by every measure which obstructs the free competition of foreign commodities. (p. 5.)

5.

One of these turns on the proposition that industry, if left to itself, will naturally find its way to the most useful and profitable employment. Whence it is inferred that manufactures, without the aid of government, will grow up as soon and as fast as the natural state of things and the interest of the community may require. (p. 29.)

6.

[Hamilton's summary of the Physiocratic doctrine follows Adam Smith closely. (See Smith, Book IV. chap. ix.)]

Labor bestowed upon the cultivation of land produces enough, not only to replace all the necessary expenses incurred in the business, and to maintain the persons who are employed in it, but to afford, together with the ordinary profit on the stock or capital of the farmer, a neat surplus, or rent, for the landlord or proprietor of the soil. But the labor of artificers does nothing more than re-

nary profits. That stock consists in the materials, tools, and wages advanced to them by their employer, and is the fund destined for their employment and maintenance. Its profits are the fund destined for the maintenance of their employer. Their employer, as he advances to them the stock of materials, tools, and wages necessary for their employment, so he advances to himself what is necessary for his own maintenance; and this maintenance he generally proportions to the profit which he expects to make by the price of their work. Unless its price repays to him the maintenance which he advances to himself, as well as the materials, tools, and wages which he advances to his workmen, it evidently does not repay to him the whole expense which he lays out upon it. The profits of manufacturing stock, therefore, are not, like the rent of land, a net produce which remains after completely repaying the whole expense which must be laid out in order to obtain them. The stock of the farmer yields him a profit as well as that of the master manufacturer; and it yields a rent likewise to another person, which that of the master manufacturer does not. The expense, therefore, laid out in employing and maintaining artificers and manufacturers does no more than continue, if one may say so, the existence of its own value, and does not produce any new value. It is therefore altogether a barren and unproductive expense. The expense, on the contrary, laid out in employing farmers and country laborers, over and above continuing the existence

place the stock which employs them,—or which furnishes materials, tools, and wages,—and yield the ordinary profit upon that stock. It yields nothing equivalent to the rent of land. Neither does it add anything to the total value of the whole annual produce of the land and labor of the country. The additional value given to those parts of the produce of land which are wrought into manufactures is counterbalanced by the value of those other parts of that produce which are consumed by the manufactures. It can therefore only be by saving, or parsimony, not by the positive productiveness of their labor, that the classes of artificers can in any degree augment the revenue of the society. (p. 5.)

of its own value, produces a new value, the rent of the landlord. It is therefore a productive expense.

The labor of artificers and manufacturers never adds anything to the value of the whole annual amount of the rude produce of the land. It adds, indeed, greatly to the value of some particular parts of it. But the consumption which in the mean time it occasions of other parts is precisely equal to the value which it adds to those parts, so that the value of the whole amount is not, at any one moment of time, in the least augmented by it. (ii. 250, 251.)

Artificers, manufacturers, and merchants can augment the revenue and wealth of their society by parsimony only, or, as it is expressed in this system, by privation; that is, by depriving themselves of a part of the funds destined for their own subsistence. (ii. 252.)

7.

I. This class, it is acknowledged, reproduces annually the value of its own annual consumption, and continues, at least, the existence of the stock or capital which maintains and employs it. But, upon this account alone, the denomination of barren or unproductive should seem to be very improperly applied to it. (ii. 259.)

III. It seems, upon every supposition, improper to say that the labor of artificers, manufacturers, and merchants, does not increase the real revenue of the society. Though we should suppose, for example, as it seems to be supposed in this system, that the

7.

[Hamilton's criticism of the Physiocratic doctrine is condensed from Smith, Book IV. chap. ix., and enclosed in quotation-marks. He begins, "To this it has been answered":—]

1. That inasmuch as it is acknowledged that manufacturing labor reproduces a value equal to that which is expended or consumed in carrying it on, and continues in existence the original stock or capital employed, it ought, on that account alone, to escape being considered as wholly unproductive. That, though it should be admitted, as alleged, that the consumption of the produce of the soil by the classes of

value of the daily, monthly, and yearly consumption of this class was exactly equal to that of its daily, monthly, and yearly production, yet it would not from thence follow that its labor added nothing to the real revenue, to the real value of the annual produce of the land and labor of the society.

[Then Adam Smith introduces a numerical illustration, the points of which Hamilton states in a general form. Smith then proceeds:]

Though the value of what the artificer produces, therefore, should not at any moment of time be supposed greater than the value he consumes, yet at every moment of time the actually existing value of goods in the market is, in consequence of what he produces, greater than it otherwise would be. (ii. 260, 261.)

IV. Farmers and country laborers can no more augment, without parsimony, the real revenue, the annual produce of the land and labor of their society, than artificers, manufacturers, and merchants. (ii. 261.)

The annual produce of the land and labor of any society can be augmented only in two ways: either, first, by some improvement in the productive powers of the useful labor actually maintained within it; or, secondly, by some increase in the quantity of that labor.

The improvement in the productive powers of useful labor depends, first, upon the improvement in the ability of the workman; and, secondly, upon that of the machinery with which he works. But the labor of artificers and manufacturers, as it is capable

artificers or manufacturers is exactly equal to the value added by their labor to the materials upon which it is exerted, yet it would not thence follow that it added nothing to the revenue of the society or to the aggregate value of the annual produce of its land and labor. If the consumption, for any given period, amounted to a given sum, and the increased value of the produce manufactured in the same period to a like sum, the total amount of the consumption and production during that period would be equal to the two sums, and, consequently, double the value of the agricultural produce consumed. And though the increment of value produced by the classes of artificers should at no time exceed the value of the produce of the land consumed by them, yet there would be at every moment, in consequence of their labor, a greater value of goods in the market than would exist independent of it.

2. That the position that artificers can augment the revenue of a society only by parsimony is true in no other sense than in one which is equally applicable to husbandmen or cultivators.

3. That the annual produce of the land and labor of a country can only be increased in two ways, —by some improvement in the productive powers of the useful labor which actually exists within it or by some increase in the quantity of such labor. That with regard to the first, the labor of artificers being capable of greater subdivision and simplicity of operation than that of cultivators, it is susceptible, in a proportionately



of being more subdivided, and the labor of each workman reduced to a greater simplicity of operation than that of farmers and country laborers, so it is likewise capable of both these sorts of improvement in a much higher degree. In this respect, therefore, the class of cultivators can have no advantage over that of artificers and manufacturers.

The increase in the quantity of useful labor actually employed within any society must depend altogether upon the increase of the capital which employs it; and the increase of that capital again must be exactly equal to the amount of the savings from the revenue, either of the particular persons who manage and direct the employment of that capital or of some other persons who lend it to them. (ii. 261, 262.)

8.

So the labor of farmers and country laborers is certainly more productive than that of merchants, artificers, and manufacturers. The superior produce of the one class, however, does not render the other class barren or unproductive. (ii. 259.)

greater degree, of improvement in its productive powers, whether to be derived from an accession of skill or from the application of ingenious machinery, in which particular, therefore, the labor employed in the culture of land can pretend to no advantage over that engaged in manufactures. That, with regard to an augmentation of the quantity of useful labor, this, excluding adventitious circumstances, must depend essentially upon an increase of capital, which, again, must depend upon the savings made out of the revenues of those who furnish or manage that which is at any time employed, whether in agriculture, or in manufactures, or in any other way. (pp. 5-7.)

8.

[Hamilton next subjects Adam Smith's admission of the superior productiveness of agriculture to a criticism which detects a fallacy often since commented upon. *Cf.*, in general, Smith's chapter on the different employment of capitals (Book II. chap. v.).]

But, while the exclusive productiveness of agricultural labor has been thus denied and refuted, the superiority of its productiveness has been conceded without hesitation. As this concession involves a point of considerable magnitude in relation to maxims of public administration, the grounds on which it rests are worthy of a distinct and particular examination. (p. 7.)

9.

No equal capital puts into motion a greater quantity of productive labor than that of the farmer. Not only his laboring servants, but his laboring cattle, are productive laborers. In agriculture, too, nature labors along with man; and, though her labor costs no expense, its produce has its value as well as that of the most expensive workmen. (Book II. chap. v., i. 367.)

It [Rent] is the work of nature which remains after deducting or compensating everything which can be regarded as the work of man. It is seldom less than a fourth, and frequently more than a third, of the whole produce. No equal quantity of productive labor employed in manufactures can ever occasion so great a reproduction. In them nature does nothing, man does all; and the reproduction must always be in proportion to the strength of the agents that occasion it. (i. 368.)

10.

The profits of manufacturing stock, therefore, are not, like the rent of land, a net produce which remains after completely repaying the whole expense which must be laid out in order to obtain them. The stock of a farmer yields him a profit as well as that of a master manufacturer; and it yields a rent likewise to another person, which that of the master manufacturer does not. (Book IV. chap. ix., ii. 251.)

9.

One of the arguments made use of in support of the idea may be pronounced both quaint and superficial. It amounts to this: that in the productions of the soil nature co-operates with man, and that the effect of their joint labor must be greater than that of the labor of man alone. (p. 7.)

10.

Another, and that which seems to be the principal argument offered for the superior productiveness of agricultural labor, turns upon the allegation that labor employed on manufactures yields nothing equivalent to the rent of land, or to that neat surplus, as it is called, which accrues to the proprietor of the soil. (p. 8.)

11.

Upon equal or nearly equal profits, most men will choose to employ their capitals rather in the improvement and cultivation of land than either manufactures or in foreign trade. The man who employs his capital in land has it more under view and command, and his fortune is less liable to accidents, than that of the trader. . . . The capital of the landlord, on the contrary, which is fixed in the improvement of the land, seems as well secured as the nature of human affairs can admit of. (Book III. chap. i., i. 383.)

11.

[Hamilton, like Adam Smith, failed in the analysis of rent. Smith, in general, as in the passage just above, takes the Physiocratic view of rent as the net product which is secured in agriculture alone. Hamilton analyzes land rent as the landlord's share of the profits derived from his contribution to the stock of the farmer; namely, the land. This analysis may have been suggested by Adam Smith. Hamilton's thought is confused; but the passage below, together with that of Smith opposite, gives us the germ, perhaps, of Carey's theory of Rent, which Bastiat accepted and popularized.]

It seems to have been overlooked that the land is itself a stock or capital, advanced or lent by its owner to the occupier or tenant, and that the rent he receives is only the ordinary profit of a certain stock in land, not managed by the proprietor himself, but by another to whom he lends or lets it, and who, on his part, advances a second capital to stock and improve the land, upon which he also receives the usual profit. The rent of the landlord and the profit of the farmer are, therefore, nothing more than the ordinary profits of two capitals belonging to two different persons, and united in the cultivation of a farm. (p. 9.)

12.

CHAPTER I. *Of the Division of Labor.*—The greatest improvement in the productive powers of labor, and the greater skill, dexterity,

12.

[Hamilton's analysis of the economic advantages of the division of labor follows Adam Smith closely, but with no indication of

and judgment with which it is anywhere directed or applied, seem to have been the effects of the division of labor. (Book I. chap. i., i. 5.)

This great increase of the quantity of work, which, in consequence of the division of labor the same number of people are capable of performing, is owing to three different circumstances: (I.) To the increase of dexterity in every particular workman; (II.) To the saving of the time which is commonly lost in passing from one species of work to another; (III.) To the invention of a great number of machines which facilitate and abridge labor, and enable one man to do the work of many. (i. 9.)

I. The improvement of the dexterity of the workman necessarily increases the quantity of the work he can perform; and the division of labor, by reducing every man's business to some one simple operation, and by making this operation the sole employment of his life, necessarily increases very much the dexterity of the workman. (i. 9.)

II. The advantage which is gained by saving the time commonly lost in passing from one sort of work to another is much greater than we should, at first view, be apt to imagine it. It is impossible to pass very quickly from one kind of work to another that is carried on in a different place and with quite different tools. (i. 10.)

[Smith then gives illustrations, while Hamilton gives a more generalized and abstract statement, suggested by Smith's illustrations.]

III. Everybody must be sensi-

indebtedness beyond the opening phrase. Extracts only are cited.]

1. *As to the division of labor.*

It has justly been observed that there is scarcely anything of greater moment in the economy of a nation than the proper division of labor. The separation of occupations causes each to be carried to a much greater perfection than it could possibly acquire if they were blended. This arises principally from three circumstances.

1st. The greater skill and dexterity naturally resulting from a constant and undivided application to a single object. It is evident that these properties must increase in proportion to the separation and simplification of objects, and the steadiness of the attention devoted to each, and must be less in proportion to the complication of objects and the number among which the attention is distracted.

2d. The economy of time, by avoiding the loss of it, incident to a frequent transition from one operation to another of a different nature. This depends on various circumstances,—the transition itself, the orderly disposition of the implements, machines, and materials employed in the operation to be relinquished, the preparatory steps to the commencement of a new one, the interruption of the impulse which the mind of the workman acquires from being engaged in a particular operation, the distractions, hesitations, and reluctances which attend the passages from one kind of business to another.

3d. An extension of the use of

ble how much labor is facilitated and abridged by the application of proper machinery. It is unnecessary to give any example. I shall only observe, therefore, that the invention of all those machines by which labor is so much facilitated and abridged seems to have been originally owing to the division of labor. Men are much more likely to discover easier and readier methods of attaining any object when the whole attention of their minds is directed towards that single object than when it is dissipated among a great variety of things. (i. 10, 11.)

Many improvements have been made by the ingenuity of the makers of the machines, when to make them became the business of a peculiar trade. (i. 11.)

13.

A particular country . . . may frequently not have capital sufficient both to improve and cultivate all its lands, to manufacture and prepare their whole rude produce for immediate use and consumption, and to transport the surplus part either of the rude or manufactured produce to those distant markets where it can be exchanged for something for which there is a demand at home. (Book II. chap. v., i. 370.)

It has been the principal cause of the rapid progress of our American colonies towards wealth and greatness that almost their whole capitals have hitherto been employed in agriculture. They have no manufactures, those household and coarser manufactures excepted which necessarily accompany the

machinery. A man occupied on a single object will have it more in his power, and will be more naturally led to exert his imagination in devising methods to facilitate and abridge labor, than if he were perplexed by a variety of independent and dissimilar operations. Besides this, the fabrication of machines in numerous instances becoming itself a distinct trade, the artist who follows it has all the advantages which have been enumerated for improvement in his particular art, and in both ways the invention and application of machinery are extended. (pp. 16, 17.)

13.

The objections to the pursuit of manufactures in the United States, which next present themselves to discussion, represent an impracticability of success arising from three causes,—scarcity of hands, dearness of labor, want of capital. (p. 32.)

progress of agriculture, and which are the work of the women and children in every private family. The greater part, both of the exportation and coasting trade of America, is carried on by the capital of merchants who reside in Great Britain. Even the stores and warehouses from which goods are retailed in some provinces, particularly in Virginia and Maryland, belong, many of them, to merchants who reside in the mother country. (i. 371.)

14.

If the society has not acquired sufficient capital both to cultivate all its lands and to manufacture in the completest manner the whole of its rude produce, there is even a considerable advantage that that rude produce should be exported by a foreign capital, in order that the whole stock of the society may be employed in more useful purposes. (Book III. chap. i., i. 385.)

15.

But this great profit cannot be made without employing the labor of other people in clearing and cultivating the land; and the disproportion between the great extent of the land and the small number of the people, which commonly takes place in new colonies, makes it difficult for him to get this labor. He does not, therefore, dispute about wages, but is willing to employ labor at any price. The high wages of labor encourage population. The cheapness and plenty of good land encourage improvement, and enable

14.

It may be affirmed, therefore, in respect to hands for carrying on manufactures, that we shall, in a great measure, trade upon a foreign stock, reserving our own for the cultivation of our lands and the manning of our ships, as far as character and circumstances shall incline. (p. 34.)

15.

So far as the dearness of labor may be a consequence of the greatness of profits in any branch of business, it is no obstacle to its success. The undertaker can afford to pay the price. (p. 35.)

the proprietor to pay those high wages. In those wages consists almost the whole price of the land; and, though they are high considered as the wages of labor, they are low considered as the price of what is so very valuable. What encourages the progress of population and improvement encourages that of real wealth and greatness. (Book IV. chap. vii., Part II., ii. 145.)

16.

It is not by augmenting the capital of the country, but by rendering a greater part of that capital active and productive than would otherwise be so, that the most judicious operations of banking can increase the industry of the country. (Book II. chap. ii., i. 321.)

17.

The public funds of the different indebted nations of Europe, particularly those of England, have by one author been represented as the accumulation of a great capital superadded to the other capital of the country, by means of which its trade is extended, its manufactures multiplied, and its lands cultivated and improved much beyond what they could have been by means of that other capital only. He does not consider that the capital which the first credi-

16.

The following considerations are of a nature to remove all inquietude on the score of want of capital.

The introduction of banks, as has been shown on another occasion, has a powerful tendency to extend the active capital of a country. (p. 38.)

[The above refers to his report on a national bank presented the year before, in December, 1790.]

First. The augmentation of the active or productive capital of a country. [See Hamilton's *Works*, J. C. Hamilton's edition, iii. 108.]

17.

[That Hamilton had read Adam Smith on banking is clear. That, after doing so, while using Smith's words, he should have fallen into the very fallacies Smith exposes, is surprising. His knowledge of A. Smith's arguments, and his failure to be convinced, is evident in the discussion of public funds as capital.]

This operation of public funds as capital is too obvious to be denied; but it is objected to the idea of their operating as an aug-

tors of the public advanced to government was, from the moment in which they advanced it, a certain portion of the annual produce turned away from serving in the function of a capital to serve in that of a revenue, from maintaining productive laborers to maintain unproductive ones, and to be spent and wasted generally in the course of the year, without even the hope of any future reproduction, etc. (ii. 524, 525.)

18.

Our woollen manufacturers, in order to justify their demand of such extraordinary restrictions and regulations, confidently asserted that English wool was of a peculiar quality, superior to that of any other country; that the wool of other countries could not, without some mixture of it, be wrought up into any tolerable manufacture; that fine cloth could not be made without it; that England, therefore, if the exportation of it could be totally prevented, could monopolize to herself almost the whole woollen trade of the world. (ii. 234, 235.)

To depress the price of this commodity below what may be called its natural and proper price was the avowed purpose of those fiscal regulations; and there seems to be no doubt of their having produced the effect that was expected from them. (Book IV. chap. viii., ii. 235.)

mentation of the capital of the community that they serve to occasion the destruction of some other capital to an equal amount. (pp. 41, 42.)

[Hamilton, pp. 42, ff., devotes several pages to a vain attempt to confute Smith, and to establish the point that a national debt operates as an increase of the national capital.]

18.

3. *Prohibitions of the exportation of the materials of manufactures.*

[This article, obviously, is based to a considerable degree on Smith's treatment of the prohibition in England of the export of wool, but is condensed and generalized. One or two similarities are noted.]

The desire of securing a cheap and plentiful supply for the national workmen, and, where the article is either peculiar to the country or of peculiar quality there, the jealousy of enabling foreign workmen to rival those of the nation with its own materials, are the leading motives to this species of regulation. . . .

It is seen at once that its immediate operation is to abridge the demand and keep down the price of the produce of some other branch of industry, generally speaking of agriculture, to the prejudice of those who carry it on. (p. 63.)

[Hamilton's remarks on premiums (p. 69) cover the same general points as Smith's, but there is less similarity of language (ii. 98).]



19.

The quotation is from the *Wealth of Nations* (Book I. chap. xi., i. 156).

19.

[Hamilton's only verbally exact quotation from the *Wealth of Nations* is the following on transportation:—]

The following remarks are sufficiently judicious and pertinent to deserve a literal quotation: "Good roads, canals, and navigable rivers, by diminishing the expense of carriage, put the remote parts of a country [and so on, the citation ending with the sentence: ] Their rents, however, have risen, and their cultivation has been improved since that time. (pp. 75, 76.)

20.

A tax upon the rent of land which varies with every variation of the rent, or which rises and falls according to the improvement or neglect of cultivation, is recommended, by that sect of men of letters in France who call themselves the economists, as the most equitable of all taxes. All taxes, they pretend, fall ultimately upon the rent of land, and ought, therefore, to be imposed equally upon the fund which must finally pay them. That all taxes ought to fall as equally as possible upon the fund which must finally pay them is certainly true. But, without entering into the disagreeable discussion of the metaphysical arguments by which they support their very ingenious theory, it will sufficiently appear, from the following review, what are the taxes which fall finally upon the rent of the land and what are those which fall finally upon some other fund. (Book V. chap. ii., ii. 420.)

20.

[One other citation may be given to show that, in 1782, Hamilton had probably already studied the *Wealth of Nations*, or some other criticism of the Physiocratic theory of the *impôt unique*.]

Indeed, many theorists in political economy have held that all taxes, wherever they originate, fall upon land, and have therefore been of opinion that it would be best to draw the whole revenue of the State immediately from that source, to avoid the expense of a more diversified collection, and the accumulations which will be heaped in their several stages upon the primitive sums advanced in those stages which are imposed on our trade. But, though it has been demonstrated that this theory has been carried to an extreme impracticable in fact, etc. ("The Constitutionalist," *Works*, ii. 196.)

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