

C O N T E N T S.

BOOK V.

Of Taxes, and of the proper application of their amount.

	Page
INTRODUCTION,	482
CHAP. I. Of the different kinds of taxes,	484
CHAP. II. Of proportional taxes, and their proper object,	486
CHAP. III. How proportional taxes are drawn back by the industrious; and how that drawing back is the only reason why taxes raise the prices of commodities,	490
CHAP. IV. Of cumulative taxes,	495
CHAP. V. Of the inconveniences which proceed from proportional taxes, and of the methods of removing them,	500
CHAP. VI. Cumulative and proportional taxes compared with one another, and farther examined,	517
CHAP. VII. Consequences of taxes, when the amount of them is properly applied,	523
CHAP. VIII. Of the extent of taxation,	527
CHAP. IX. The consequences of an abolition of taxes,	542
CHAP. X. Are taxes a spur to industry, as some pretend?	556
CHAP. XI. Considerations upon land taxes, with some observations upon those of England and France,	561
CHAP. XII. Miscellaneous questions upon taxes,	577
CHAP. XIII. Recapitulation of the fourth book,	593
CHAP. XIV. Recapitulation of the fifth book,	637

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I N Q U I R Y
I N T O T H E
P R I N C I P L E S O F P O L I T I C A L O E C O N O M Y.

B O O K I I I.
O F M O N E Y A N D C O I N.

P A R T I I.
T H E P R I N C I P L E S O F M O N E Y A P P L I E D T O T R A D E.

C H A P. I.

Consequences of imposing the Price of Coinage, and the Duty of Seignorage upon the Coin of a Nation, so far as they affect the Price of Bullion, and that of all other Commodities.

THE political oeconomy of modern states is so involved with the interests of commerce, that it is necessary at every step we make, to keep in our eye the combinations which arise from that quarter.

Whatever tends to simplify an intricate theory, greatly assists the mind: dividing this book into two parts, seems, as it were, dividing the burden it has to carry: the principles already deduced may there ripen by a short pause, and the analogy of the matter which is to follow in the second part, where new combinations are taken in, will recall them to the mind and fix them in the memory.

VOL. II.

B

I am

Intricacy of this subject. I am now to examine one of the nicest principles in the whole doctrine of money, to wit, the effects of imposing the price of coinage, and the duty of seignorage upon coin.

When this question is considered in relation to all the combinations which arise, 1. from the nature of coin considered as a metal, and at the same time as a money of account; 2. from the influence this duty has upon the price of commodities; and 3. from the imposition of affecting, *directly*, the nation which lays it on, and all other nations trading with it *occasionally*: when all these combinations are taken together, I say nothing will be found more difficult than to reduce this question to a distinct theory.

What I have to say upon it has found a place in this inquiry, rather with a view to suggest ideas to men of a better capacity, than from the hopes of satisfying my readers in every particular.

Recapitulation of some principles. I have said, that gold and silver are commodities merely like every other thing. I have shewn the utter impossibility of their being a scale, or an invariable measure of value. I have observed that their being made into coin (*among trading nations*) has not the effect of rendering them less a commodity than they were before, except so far, as by that operation every piece, instead of being valued by its own weight, comes to be in the mean proportion of all the pieces which compose the currency: and I have shewn how the operations of trade are capable to sift out and establish this mean proportion, in spite of very great irregularities. These are the principles laid down in the first part, which we must keep in our eye while we examine the question.

Since gold and silver, then, are commodities like every other thing, the invariable scale of value must measure *them* as well as every other commodity, and money of account must be considered in no other light, than as a scale for expressing the proportional value of grains of metals, yards of stuffs, pounds of wares, bushels of grain, or gallons of liquors. In this view, when we mention a hundred pounds, it is just as proper to consider this value relatively to the measure of any merchandize, as to the metallic measure of the coin.

coin. Every merchandize, when considered by itself, should be measured by its own measure, gold by grains, liquors by gallons, wheat by bushels, &c. The denominations of pounds, shillings, and pence, are only necessary for reducing all other sorts of weights and measures to an equation of value. This is what is understood by the universal scale of proportional value. I think this idea is sufficiently clear.

Let us now suppose a country where the invention of coin is not known, and where a yard of cloth of a certain quality, is commonly sold for 100 grains of either silver or gold, no matter which. The state falls upon the invention of coining, the conveniency of which every body understands. This coinage, I suppose, costs 2 per cent. Coin is introduced, and commodities are ordered to be bought with it. I ask, what effect ought this revolution to produce upon the price of the cloth, according to strict theory, and without taking in any other combination of circumstances? I answer, that the cloth ought in reason to fall 2 per cent. that is, that the price of a yard ought to be a coin of 98 grains. Here is the reason. He who formerly had the 100 grains, had the value of the yard of cloth, and could change the one for the other when he would. Now he has the 100 grains, but he must give two grains to have it coined, before he can buy; because after this invention people will not trust to the weighing of private people, nor to the purity of the metals; but they will believe, upon the authority of the stamp, that in every piece a certain number of grains of the fine metal is contained. He, therefore, who has a coin of 98 grains, comes to the merchant, and offers him his coin for his yard of cloth; the merchant demands a coin of 100 grains, says the other, these 98 grains which I give you in coin, cost me two grains to have their weight and fineness ascertained; and if you refuse to repay me for what I have paid for this manufacture which I offer you for your cloth, I may with equal reason refuse to pay you for what you paid for weaving your wool into cloth. Now since I, in buying your cloth, must pay the weaver, so you, in buying my piece, must pay

the mint. The merchant, convinced by this reasoning, takes the piece, and as it circulates from hand to hand, every commodity given in exchange for it, must fall 2 *per cent.* relatively to the grains of metal it was worth before.

Consequences of the exclusive privilege of coinage.

Farther, if by the laws and customs of a country, coin is absolutely necessary for buying and selling, this coin must be had; and if there be but one person who can make it, the price he thinks fit to demand for it is the only measure of the value of fabrication. The grains of the metals, therefore, in the coin, must rise in their proportional value to yards of cloth, and to gallons of liquor, in proportion to the cost of coinage, as the pounds of wool and silk must rise in their value in proportion to their manufacture.

From this it follows, that since the value of coin must rise in proportion to every commodity, it must also rise with respect to the metals it is made of, just as wool manufactured rises with respect to wool which is not manufactured.

Now let us suppose that a Prince finding that he has the exclusive privilege of making coin, shall raise his price of coinage to 8 *per cent.* what will the consequence be?

The first consequence of this will be to destroy, or at least to perplex the ideas of his subjects with regard to coin, and to make them believe, that it is the stamp, and not the metal which constitutes the value of it.

The next consequence will be, to reduce the price of the yard of cloth, which was worth 100 grains of metal before the invention of coinage, from 98, where it stood, to 92. Now let us suppose that this country, which we shall call (F), is in the neighbourhood of another which we shall call (E), where there is both cloth of the same quality, and coin of the same weight and fineness, which costs nothing for the coinage. In the country (E), *ceteris paribus*, the yard of cloth must be sold for 100 grains, as it sold formerly in the country (F) before the coinage was imposed. If the country (F) wants the cloth of the country (E), the cloth they demand must cost (F) 100 grains the yard. If the country (E) wants the cloth

of

of the country (F), this cloth will also cost 100 grains; because to procure a coin of 92 grains of the country (F), (E) must pay 8 grains for the coinage; which raises the price of the cloth to 100 grains.

Let us now suppose, that for a certain time the country (F) has an absolute occasion for the cloth of the country (E). The merchants of (F) who carry on this trade, must send bullion to (E) to pay for this cloth. But the merchants of the country (F) who deal in bullion, perceiving the usefulness of it for this trade, will then raise the price of the 100 grains of it above the 92 grains in coin (the common market price of bullion before this trade was known) and according to the demand made for the foreign cloth, the bullion will rise in the country (F), until 100 grains of it become exactly worth 100 grains in coin. The bullion can never rise higher; because at that period, the coin itself will be exported for bullion; and the country of (E) will accept of 100 grains in their coin as willingly as in any other form. Nor will it ever fall lower than 92 grains; because the mint in the country (F) is always ready to give that price for all the bullion which is brought to be coined.

Here then is a case, where the coin is made to lose all its advanced price as a manufacture, and this is owing entirely to its being a metal as well as a money of account.

Now as the coin has lost this additional value, by a circumstance purely relative to itself as a metal, there is no reason why other merchandize should sink in value along with it.

The consequence, therefore, of this revolution ought to be, that as the merchandize, *bullion*, has got up 8 *per cent.* with regard to the coin, and as the price of all merchandize ought to be in proportion to the grains of bullion to which that price amounts, the revolution having annihilated the 8 *per cent.* advance upon the coin, ought to have the same effect with respect to prices as if coinage were given gratis, as in the country of (E); that is, the yard of cloth ought at this time to cost, in the country of (F), 100 grains, either of coin or bullion, since they are of the same value.

Farther,

Farther, in proportion as this demand for bullion comes to diminish, that is to say, in proportion as the balance of trade becomes less unfavourable to the country of (F), in the same proportion will coin rise in its price, when compared with bullion; and when the country of (E), in its turn, comes to have occasion for the country of (F), then (E) must pay as formerly for a yard of cloth 92 grains in bullion, and the remaining 8 grains to have it coined; in which case, the yard of cloth will fall to the old price of 92 grains in coin, and will stand at 100 grains in bullion as before.

Did the price of a manufacture rise and fall as has been here represented, it is plain that these variations would be constantly determined by the proportion of the grains of the metals it costs to acquire the coin which is the price of the manufacture.

We have seen that upon the institution of coinage and seigniorage, the yard of cloth fell to 92 grains; because then it was impossible to procure coin at a less price than 8 per cent. but when the balance of trade had sunk the coin to the value of bullion, then the 92 grains of the coin being to be purchased with 92 grains of bullion, it was reasonable that the cloth should rise to its former price; because then no body could say that the coin of 92 grains had cost 100 to procure it.

But this theory does not hold in practice, nor can it possibly hold, as long as the greatest part of a people are ignorant of, and even do not feel the revolutions we have been here describing.

The price of bullion is entirely regulated by merchants, who have the whole correspondence in their hands. It rises and falls in countries where coinage is imposed, in proportion to the state of the balance of trade at the time. The smallest rise or fall in the demand for bullion in the market, is immediately marked by the price of it, and that ought (by the principles we have been laying down) to regulate the rise and fall of every commodity. But this is by no means the case. Commodities rise and fall only after a certain time; and of this interval merchants will constantly profit. Does the price of bullion rise, they immediately sell to strangers as

if

How traders obstruct the operation of these principles, while the balance of trade continues fluctuating.

if all prices were immediately risen; but with regard to manufactures, they hide the revolution with great care, and preserve prices from rising, until the competition among themselves discovers the secret. Does the price of bullion fall, they do all they can to keep up the prices of every commodity which they sell to strangers, until the competition among themselves obliges them to bring them down; and with regard to manufactures, they are all in one interest to reduce the prices in proportion to the fall of the bullion, which works its effects by slow degrees.

These are the operations of traders, in times when there is a fluctuation in the balance of the trade of a country; that is to say, in times when the balance is sometimes favourable and sometimes not.

At such times the true influence which trade ought to have upon prices is never exactly known, but to the merchants, who seldom fail to profit of their knowledge, in place of communicating it for the benefit of the society. But that is not the case when the balance of trade is quite overturned, that is, when it remains for a long time against a nation, without any favourable vibration; as we shall presently explain.

We have seen how, by the changes in the balance of trade, the price of bullion is made susceptible of a variation in its value, equal to the price of coinage; and we have pointed out the principle which confines the variation within certain limits; to wit, the value of the coin as a metal, which prevents bullion from rising higher; and the mint price, which preserves it from falling lower.

We have observed how merchants may profit of such variations, and how they obstruct the operation of principles upon the rise and fall of prices. We now proceed to another chain of causes, which tend greatly to destroy the due proportion of value between coin and merchandize. This with justice may be put also to the account of the imperfection of the metals in performing the functions of money of account.

Universal

Universal experience shews that the prices of merchandize are fo attached to the denominations of coin, that they do not fluctuate as principles point out, any more than projectiles describe parabolas, or that machines operate the effects, which by calculation they ought to do. The resistance of the air in one case, the friction of the parts in the other, tend to render theory incorrect. Just so here, our theory represents prices as rising and sinking in the most harmonious proportion together with the metals; but in practice it is not so. They have their frictions and political resistances, which only render the theory delusive when every circumstance is not combined. A good gunner must calculate the resistance of the air upon his bomb, or he never will hit the mark.

We have already shewn how the interests of mercantile people tend to obstruct the due fluctuation of prices; we must now take in other combinations.

Although this be not a proper place to resume a discussion of the particular theory of the rise and fall of prices, yet still something must be said upon that subject, in order to bring the question we are upon to some sort of solution.

First then, it will be agreed that it is far easier to make a price rise, than to make it fall. I believe I might take this for granted, without giving the reason for it. At all times, a price which has long stood low, may be made to rise; but it is next to impossible to make a price which has long stood high, to fall in the same manner. Here is the reason: Let me suppose the yard of an extensive manufacture which occupies a number of hands, to be worth 100 grains. The workmen here live nearly at the same expence, and I suppose them to live upon the profits of their work, when they sell at 100 grains a yard. The price rises to 120; here is an additional profit of 20 grains. If a sudden turn should diminish the demand which raised the price of the merchandize, it will fall to the old rate without much difficulty; the workmen will consider the 20 grains addition as a precarious profit upon which they cannot reckon: but let the price of 120 grains remain uniformly for some years, the

20 grains

How profits consolidate into prime cost.

20 grains will cease to be precarious profits; they will consolidate, as we have called it, into the value of the merchandize; because the workmen, by having long enjoyed them, will have bettered their way of living; and as they are many, and live uniformly, any thing which obliges them to retrench a part of their habitual expence, is supposed to deprive them of necessaries.

This is sufficient, as a hint, upon a subject which branches out into an infinity of different relations, not at all to the present purpose. But it is very much to the purpose to shew how the imposition of coinage must, on many occasions, have the effect of attaching the price of commodities to the denominations of the coin, instead of preserving them attached to the grains of the metals which compose them, as in theory they ought to be.

When wars, e. g. occasion a wrong balance to continue for many years against a nation, this keeps coin at par with bullion for a long time. Is it not very natural, that during that time manufacturers should estimate their work according to the coin, and not as formerly, according to the bullion? The consequence of this is, that when peace returns, and when coin begins to rise above the price of bullion, the manufacturers stick to the denominations of the coin, instead of descending in value (as they ought to do by theory) along with the bullion. What is the consequence of this? It is that the prices of manufactures for home consumption, and of commodities peculiar to the country, stand their ground; that is, prices do not descend, and cannot be brought down by merchants.

But as to manufactures for exportation, which are not peculiar, but which are produced by different countries, their prices are violently pulled down by foreign competition; and the workmen are forced to diminish them. This hurts them effectually, not because of the diminution of the prices; because, properly speaking, this diminution is only relative to the denominations of the coin; their grains will purchase as many grains of bullion in the market as before, but not so much coin, and consequently not so much of any commodity which, by the principles just laid down, have

VOL. II.

C

attached

and are preserved upon articles of home consumption,

but are torn away by foreign competition for articles of exportation.

attached themselves to the denominations of the coin, and have risen in their price along with it.

From this short exposition of a very intricate matter, we may conclude, that the imposition of coinage does not raise the price of such merchandize as is in common to several nations, and which trade demands from each, without any competition with the natives; that is to say, the prices of them stand as formerly with respect to strangers; because although the prices be made to sink at home, with respect to the denominations of the coin, yet strangers, being obliged to pay for them in those denominations, are also obliged to pay an advanced price for the coin, in order to procure them. This is the price of coinage. This, I confess, is a little subtil, but I believe the reasoning will be found just.

On the other hand, when trade extends itself to other commodities, to those, I mean, which it buys in competition with the natives (and which are made to rise and fall from the vicissitudes of inland demand) or to such commodities as are peculiar to the country; in these cases, I have little doubt but the prices, once raised and continued high for some time, attach themselves to the denominations of the coin, and rise along with it; that is to say, coinage is included over and above the price which the merchandize would have born had no coinage been imposed.

How this hurts the industrious, and how the state may indemnify them.

The conclusion I draw from this reasoning, is, that the imposition of coinage has not, in fact, the effect of reducing the prices of commodities to fewer grains of bullion than before, excepting those of such commodities as are sold in competition with other nations; and even then it may be said, that it is not the imposition of the coinage, but the competition with strangers, which reduces them to the minimum of their value, as well as the profits of those who work in them, to the minimum of a physical necessary. This last circumstance shews why those who work for foreign exportation, are the poorest class of all the industrious of a state, but the most useful to it, at the same time. I believe experience supports the truth of these conclusions. I shall here by the bye observe, that as the

the state is made to profit by the diminution of the profits of this most useful class; as she receives the coinage which strangers pay, and which is really deducted from the manufacturers who support exportation, she ought to indemnify this class (as may be done in a thousand ways, by premiums, for example, upon exportation) out of the profits arising upon coinage, instead of making coinage free, to the evident loss of the nation, and benefit to strangers, as we shall now endeavour to prove.

C H A P. II.

Concerning the Influence which the imposing the Price of Coinage, and the Duty of Seigniorage in the English Mint, will have upon the Course of Exchange, and Trade of Great Britain.

IN the preceding chapter we have examined a very nice theory, into which such a number of circumstances have been combined, depending upon facts, that little stress is to be laid upon several conclusions which have been drawn from it, unless they be approved by experience.

Let the best workman in London make a watch, he cannot depend upon its being a good one, until it be tried; and when that is done, the application of his theory will enable him to discover all the defects and irregularities in the movement. It is just so in political matters. The force of theory is not sufficient to form a good plan; but it is useful for discovering many faults which would not have been foreseen without it. The more extensive, therefore, any theory is made, the more it is useful for these purposes. It is proper only to observe that the more complicated any principle of it is, the less dependance can be had upon its operation when applied to practice.

It is impossible to lay down a distinct theory for the rise and fall of the prices of all sorts of commodities in a nation such as Great Britain. All that can be said with certainty, is, that competition on the part of the consumers will make them rise, and that competition on the part of the furnishers will make them fall. Now the competition among the furnishers may be reduced to theory; because it is fixed within determinate limits, which it cannot exceed, and is influenced by this principle, viz. that when profits are reduced to the minimum (that is to the exact physical-necessary of the workman) all competition among furnishers must cease.

But the competition among consumers is fixed within no determinate limits: some demand to satisfy physical wants; others those of vanity and caprice. Most inland demand for consumption is of this kind, and consequently it is impossible to foresee what effect the imposition of coinage will have upon the prices of many commodities. Perhaps they will fluctuate with bullion; perhaps they will adhere to the denominations of the coin: experience alone can bring this matter to light.

But with regard to such commodities as are the object of foreign trade, prices are influenced by certain principles on both sides. Merchants, not the consumers themselves, are the demanders here. Neither vanity or caprice; but profit, regulates the price they offer. Thus it is, that as all competition among furnishers must cease upon the reduction of profits to the minimum, so all demand from merchants (who in this case represent the consumers) must cease, so soon as prices rise above what they can afford to give, consistent with their minimum of profit upon the sale of what they buy.

The degree, therefore, of foreign competition will alone regulate the prices of several exportable commodities, and of consequence the profits of such as are employed in them, as has been said. This premised, we come to examine the influence which the imposition of coinage would have upon the course of exchange and trade of a nation.

In speaking of exchange, so far as it influences the decision of this question, we must throw out all extraneous circumstances, and endeavour to reduce it to the plainest theory.

When one nation pays to another the price of what they buy, the interposition of bullion is unavoidable; and the whole operation consists in comparing the value of coin with the value of bullion in the one and in the other.

Suppose France to owe to England 1000 pound sterling; what regulates exchange here, is the price of bullion in Paris and in London. The French merchant inquires first, what is the quantity of bullion in London, which at that time is equal to the sum he wants to pay? And next, what that quantity of bullion costs to procure in the Paris market? Upon this the par of exchange ought to be regulated. Whatever is given more than this quantity is the price of transportation, when the balance of trade is against France. Whatever is given less, may be considered as the price of transportation which the English would be obliged to pay were the balance against England, if the French merchant, by sending his paper to London, did not save them the trouble, by diminishing so far the balance against them; and of this he profits, until the balance turns to the other side. Now let us leave the price of transportation out of the question, and consider only how the imposition of coinage, by affecting the price of bullion, may influence the course of exchange.

We have seen how the imposition of coinage renders the price of bullion susceptible of a variation in its price, equal to the amount of the imposition. Wherever, therefore, coinage costs nothing, there bullion and coin must always be of the same value. This would be the case in England, without doubt, were the metals in the coin exactly proportioned, were all the coin of a legal weight, and were neither melting down, or exporting made penal.

The bullion, therefore, in France may vary 8 per cent. in its price, according to the balance of trade; the bullion in England must be supposed invariable, let the balance stand as it will.

According

Bullion in England dearer than in France,

According to this representation of the matter, may we not say, that bullion in England is always at the highest price it ever can be in France, since it is at the price of the coin? Is not this the condition of France, when the balance of her trade is the most unfavourable it possibly can be?

because the price of it is kept up by the mint,

If therefore England, *herself*, contributes to keep the price of her bullion higher than it is in France, is not this an advantage to France, since France can buy the bullion with which she pays her English debts cheap in her own market, and can sell it dear in that of her creditor? Is there not a profit in buying an ox cheap in the country, and selling him dear in Smithfield market?

and is allowed to fall in France 8 per cent. below the coin.

Now why is bullion sometimes cheaper in France than in England? I answer, that in France it is allowed to fall 8 *per cent.* below the coin, and the King only takes it at times when no body can get a better price for it: and that in England the King gives always coin for bullion, and by that keeps the price of it from ever falling lower. Let the English mint pay the pound troy standard silver at the rate of thirteen ounces of coin, the price of bullion in England will always be $\frac{1}{13}$ dearer than the coin.

When bullion in France falls to 8 *per cent.* below the coin, it is carried to the mint: when it is worth more no body carries any to be coined.

The wife regulation.

No body in France (except upon a general coinage) is forced to sell their bullion at this price. Is it not, therefore, a very wise regulation, to permit the operations of trade to reduce, as low as possible, the value of that commodity with which all they owe is paid, and this more especially, as the fall of its price is a proof of the prosperity of their trade.

If, therefore, it be supposed, that the effect of having a material money for a scale of value, is, that the denominations in the coin, and not the grains of the bullion, must measure the value of commodities *for home consumption*; then it follows, that the variations in the price of bullion, should not affect the price of commodities.

This

This is a question, however, which I do not pretend to determine, and I apprehend that nothing but experience can resolve it.

Now let me consider the difference there is between the trade of France and that of England as matters now stand; and what would be the case, were the regulations of the mint the same in both countries.

England loses by this sometimes 8 per cent. upon her trade with France.

I shall suppose that England buys of French goods as much as may be paid with one thousand pounds troy weight of English guineas. I ask for what weight of French louis d'ors must France buy of English goods to make the balance even? Will it not be answered (according to the ordinary method of calculating the true par of exchange) that if France buys for one thousand pounds troy of her louis d'ors (supposing the guineas and the louis d'ors of the same fineness) that the balance is even?

Is it not true, that England must send this thousand pounds weight either in gold bullion or in guineas, and is it not the same thing to the English merchant to send the one or the other, providing the guineas be full weight?

But when France comes to send the thousand pounds weight of her louis d'ors, she finds at market a thousand pounds weight of gold bullion 8 *per cent.* cheaper, and this bullion is as good to the Englishman as if he had got the louis d'ors.

Let me state the case otherwise. Suppose France buys in England for 1000 pounds weight of her guineas in Virginia tobacco; and that England buys in France for 1000 pounds weight of her louis d'ors of Bourdeaux claret. Is not this called par. Will not France pay her debt to England with 1000 pound of gold bullion? Whereas England must pay 1080 pounds to France; because 1000 pounds weight of her louis d'ors, is worth in France 1080 pounds of any bullion of the same standard. The 1000 pounds then compensates the 1000 pounds; the 80 pounds over must be sent to France, and the carriage of this quantity only, must be paid for according to the principles of exchange.

CHAPTER 5

Here:

Here is evidently a balance of trade against England of 8 per cent. above the real par of the metals. Will any body say that the 8 per cent. is paid for the transportation of 80 pounds of bullion due? Certainly not.

Now if the English should declare that they, for the future, would coin neither gold or silver bullion for any person, but at the rate of 8 per cent. below the value of the coin; and if it be true, that this regulation would have the effect of sinking the price of bullion, on many occasions, to 8 per cent. below the coin; in that case, would not the English and the French acquit their debts of the 1000 pounds weight of their respective coin upon the same conditions? In this case, would not the price of exchange vanish, since there would be no bullion to be sent by either party? But in the first case, would not England be obliged to send 8 per cent. above the quantity of gold bullion she received from France, and would not the transportation of this cost money, and would not this transportation be marked by a certain price of exchange, and consequently, would not the price of exchange rise against England?

But to this it is objected, that by the former example, the exchange marked 8 per cent. against England with great reason; because it is plain, that there is a balance of 8 per cent. against England, since she has sent that proportion over to France in bullion. Very true. But had England, instead of taking to the value of 1000 pounds weight of louis d'ors in claret, taken only for 100 pounds weight, the exchange would have still marked 8 per cent. loss; because the 100 pounds of louis d'ors must be paid with the 108 pounds of bullion, although England by this trade has evidently gained 892 pounds of bullion, which France must send her as a balance.

As matters of fact, when they can be procured, tend greatly to confirm theory, by forming a solid basis whereupon to reason, I shall here profit of one which has fallen into my hands, and by applying it to the present question, endeavour to give some additional force to this reasoning.

Mr.

Mr. Cantillon, in his *Analysis of Trade*, which I suppose he understood by practice as well as by theory, has the following passage in his 99th page.

“The course of exchange between Paris and London since the year 1726, has been at a medium price of 32 pence sterling for the crown of three livres; that is to say, we pay for this French crown of three livres, 32 pence sterling, when calculated on gold, when in fact it is worth but thirty pence and three farthings, which is giving four pounds in the hundred for this French money; and consequently, upon gold, the balance of trade is 4 per cent. against England in favour of France.”

In this place, Mr. Cantillon calculates the par of exchange according to the common rule, to wit, gold bullion against gold bullion in the coins of both nations, where both are of legal weight; and he finds that there has been, these thirty four years past, a balance of 4 per cent. against England.

Now according to my theory, this is exactly what the coinage in France ought to produce, supposing on an average that the trade had been at par. Here is the reason.

The coinage in France costs 8 per cent.

When the balance of trade is favourable for France, coin is worth 8 per cent. above bullion.

The proof is plain. Were it not 8 per cent. above bullion, no man would ever carry bullion to the mint; because the mint price is 8 per cent. below that of the coin.

When the balance of trade is against France, coin must fall nearly to the price of bullion.

Supposing then that the balance of the trade of France (at a medium of thirty four years) is found to have been at par, will it not follow, that at a medium also of these thirty four years, French coin must have been at 4 per cent. (the half of the coinage) above bullion? Consequently England having taken merchandize from France, and France having merchandize from England, for the same weight and fineness in their respective coins, must not Eng-

land have been obliged to send to France 4 *per cent.* more bullion in order to pay the coinage? This reasoning appears conclusive to me, who am no merchant, and who do by no means pretend to a perfect understanding of those affairs; but I think this circumstance is at least of sufficient importance to make the matter be inquired into. For this purpose, I shall suggest a method of making the discovery.

Easy to be verified at all times by the price of bullion and course of exchange in the Paris market.

If it shall be found, that English draughts on Paris, or French remittances to England, shall at any time occasion bullion to rise in the market of Paris above the mint price, will it not be allowed that such a circumstance demonstrates that the balance of trade is then in favour of England? If at that same time it shall be found, that exchange (when reckoned upon the gold as Cantillon has done) is against England, will it not be a demonstration of the truth of what I have here suggested as a question worthy of examination?

When bullion is exported to England, exchange is against France.

For if the balance of trade be against France, so as to make her buy bullion to send to England; this is a proof that she owes England a balance; and if at the same time the English are paying above the intrinsic value of the metals (in their respective coins) in what they owe to France, that additional value cannot be paid by England as the price of exchange, or to pay for the transportation of their bullion, but to pay the French creditors the additional value of their coin above the price of bullion.

Course of exchange no rule of judging of the balance of trade, but only of the value of coin.

May we not also conclude, that in a kingdom such as England, where coinage is free, the course of exchange is no certain rule for judging of the balance of trade with France; but only of the value of French coin above French bullion. All authors who have written upon exchange, represent the advanced price given upon bills above the intrinsic value of the coins, to be the price of carriage and insurance, &c. in which case exchange, no doubt, may mark the balance of trade; but if an advanced price must be given in order to put bullion into coin, or in other words, if the metals in the coin are worth 8 *per cent.* more than any bullion of the same fineness, is it not evident that a nation may be drawing a great balance of bullion.

lion from another, although she be, at the same time, paying 8 *per cent.* above the rate of bullion in the sums she repays to the nation which is her debtor upon the whole; that is to say, although she be paying above the real par of exchange, as it is commonly calculated.

If it be here objected that this cannot be the case, because when the balance of trade is against the nation which imposes coinage, their coin falls to the price of bullion: I answer, that a balance may be against such a nation, without producing so great a fall in the coin. Coin is reduced to the par of bullion only when the balance is at the height against a nation, and when it has remained so for a long time. Who would give coin at a discount of 8 *per cent.* if there was a prospect that in a few days, weeks, or even months, it was to rise to its former value?

These are the reasons which engaged me, in a former chapter, to lay it down as a rule, that trading states should endeavour, as nearly as possible, to observe the same regulations with their neighbours, in every thing relating to their coin. It is also in order to facilitate such a regulation, that I shall insert, at the end of this book, a very particular state of the French coinage, and of what I can gather with regard to that of Holland.

From what has been said, it appears that the common method of calculating the real par of exchange is not correct, since it is calculated by comparing the quantity of fine bullion in different coins, and attributing the difference between the bullion paid for the paper, and the bullion received in payment of it, as the price of transportation. This, I say, is by no means correct; nor is it possible it should be so, unless bills of exchange were specified in the weight of fine bullion, instead of being specified in the denominations of the coin: an example will make this plain.

Were a merchant in London to ask of another who has a correspondence in Paris, to give him an order for a hundred yards of Abbeville cloth, and to offer him, in exchange, the same quantity of cloth of a worse quality, would not the merchant to whom the

The real par not to be calculated by the intrinsic value of the coin, unless bills were drawn in weight of fine bullion.

propofal is made, immediately calculate the value of both commodities, and demand the difference of the value between what he was to give, and what he was to receive? Could ever this difference be considered as any thing else than the difference between the real worth of the commodities? But were they to exchange at London an hundred pounds of fine silver bullion, for the fame weight at Paris; then if the merchant demanded one grain more than he was to give, it must be upon the account of transportation; because, weight for weight, there is not the smallest difference between equal weights of the fine metals.

Bills of exchange, then, being all conceived in denominations of money of accmpt, realized in coin; and coin changing in its value with regard to bullion; it is evident that the real par cannot be computed upon the bullion alone contained in the coin.

Obj. Ex- If it is objected, that since it is the course of exchange which regulates the price of bullion, all variations between bullion and coin ought to be ascribed to that cause.

Anfw. De- I answer, that it is not the course of exchange which regulates the price of bullion; but exchange makes it ascend from the price to which it is regulated.

The mint price regulates the price of bullion; and there it will nearly stand, while the balance of trade is either at par, or favourable to a country. Exchange therefore, or a wrong balance, can only make it rise; and it returns to where it was, by the force of another principle.

In the next place, were I to allow that the balance of trade regulates the price of bullion, it would not follow that what is called the *real par* of exchange is a rule to judge of the *balance of trade* of a nation. Is it not plain, that if France, for example, being at present obliged to send great sums into Germany, upon account of the war (*anno 1760.*) has reduced the price of her coin to a par with bullion, that all nations will profit of it as much in their trade with France, as if the balance was become favourable to them; since the course of exchange will then answer according

Obj. Ex- change re- gulates the price of bul- lion.
Anfw. De- nied: ex- change only raises its price; the mint price pulls it down.
Balance up- on the real par, no mark of a balance upon trade; proved by examples.

to the conversion of bullion for bullion in all remittances to France.

But were France at present to remit money to any other country, which has the balance favourable, and where coinage is paid, suppose to Spain, while the balance between France and Spain is supposed to be exactly even; would not the real par between the money of Spain and of France mark an exchange against France, for the value of the coinage imposed by Spain? This is the reason why, in time of war, exchange between France and England appears more favourable to England than in time of peace. But does this anywise prove that the balance of trade is then more in favour of England? by no means: for let me suppose the balance of their trade to remain the same after the peace as at present; is it not evident, that in proportion as the coin of France shall rise above the bullion, that the *balance of trade* will become, in appearance, against England?

By the *balance of trade*, I here constantly understand a certain quantity of bullion sent by one nation to another, to pay what they have not been able to compensate by an exchange of their commodities, remittances, &c. and not that which they compute in their bills as the difference between the respective values of coin and bullion in both countries.

How, then, is the real par of exchange to be regulated, so as to determine which nation pays a balance upon the exchange of their commodities?

I answer, To determine that question, let bullion over all the commercial world be stated at 100, and let coin in every country be compared with it, according to the current price. In England, for example, (were all disorders of the coin removed) coin must always be as 100. In France, when the balance is favourable, at 108.27. In Germany (were the Emperor's late regulation with Bavaria to be made general) at 101. And so forth, according to the price of coinage imposed every where. These advanced values above the 100, never can rise higher; and the more the balance

Balance of trade, what?
The real par of exchange to be fixed by the fluctuating value of the coin, not by the permanent quantity of the bullion it contains.

of their respective trade is unfavourable, the nearer they will feverally come to 100; below which they never can fall. These fluctuations will constantly be marked in exchange; because all circumstances are exactly combined by merchants; but the *balance of the trade* will only be marked by *what exchange is made to vary from these proportions*.

Proof of
this propo-
sition.

Let me suppose the trade of France favourable upon the whole, by great commissions from Cadiz, and bullion at the same time to be carried to the mint at 8 *per cent.* below the price of coin.

Let me suppose, that upon all the trade of England with France, there shall be, at that time, a balance of 2 *per cent.* sent from France to England in bullion; and upon the trade with Germany a balance of 1 *per cent.*

I say, that the *par of exchange* between England and France is 8 *per cent.* against England; and that the *par of exchange* between Germany and France is 7 *per cent.* I state it at this rate; because the balance being supposed favourable for the three nations, the value of their coin with respect to their bullion ought to be in proportion to the mint price.

The *course of exchange*, therefore, if it be a rule to judge by, ought to mark 6 *per cent.* against England; which I say is 2 *per cent.* in her favour: and the exchange with Germany ought to mark 6 *per cent.* against Germany; which I call 1 *per cent.* in her favour.

An example will make this plain.

Suppose English guineas, German carolins, and French Louis, to be all of the same weight and fineness; I say, the *real par* in the example we have stated is, between Paris and London, 100 Louis are equal to 108 guineas; because the 100 Louis are worth 100 guineas in London, and 108 guineas are worth no more than 100 Louis in Paris. Again, between Paris and Francfort, 100 Louis are equal to 107 carolins; because 108 carolins are worth at Paris 100 Louis; and 101 Louis at Francfort are worth 100 carolins; consequently, the difference between 7 and 8 is the *real par*, to wit, 100 Louis for 101 carolins. Next, as to the *par* between Lon-

don

don and Francfort, here 100 carolins equal 101 guineas; because 100 carolins in London are worth 100 guineas; and 101 guineas at Francfort are worth no more than 100 carolins.

Now in the ordinary way of reckoning the *real par*, the 100 Louis, 100 carolins, and 100 guineas, are all supposed to be of the same value, in the three markets; and the difference between this supposed value, and what is paid for it, is supposed to be a loss upon trade. In this light, the nation's loss resembles the loss incurred by him, who, when he goes to the bank, and pays ten pounds sterling in coin, for a bank-note, says, that he has given ten pounds for a bit of paper, not worth one farthing; reckoning the value of the note, at the *real par* of the paper it is writ upon.

The general rule, therefore, as I apprehend, is, to settle the *real par* of different coins, not according to the *bullion* they contain, but according to the *bullion* they can buy with them in their own market at the time.

If 1000 pounds weight of guineas can purchase at London 1000 pounds weight of standard bullion; and that 1000 pounds of the same weight of Louis can buy at Paris 1080 pounds weight of the same standard bullion; then the 1000 pounds weight of guineas is at the *real par* with 925 $\frac{2}{3}$ pounds weight of the Louis, and not worth 1000, as is commonly supposed.

If the doctrine laid down in this chapter be found solid; if no essential circumstance has been overlooked, which ought to have entered into our combinations, (points left to the reader to determine) then we may conclude,

1^{mo}, That the course of exchange, in the way people take to calculate the *real par*, is no rule for judging of the balance of trade.

2^{do}, That the great duty laid upon the fabrication of the French coin, either deceives the English nation, and makes them conclude, from the course of exchange, that their commerce with France is extremely disadvantageous: or, if it be really disadvantageous, that it is the imposition of a duty on coinage in the French mint which occasions it.

If

It is a question belonging to the theory of commerce, and not to that which we are now upon, to examine the nature of a disadvantageous trade, and to investigate the principles pointing out the commodities which every country ought to encourage for exportation, and those which are the most profitable to take in return.

Upon these principles the trade of England with France must be examined, and upon examination it will be found whether that trade be advantageous or hurtful. Here the question is reduced to this; Whether from the course of exchange it may be concluded that the balance of trade is against England, because the French crown is commonly paid with thirty-two pence sterling? We have decided that it cannot. If there be no other objections against the trade of France but this loss upon exchange; and if it be true that this is no proof of trade being against England, but only the consequence of her free coinage; then it will follow, that England may lay as many restrictions, duties, and clogs, upon the French trade, as she pleases, and may even reduce it to nothing, without ever removing the cause of complaint; while at the same time she may be ruining a trade, which pays her upon the whole a great balance, and upon which trade she has it in her power, by following a different system in her mint, to render her exchange as favourable as with any other nation in Europe.

This point seems to be a matter of no small importance to England; since (from a mistake in point of fact, into which she is led from a delusive appearance) a very lucrative trade, when considered by the balance it produces, may, upon false principles, be proscribed as disadvantageous.

These questions, however, are not as yet considered as entirely discussed, and they shall be a little farther examined in the following chapter.

C H A P. III.

Is the loss which the course of exchange marks upon the trade of Great Britain with France real or apparent?

QUESTIONS are here proposed, which I do not pretend to resolve; all I aim at is to discover how they may be resolved. If this inquiry shall prove an incitement to men of better capacity to review the same subjects, who have more extensive combinations, more experience, and better information as to facts, in that respect it has some degree of merit.

I answer to the question proposed, that if the imposition of a duty on coinage in England would have the effect of rendering her trade with France more lucrative, then the loss marked by the course of exchange is real, at least in part; if otherwise, it is only apparent.

What makes the commerce with any country lucrative, is the balance paid upon the exchange of their commodities. What regulates the quantity of commodities taken from any country, in the way of trade, is the wants of the country demanding; and what sets the balance even, is the reciprocal wants of the other country. Nations do not give up correspondence with their neighbours, because these do not accept of merchandize in exchange for merchandize, but because they find their advantage in supplying their wants upon easier terms elsewhere.

Every merchant seeks to sell dear; and the dearer he can sell, the greater is his profit: that merchant, therefore, must thrive most, who sells dearest, and who at the same time can afford to sell cheapest.

If an imposition on coinage shall enable England to sell dearer, without depriving her of the advantage of being able to sell as cheap.

VOL. II. E cheap

cheap as at present, then it will follow, that an imposition on coinage will be advantageous. If it shall lay her under a necessity of selling dearer, and deprive her of the possibility of selling so cheap as formerly, then the imposition of coinage will be hurtful.

How the paying for coinage affects the profits on goods exported.

These principles premised, as a foundation for our reasoning, let us first consider the influence of coinage upon the profits on *exportation*; and then proceed to inquire into the influence it has upon articles of *importation*.

As to the first, I must observe, that England, as well as every other country, has several articles of exportation which are peculiar to herself, and others which she must sell in competition with other nations.

The price of what is peculiar is determined by the competition of those who furnish at home, and the lowest price is regulated by their minimum of profit. The price of what is common is regulated by the competition of those who furnish from different countries.

If the prices of what is peculiar shall remain, as before, attached to the denominations of the coin, after the imposition of a duty on coinage, the competition of those who furnish will remain the same as before; because prices will not vary; but the stranger, who buys, must nevertheless pay an advanced price for such merchandize, because the nation's coin, with which they are purchased, will be raised in its value with respect to bullion, the only price he can pay with. This is the price of coinage: and this imposition has the good effect of obliging strangers to pay dearer than before, in favour of a benefit resulting therefrom to the state.

Now, if it be observed that the demand made by the English for goods peculiar to France, (while these remain in France at the same price as formerly) does not diminish in proportion as the loss upon exchange happens to rise; why should we suppose that the demand for goods peculiar to England should diminish, for a similar reason?

If the rise, however, in the price of exchange should diminish the foreign demand for such English goods, by raising the price of them in the foreign market, this, at least, will prove that coinage does not make prices fall proportionally at home; because, if they should fall, strangers would buy as cheap as formerly: the prime cost (as it would appear upon the accounts of their English correspondents) would diminish in proportion to the loss upon exchange in remitting to England, and would just compensate it: so upon the whole, the price of the merchandize would be the same in the foreign market as before.

If the imposition of coinage, therefore, be said to raise the price of English merchandize in foreign markets, it must be allowed that it will not raise the value of the pound sterling at home, by sinking the value of commodities: that is to say, the prices of commodities will adhere to the denominations of the coin; and the coin bearing an advanced value, above what it bore formerly, strangers must pay it.

But will not this diminish the demand for English goods? Not if they be peculiar to England, as we here suppose. But allowing it should, will not this diminution of demand sink the value of the English coin, by influencing the balance of trade? If so, it will render remittances to England more advantageous: consequently, it will recall the demand. The disease, therefore, in this case, seems to draw the remedy along with it.

Now what appears here to be a remedy against a disease, is at present, as we may call it, the ordinary English diet; since it is sinking the coin to the price of bullion. If, therefore, the having coin always as cheap as bullion, can be any advantage to trade, the nation is sure of having it, whenever the balance is unfavourable, notwithstanding the imposition of a duty on coinage.

Trade has its vicissitudes, and all nations find, at times, that their neighbours must depend upon them. On such occasions, the balance of their commerce is greatly in their favour.

When the balance is favourable.

Is it not, therefore, an advantage to have a principle at home, which, upon such occasions, is capable of diminishing with us the value of that merchandize (bullion) which strangers must give as the price of all they buy?

And how, when unfavourable.

On the other hand, the same principle seems to fly to the assistance of trade, when the balance becomes unfavourable, as it virtually diminishes to strangers the price of all our commodities, by raising in our market the value of that commodity, (bullion) which they must give as the price of what they buy.

This may suffice, in general, upon exportation. It is a hint from a person not versed in commerce; and as such it is humbly submitted.

How the paying for coinage affects the profits on goods imported.

I now pass to the second part of this operation, to wit, the influence which the imposition of coinage has upon the interests of trade, when the question is to purchase the commodities of other countries. These operations are quite different, and in examining this theory they must be carefully distinguished.

When the balance is favourable.

We have seen how the imposition of coinage, during the favourable balance of trade, procures to the nation an advanced price upon the sale of her exports. As long as it remains favourable, it must produce the same good effect with regard to her importations, by sinking at home the price of the bullion with which she must pay for them. Bullion must become cheap in the English market, in proportion as the balance of her trade is favourable, and in proportion as it is cheaper there than in other nations (with respect to their respective coins) in the same proportion, the nation has an advantage in paying what she buys, or in employing her bullion for extending the fund of her own commerce.

And how, when unfavourable.

Upon the other hand, should the balance of her trade turn against her, her bullion rises. This renders the price of all foreign merchandize dearer to the importers than otherwise they would be; because they must pay them in bullion. But this loss is at present constantly incurred; and when incurred, is not national, the national loss is upon the balance of the trade; but whether this

this balance be paid in bullion at the mint price, or in bullion at the price of coin, the balance of the trade is just the same. Now, if this wrong balance (which I here suppose to proceed only from the imports exceeding the exports upon trade in general) renders the purchase of foreign commodities dearer to the merchants, without costing more to the nation; is not this so far advantageous; that it discourages importations, just at the time they ought to be discouraged, and thereby may tend to set the balance even again?

Thus I have endeavoured to analyze the influence of this principle in the four cases; to wit, upon exportation and importation under a favourable and unfavourable balance of trade. These different combinations must always be examined separately, or else obscurity and confusion will ensue.

We must also observe, that there are still other combinations to be attended to, although it be superfluous to apply the principles to them; because the variations proceeding from them are self-evident. I mean, that this question may be considered as relative to a nation which has coinage free, with respect to another nation where that duty is imposed. In this case we may decide, that as far as the situation of the latter is advantageous, so far must that of the former be disadvantageous, and *vice versa*.

The question may also be considered in relation to countries who have either the duty on coinage the same, or different. When they have the same, there can be no advantage on either side; excepting in this respect, that the nation which has, upon an average, the balance of trade in her favour, will thereby render her trade still more favourable than it would be, were the coinage free on both sides.

From which we may conclude, that the more a nation has the advantage in point of trade; the more it is her interest to impose the duty of coinage. When the imposition is unequal in the two countries, I apprehend that the country which lays the smallest duty upon her coinage, may be considered as having it altogether

free,

The more trade is favourable, the more advisable it is to impose a duty upon coinage.

frice, and that the other may be considered as imposing no more than the difference.

Upon these principles must the question here proposed be resolved. They never can decide as to the matter of fact, to wit, whether the French trade is hurtful or lucrative: all we are warranted to conclude from them is, that the trade of Great Britain would be more advantageous with France than it is, were a duty on coinage to be laid in England as high as there. In that sense, we may say, that the apparent loss by exchange is a proof that coin is commonly dearer in France than in England; from which a loss may be implied; but the loss upon exchange no way denotes the degree of loss upon the trade, and much less does it certify that the balance upon the whole is against Great Britain.

C H A P. IV.

Of the different methods of imposing coinage; and of the influence they respectively have upon the value of the money-unit, and upon the domestic interests of the nation.

Two ways of imposing coinage.

THERE are two ways of imposing coinage; one by positive law, and by the force of that authority which is every where lodged in the legislature; the other, which is more gentle, renders the imposition almost insensible, and is effectuated by the influence of the principles of commerce.

By the one and the other the same end may be obtained; with this difference; that all circumstances must yield to the force of authority: and when this is employed, coinage is imposed as a tax upon coin, in spite of all resistance; whereas, in the other case, the effect takes place by degrees: it is no tax upon coin; but it is liable to interruptions; and therefore, upon a general re-coinage

coinage of all the specie of a nation, it is not so effectual as the first; although it may answer perfectly well for supporting a fund of good specie, and for replacing all the diminutions it may suffer from melting down or exportation.

I shall now give examples of the one and the other method: I shall point out some of the consequences which attend both: I shall chalk out a rough draught of the principles, which may be applied in forming a plan for laying on that imposition in the English mint: and last of all, I shall shew how the experiment may be made.

Were the government of England to call in, at present, all the coin in the nation, in order to be recoined, and to fix the price of it, as gold and silver standard bullion, at --- per cent. below the value of the new coin; this would be imposing coinage by positive law; and being an arbitrary operation upon the coin of the nation, could not fail of influencing the value of the money-unit.

Were the government, on the other hand, to give orders to the mint, to pay gold and silver bullion for the future, no dearer than --- per cent. below the coin, this would be no arbitrary operation on the coin of the nation, and would not (as I imagine) influence the value of the money-unit, although it might sink the price of bullion, by the influence of the principles of commerce.

The different consequences of these two methods of imposing coinage are now to be explained.

Were England, during a war, or at any time when the balance of her trade is unfavourable, to impose coinage by law, in the manner proposed, the consequence would be, that all the specie in Great Britain, or at least a considerable part of it, might possibly be melted down, and sold in the market for bills of exchange. In a nation of trade, where credit is so extensively and solidly established, there would, in such a case, be no difficulty to find an outlet abroad for all the metals in the kingdom; because then every thing would be considered as profit, which was less than the --- per cent. loss in carrying the coin to the mint.

If it is objected, that this plan has been many times executed in France, particularly in 1709, and 1726, without any such inconveniences; I answer, as I have done upon other occasions, circumstances are to be examined.

How, in France, this is prevented in some measure.

Upon such occasions, in France, the coin is ordered to the mint, upon penalties against those who shall not obey; melting down is strictly inquired into, and severely punished; all the roads which lead to foreign countries are beset with guards, and no coin is suffered to be exported; all debts may be demanded in coin; and all internal commerce is carried on with specie.

This is a violent method of imposing a tax upon all the coin in the nation; and the general coinage is made with no other intention. In the coinage 1709, this tax amounted to $23\frac{1}{4}$ per cent. (Dutot, Vol. I. p. 104.)

French politics, as to coin, not generally understood.

Under these circumstances, it is very evident, that those who have coin or bullion must either carry it to the mint, or bury it: there is no middle course to be followed.

Let me here observe by the bye, how frequent it is to see people blame the greatest ministers rashly, and impute to them the most absurd opinions concerning the most simple matters. How much have the ministers of France been laugh'd at, for pretending to forbid the exportation of coin, to pay the balance of their trade? They did not forbid the exportation of the coin for paying of their debts: On the contrary, the King has sometimes had his bankers, whose business it was to send coin to Holland for that purpose, as we shall explain in another place. This, I think, is common sense.

If the ridicule is turned against those states, who forbid the melting down and exportation of coin, where coinage is free, I must also make answer, that *there* the prohibition is laid on, to save to government the expence of perpetually recoinning what is melted down, or of coining the foreign specie, imported in return for that of the nation which has been exported without necessity.

Let

Let us next examine the consequence of imposing coinage by law; when the plan is so laid down (no matter how) as not to be frustrated by the total desertion of the mint.

Is it not evident, from the principles laid down in the first chapter, that, in this case, the value of the coin must rise, not only with respect to bullion, but with respect to every commodity: or in other words, that the prices of commodities must fall universally with respect to the denominations of the coin. For who will pay the same price for a commodity, after he has been obliged to pay — *per cent.* to purchase the price with which he must buy? But the moment the great operation of the general coinage is over, and that trade begins to work its former effects, while the balance of it is supposed to remain unfavourable, all prices will return to their former rate, with regard to the denominations of the coin, by the operation of another principle. The new coin procured at so much cost will then fall to the price of bullion; that is to say, all the price paid for coinage will be lost, and consequently money will return to its former value; or in other words, prices will be made to rise to their former height; because then no body will be obliged to pay — *per cent.* to procure the price.

Now, it is the effect operated upon prices by the *return* of a favourable balance, when coin *regains* an advanced price above bullion by the influence of commerce, which my theory does not reach to. I cannot discover a principle, which can force the prices of articles of inland consumption to fall and fluctuate with the prices of bullion; because I find them too closely attached to the denominations of the coin; and that foreign commerce has not sufficient influence upon them. As that combination is beyond my reach to extricate, I leave it to the decision of experiment.

Here a plain objection occurs against what has been said in the twelfth chapter of the first part, viz. That the wearing of the English coin has the effect of raising the price of corn in the market, which would be made to fall upon a restitution of the coin to legal weight. But the answer is plain. In the former case, the dimi-

VOL. II. F nution

nation of the value of the coin was supposed real and permanent ; in which case, with time, it works its effects of raising prices without doubt : but here the augmentation is not real, and the fluctuations of the value of the coin with respect to bullion, are both imperceptible to any but merchants, and at the same time so uncertain, that they have not time to work their effects upon the price of other commodities.

Were a balance of trade to continue long favourable, and were coin to preserve, during all that time, the same advanced value with regard to *bullion*, in that case I have little doubt but the value of that universal commodity (*bullion*) in conjunction with the operations and influence of foreign commerce, might reach inland markets, and reduce the price of commodities. But this is seldom the case (as I am apt to believe,) and in proportion as it is so, more or less, will a duty on coinage influence the price of commodities.

Coinage affects the price of bullion immediately ; and that of commodities indirectly.

Coinage therefore ought, upon many occasions, to be considered as affecting *immediately* the price of bullion only, and that of commodities *indirectly* : whereas the diminution of the intrinsic value of the coin, by immediately affecting *price*, must consequently affect the rate of every thing which is given for it.

Let us next examine the consequence of imposing coinage by the influence of the principles of commerce.

Consequence of the price of coinage imposed with consent.

The method here is to leave every one free to do with their coin, or with their bullion, what they please. Do they incline to melt down or export the coin, they may have entire liberty to do it : no penalty ought to be imposed, other than that which will necessarily follow, viz. the expence of procuring new coin.

In order to make our reasoning here more distinct, let us form a supposition with regard to a new regulation of the British coin.

The present confusion has convinced every man, that a reformation of the coin is necessary ; and the opinions of those who have writ best upon that subject seem to be divided upon one main article.

ticle. The metals are disproportioned in the coin, the gold being there to the silver, as 1 to 15.21, instead of being as 1 to 14.5. By law, 113 grains of gold are made equal to 1718.7 grains of silver. One party would have the silver adjusted to the gold ; the other would have the gold adjusted to the silver. This is the question, in a few words. Now, suppose a middle course were taken, and that the standard were to be fixed at the mean proportion of these two values ; that is, at the value of the half of 1718.7 grains fine silver, added to the half of 113 grains fine gold ; which, in the first part of this book, we have shewn, by many arguments, to be the only method of preserving an equality in the money-unit ; this will make the new pound consist of 1678.6 grains of fine silver, and 115.77 grains fine gold : and this is also a sort of medium between the two opinions.

At that rate, the pound troy standard silver must be coined into 63 shillings and 6 pence, and the pound troy standard gold into 46 guineas, or pound-pieces, each worth 20 shillings.

Now, if upon both species 8 *per cent.* coinage were imposed, (for as all this is a pure supposition, it is no matter at what rate the coinage be stated) then the mint price of the pound troy fine silver must be fixed at 63 *s.* 1 $\frac{1}{2}$ *d.* and the mint price of a pound troy of fine gold at 45 *l.* 5 *s.* $\frac{1}{4}$ *d.* sterling.

Suppose then (as an example) that the mint price of fine bullion should be fixed at 8 *per cent.* below the coin in England ; What principle could oblige people to carry bullion to be coined ?

I answer, When the balance of trade is favourable for England, that balance must sooner or later be paid in bullion. If trade still continues favourable, after the first balance is paid, what use can those who have the bullion make of it, if there be no demand for it to work it into plate ? To export it, by employing it in trade, does not remove the difficulty ; because, while the balance stands favourable, export as much as you will, more bullion must enter than it is possible to export, in the way of trade ; for we do not suppose that in exporting it, it is to be given away gratis. The

bullion, therefore, not being demanded for exportation; not being permitted to pass current for money; and not being demanded for making into plate; must be employed so as to be profitable to the owner one way or other. For this purpose it must be lent, or employed within the country for purchasing some sort of effects which produce an income. For this purpose the bullion must be coined, in order to render it capable of circulation, and of becoming price.

At all times, therefore, when in a country there is bullion, not demanded as such, the proprietor carries it to the mint; he sells it at the mint price; and as this mint price is stated at 8 *per cent.* below the price of coin, he gives it for the price he can get for it: this he does without regret, because, if next day he should want to change his coin into bullion again, he will find it in the market at the same value.

If it be farther objected, that rather than carry it to the mint at 8 *per cent.* discount, people will lend it to foreigners: I answer, that if it be lent to foreigners, this lending will turn what we call the balance of trade against England, and then certainly no body will carry bullion to be coined; for in which ever way it happens that more bullion is exported than is imported, in every case the price of exchange and of bullion must rise; and this is constantly constructed, though very improperly, as a balance of trade against England; which, to mention it by the bye, is another reason to prove how ill people judge of the prosperity of trade by the course of exchange, since the lending of money, as well as the paying of debts, equally turns exchange against the country.

Bullion, therefore, never will be carried to the mint, when it can be disposed of above the mint price; and both theory and experience, over all Europe, where, England excepted, coinage is imposed, proves, that bullion is carried to the mint, and sold below the price of coin, weight for weight of equal fineness.

By fixing the mint price at 8 *per cent.* below the value of the coin, it is not necessary that this price be made invariable: a power may be lodged somewhere, by the state, to make deviations from the standard

How the mint price of the metals may be allowed to vary.

standard price. A war breaks out; large quantities of coin are exported; specie becomes scarce: May not the state, at such a time, deliver coin at the mint at the current price of the bullion? Let matters come to the worst, the price can never possibly rise above the present value, to wit, that of the coin, when it is preserved at its true weight. If peace returns, and trade becomes favourable, the mint may then be ordered to sink its price, in proportion to circumstances. In short, the mint may receive bullion at different prices, at different times, without occasioning the smallest confusion by such variations in the intrinsic value of the current specie, which must constantly be the same. It is of no consequence to any person who receives it, whether the coinage costs nothing, or whether it costs 8 *per cent.*

By this method of imposing coinage, all the advantages reaped by France may be reaped by England. The bullion will be allowed to fall as low as with them, when trade is favourable. If it rises, upon a wrong balance, the mint need not be stopped, in case be found wanting for the uses of the state; and when that necessary demand is satisfied, the mint price may be reduced again.

Influence of this method of imposing coinage on the price of commodities, and value of the pound sterling.

I do not see how the value of the pound sterling can be anywise influenced by this plan of imposing coinage: because the imposition is not arbitrary; nor can it either add to or take from the mass of the metals appointed by statute to enter into the coin.

The only possible influence coinage can have upon the value of the pound sterling, is by lowering the price of commodities. If it has this effect, I still agree that it is the same thing as if an addition were made to the metals in the coin. Experience alone will resolve the question: and if by this it is found that prices are not affected by it, then we may safely declare, that no variation has been occasioned in the value of the money-unit, and consequently no injury done to any interest within the state.

This proposition, however, requires some limitations. The prices of commodities, certainly, will not be affected immediately by the imposition of coinage, in the way it has been proposed to lay

it on; but I do not say that, upon some occasions, they may not be affected by slow degrees.

When the balance of trade at any time has stood long favourable for England; when the coin has remained long considerably above the price of bullion; and when, consequently, the mint has been well employed; then the value of commodities, as has been said, may become influenced by the operations of foreign commerce, and be sunk in their price. Yet even here this consequence is by no means certain; for this reason, that what turns the balance of trade in favour of a nation is the demand which foreign markets make for her commodities: now this demand, as it raises the value of her coin above her bullion, so it raises the price of her commodities, by increasing foreign competition to acquire them.

These combinations are very intricate, and more properly belong to the doctrine of commerce than to that which we are now upon. I have thrown them in here, for the sake of extending the present theory a little farther, and for enabling us to account for appearances which may happen upon the imposition of coinage, supposing it should be thought proper to make the experiment.

CHAP. V.

How an Experiment may be made to discover with Certainty the real Effects of the Imposition of Coinage.

WE have dwelt very long upon this part of our subject, and after all our endeavours to elucidate the principles which ought to decide whether or not the imposition of coinage will raise the value of the pound sterling, in a kingdom which, like Great Britain, is in a mercantile correspondence with nations where that duty is introduced, we have still been obliged to leave the final decision of the question to an experiment.

By

By that alone it will be clearly discovered, whether coinage will have the effect, *1mo*, of sinking the prices of commodities, to the prejudice of manufacturers; *2do*, of raising the price of the pound sterling, to the prejudice of all the classes of debtors within the nation; and *3tio*, of hurting trade, by putting England under the necessity of selling dearer, without being able to sell as cheap as before: or whether commodities will remain at their former prices; the pound sterling at the same value; and England be enabled to sell dearer to foreigners, when her commerce is favourable, without being obliged upon other occasions to sell one bit dearer than at present.

I shall now give a hint concerning a proper method of making the experiment.

Suppose peace * restored, and a balance of trade favourable to Eng- The plan of an experiment proposed.
land; that government shall take the resolution to set about the reformation of the coin; that they shall publish the plan of reformation three years before it is intended to commence, according to what was proposed in the 14th chapter of the first part; that they shall make a change in the mean time upon the regulation of the mint, by ordering all silver coin, and all guineas, except those of George II. to pass by weight; that shillings shall be ordered to be coined at 65 in the pound troy; the mint price, when at par with the coin, remaining as at present with regard to the gold, and raised to 65 new pence *per* ounce with regard to the silver. This, I imagine, will furnish specie sufficient to the nation, and will make no change upon the value of the pound sterling at present.

So soon as there shall be a few millions of silver coined free, let The consequence of this will be to recall the old guineas from abroad.
the mint price both of gold and silver be diminished, suppose *4 per cent*. This, I imagine, will in a short time give an advanced price to coin, and sink the price of bullion; which will have the effect of recalling all the guineas of the late King from Holland and Flanders; because coin being then dearer than bullion in England, people will choose to send over current guineas to pay their English

* Written in the year 1761.

debts,

debts, rather than to remit bills of exchange. This circumstance will naturally stop the coining of gold for some time; but if the balance of trade shall continue favourable, the mint must, in time, be set a-going.

During this period, a strict attention must be had to the state of prices. It is plain, that stopping the coining of gold ought not to make them sink; since the daily augmentation upon the quantity of the gold coin from abroad (which will not cost any coinage) will, I imagine, be sufficient to compensate it. If, therefore, prices shall be found to sink notwithstanding, this effect must proceed from a combination among the merchants. An intelligent statesman will quickly discover the true state of the case.

If the sinking of the price is a necessary consequence of the imposition of coinage, it will perhaps manifest itself by the following symptoms: *1mo*, The profit of the English merchants upon goods exported will be the same as before. *2do*, The price of the goods exported will be the same as before in foreign markets. And *3tio*, Exchange will mark as many *per cent.* favourable for England as goods will have fallen in their price at home.

If the fall of the prices be forced, by a combination among the merchants, their profits will be greater; and very probably no variation will appear upon the exchange in favour of England.

Let, therefore, the course of exchange be attended to, and by this the minister will be able to judge, when silver and gold are to be brought to the mint. The moment exchange, and the price of bullion in the London market, shall shew that coin is near the full price of coinage above the price of bullion, then the time approaches when the mint is to be set a-going.

It is to no purpose to pretend to prognosticate the effect of this change in the policy of the English mint. Effects it will certainly produce, which every one will interpret according as their interest may dictate to them. But the principles of trade are now too well known. English ministers are too well instructed in the theory of it, and too sharp-sighted to be deceived by appearances. A trial
of

During this experiment, a close attention must be had to the rate of prices.

And if they vary, how to discover the true cause of it.

Farther consequences of this experiment.

of a few years will render the consequences of this innovation perfectly clear; and before the great reform takes place, the principles will be so well confirmed, as not to leave a shadow of doubt concerning the course which is best to be followed.

The silver coined in the interval, at 65 shillings in the pound troy, may then be rated at its just value, in proportion to the new pound sterling, and may form a denomination by itself, easily to be distinguished by the stamp. If it should happen to fall into inconvenient fractions, let it be called in, and received at the mint above the rate of other bullion: the loss will not be considerable; and it cannot be expected that any plan can be proposed which is liable to none.

Another method is, to coin, during the interval of the three years, shillings of the weight adapted to the new regulation, and to give them a value proportioned to the present currency, in the mean time.

In whatever way the experiment be made, by the imposition of the price of coinage, a great expence will be saved to the state, the expence of the mint. The national coin will be kept at home, and when exported, will be preserved from the melting pot. This is the case with the French coin. Why are louis d'ors worth as much as guineas in many foreign countries? It is evident that they are not intrinsically worth so much by $4\frac{1}{2}$ *per cent.* but they are virtually so in the eyes of money-jobbers; because, being exported from France while coin is fallen low by a wrong balance of their trade, they still retain an advanced value, for this reason, that when sent back, upon a revolution in trade, they are better than bullion, by all the advanced price of the French coin, at a time when their balance becomes favourable; and for this reason they are sought for, and are paid for in proportion: whereas any bullion, or any coin whatsoever, is as good to send to England as her own proper specie; which occasions the guineas to be melted down without the smallest regret.

Can we estimate the wealth of a nation by the quantity of its coin?

It would be a curious inquiry to examine the proportion of money coined in England and in France, and to compare the quantities coined with the quantities in existence. People commonly estimate the wealth of a nation by the quantity of its coined money. Some go farther, and imagine that the quantity of the coined money is the representation, and even the measure of its wealth. I cannot be of this opinion, for reasons which I have given in another place; but I shall only observe here, that coin, like every other thing, is made in proportion to the occasions people have for it.

The more equality there is between industry and consumption in any nation, the less coin they have occasion for, in proportion to the alienations they make; the more a nation is given to penury and hoarding, their occasions for coin are proportionally greater.

An example will make this plain. Suppose two markets in a country, where paper does not circulate; that 1000 people come to the one to sell, in order to buy; that 500 resort to the other, with an intention only to sell, and 500 others only to buy. In the last example, it is evident, that there must be brought to market, in specie, the price of all the goods offered to sale, or else a part must remain unsold: but in the first case, a much smaller proportion will suffice; because no sooner has any one sold the goods he has, than he buys from another what he has occasion for; and so the same money circulates from hand to hand, so much, that if we suppose every one of the thousand persons to sell for the precise value of what he buys, every man will carry home the same sum of money he had in his pocket on coming to market. Those who begin by selling, will carry home their own coin; those who begin with buying, will replace what they had with the coin of other people.

In proportion, therefore, to the trucks of commodities for commodities, money is the less necessary; and in proportion as people sell, in order to realize, coin is the more necessary. When hoarding was in fashion, and when lending upon interest was little

known,

known, had alienation been as frequent as at present, the total of coin must have been much greater. At present no body hoards, where lending at interest is lawful, except in nations where credit is precarious. This was the case in England about 1695, and is perhaps the case at present in France*. Hoarding from this motive is more hurtful than from any other: because, at the same time that it deprives the public of a circulating value, by preventing the lending of the coin of the nation, it also prevents bullion from being lent by neighbouring states, and from being carried to the mint by those who have it at home. Whereas hoarding from avarice has none of these inconveniences; and when credit is good, there will always be found coin sufficient; because a demand for it will always procure it.

Why is there so little coin in England, in proportion to what there is in France? Does any man imagine that this is a mark of poverty? By no means. Let the state proscribe the currency of paper money, the coin will quickly return; because then it will be demanded. But at present the paper supplies its place, and so it goes abroad in order to gain more; whereas in France it remains at home, and produces nothing. The wealth of a nation can no more be estimated by the quantity of its coin, than the wealth of private people by the weight of their purse. Were a person, from that circumstance, to calculate the wealth of the British courtiers, assembled at the Groom Porter's, he would find himself grossly deceived in his conclusions.

* In 1760.

C H A P. VI.

Miscellaneous Questions and Observations concerning the Doctrine of Money and Coin.

IN deducing the principles of every branch of politics, it is of great importance, at setting out, to treat every one separately; to avoid intricate combinations of circumstances; and to learn how to distinguish between the operations of the general principle in question, and the influence of an accidental circumstance, which may throw the decision of a particular case upon a principle different from that upon which our attention is fixed at the time. Let the combination and complication of circumstances be ever so great, all and every one of them constantly remain under the influence of one principle or other.

The great art, therefore, is to have the whole plan of the science so ready at command, as to be able to combine and apply every principle of it to the case proposed.

From this we discover of what importance it is to be exactly informed as to facts, and how utterly insufficient the best theory is in the hands of any person, who is not at the same time a thorough practitioner in the political science.

In treating of the application of principles to particular cases, we must constantly go upon this hypothesis, that in the case proposed there are no unknown circumstances, which may be repugnant to the exact combination of those which have entered into our supposition.

The use, therefore, of a miscellaneous chapter, after the deduction of the general principles is over, is to serve as an exercise upon them. This is done by introducing questions which may tend to illustrate or explain the matters already treated of, and which

The use of a miscellaneous chapter at the end of a subject.

which have not been introduced in the body of the work, for fear of rendering combinations too complicated, and of drawing the attention from the main object of inquiry. When a particular appearance, also, seems to contradict a known principle, that appearance may here be analyzed, and the particularity of the case pointed out, and ranged under the principle which influences it. Numbers of objections also occur to readers of such inquiries, and which even naturally occur to the author himself, although he be obliged to take no notice of them at the time, for fear of interrupting his subject; these may properly find a place in a subsidiary chapter. It is, however, to no purpose to attempt to exhaust any political subject. The combinations of circumstances are infinite; and therefore people must content themselves with deducing all the principles by which they may be resolved, leaving the rest to the reader's ingenuity.

QUEST. I. The first question I shall propose for illustrating this subject shall be, Whence it comes to pass that the doctrine of money is so extremely difficult and involved?

ANSW. This I ascribe chiefly to the introduction of a money-jargon, employed by people who have had the management of mints, or who have been practical merchants, without knowing anything of the theory of their business.

As long as money went by weight, and was considered as gold and silver bullion, the whole doctrine of it remained clear and intelligible: but the introduction of a numerary value, or denominations of money of account, sometimes attached to one quantity of the metals, sometimes to another; and the interest of Princes, which made them endeavour to persuade their subjects that the stamp of the coin was sufficient to give a value to it; has both introduced an unintelligible language, and has really involved the subject with so many extraneous circumstances, that when we consider every thing, the perplexity is not much to be wondered at.

I shall now endeavour to reduce all these perplexities under some general heads.

1^{mo}, The

The terms metal, money, coin, bullion, and price, are all considered as synonymous.

What is meant by metal?

What by money?

What by coin?

What by bullion?

What by price?

The abuse of the terms rising and sinking, and inaccuracy of speech.

1mo, The first is, confounding ideas quite different in themselves. The terms *gold* and *silver*, *money of account*, *coin*, *bullion*, and *price*, are often understood and made use of as synonymous, although no things can be more different.

The terms *gold* and *silver* should convey to us no other idea than that of pure physical substances.

That of *money of account* represents an invariable scale for measuring value.

Coin conveys the idea of the public authority ascertaining the exact proportion of fine and alloy in a mixed metal, and the realizing, in a determinate weight of it, the invariable scale of money, sometimes correctly, sometimes incorrectly.

Bullion carries the idea of certain determinate mixtures of the metals, commonly ascertained by some public stamp or other, and drawing their value exactly from the proportion of the fine metals they contain, the workmanship being considered as of no value.

Price, again, when considered as consisting in coin, is a more complex idea still. In it are comprehended the value of the metals; the authority of the stamp for the currency; the actual value of the coin as a manufacture, above the value of it as a metal; the common and universal equivalent of all things alienable; and the mean value of the currency of which *price* is supposed to contain exact aliquot parts, when perhaps it does not.

The ideas, therefore, of *gold* and *silver*, of *money*, of *coin*, of *bullion*, and of *price*, are all different; they are commonly confounded, both in speaking and in writing: from this arises the first cause of perplexity.

2do, The second is owing to the common method of estimating the value, and the proportions between *gold* and *silver*; *coin* and *bullion*; *money* and *merchandise*. The terms usually employed to express such combinations are, *rising* and *sinking*, or the like: people employ these terms, without previously agreeing upon the thing which they are to consider as fixed. The value of one of the precious

metals is constantly relative to that of the other; and yet, without attending to this, we sometimes consider the gold, and sometimes the silver, as the common measure; and while one is talking of gold as a common measure, the person he talks to is considering it perhaps as the thing measured. This inaccuracy, in supposing sometimes the one as fixed, and sometimes the other, involves us in great obscurities; especially when we speak upon such matters with those who have not distinct combinations of ideas: and if three or four people are engaged in a conversation upon money, every one using the same term in a different acceptance, the confusion which it causes is inextricable.

In like manner, when we speak of coin and bullion, that of the two ought to be considered as fixed which changes its proportion of value the least with respect to all commodities.

Were prices attached to grains of silver and gold, bullion ought in that case to be considered as fixed; but as they are more attached to the denominations of the coin, coin ought to be considered as fixed.

In the next place, in speaking of coin and commodities, we say, for example, that the imposition of coinage makes the prices of commodities sink. We do not, in this case, speak correctly; because if any thing ought to be considered as fixed, it is the relative proportion of value between the different sorts of commodities. In this case, therefore, I think it would be more proper to say, that coinage raises the value of coin, than that it sinks the value of commodities.

To prevent the ambiguity of such expressions from occasioning confusion, and not to depart too far from common language, I have frequently spoken of commodities as rising and sinking in their values with respect to coin; but I have at the same time observed the influence which that rising and sinking has upon the rising and sinking of the value of the pound sterling realized in it.

I have not, however, concluded with equal certainty that the rising and sinking in the value of bullion, *with respect to coin*, ought

Prices attached to denominations of coin.

Coinage raises the value of coin, is a more proper expression than Coinage sinks the price of commodities.

How to avoid such ambiguities in speech.

A case which cannot be resolved by this theory.

to imply any change upon the value of the money-unit; because I have not been able to determine whether prices ought to be considered as most attached to the denominations of the coin, or to the grains of the metals: except indeed in one case, to wit, when the quantity of the metals comes to be augmented or diminished in the coin. In that case, I have not hesitated to decide that, sooner or later, the influence of trade must operate a rise or a fall in the current value of the specie, which will be marked by an apparent rise or fall in the price of all commodities.

In speaking, we do not distinguish between pure metal and that which is mixed with alloy.

3^{to}, Our comparing the value of silver sometimes with the pure metal, sometimes with that compounded with alloy, involves us frequently in a language which is hardly to be understood.

Says one, a pound of silver, troy, is worth 67 shillings. He means a pound of fine silver. We in England, says another, coin our pound troy of silver into 62 shillings. He means the pound of standard silver, which contains 8 penny weights of copper. Says a third, our pound of silver, which we coin into 62 shillings, is not worth 57 s. 6 d. He understands the shillings of fine silver of the same weight with those of standard silver. Another affirms, that an ounce of standard silver, which, at the mint, and in the coin, is worth no more than 5 s. 2 d. is worth in the market 5 s. 6 d. He means, that one must pay at that rate for silver bullion, when they purchase it with over-rated gold. At last comes Mr. Cantillon, who, as a proof of the decline of the English commerce, affirms to us, in his Analysis of trade, p. 133. that both silver and gold bullion are dearer in the London market than in the coin: at the same time, he might have discovered the cause of it, from the lightness of the gold and silver currency at the time he wrote; since the phenomenon could proceed from nothing else: the new guineas must then have been sent abroad. Says a Frenchman, one of our crowns of 3 livres, which passes for 60 sols, is intrinsically worth no more than 56 $\frac{1}{2}$ sols. He means, that the fine silver it contains is worth no more than 56 $\frac{1}{2}$ sols, according to the mint price of the fine metals.

4^{to}, Another

4^{to}, Another cause of perplexity in the money-jargon, is the prodigious abuse of the terms which express the denominations of the coin, or the numerary unit.

Of the abuse of terms relative to the denomination of coins.

French historians write familiarly of fums of money in livres and crowns, through all the stages of the monarchy. English writers (for the most part) do the same, in speaking of pounds sterling. Nothing however is more different than the ideas expressed by the same term.

Were any person, talking of lengths and distances, to use the word *foot*, sometimes to signify *yard*, sometimes *perch*; or to use the word *mile*, to signify sometimes *league*, sometimes *inch*, and sometimes *fatbom*; who could comprehend one word of his discourse concerning the matter? Would we not even laugh at such a person, for pretending to inform us of any thing concerning lengths or distances.

This illustrated by an example.

If any change be made upon the value of the money-unit of a country, which is called a pound; in propriety of language, it can no more be called a pound, after the change, than it can be called a rhinoceros.

5^{to}, Another reason for the obscurity of money-jargon, is the manner in which writers express themselves, when they speak of variations in the value of money. Upon this occasion, says one, the King raised the money 5 per cent. What does this mean? No man living can understand the expression; because it may signify, that he raised either the denomination of the coin, or the value of the unit. If he raised the coin, he debased the unit: if he sunk the coin, he raised the unit. A crown of 6 livres is a coin; a livre is the unit. If it is said, the 6 livre piece is raised; that is as much as to say, it is made to be more than 6 units; consequently, as the silver in the piece does not change its weight, it follows, that the unit, or money of account, is diminished. On the other hand, if it is said that the livre is raised, it implies that the crown, which contained 6 livres, is made to contain less than 6 units; therefore,

Further obscurities from the abuse of language.

VOL. II.

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the value of the unit is raised; that is, it is made to contain more silver than before.

How to avoid such abuse.

Writers, therefore, to be distinct, ought never to mention these matters, without removing the ambiguity, in favour of readers of all denominations. As for example: The King raised his coin, and debased his money of account. For this reason the French expression is good, and easily understood; *augmenter la valeur numéraire des espèces*, is liable to no obscurity.

There are also two terms used by French writers, which appear synonymous, and yet are directly opposite; *AFFOIBLISSEMENT*, et *DIMINUTION de la monnaie*. Such terms are perplexing, and ought either to be avoided, or constantly explained. The first signifies the coining the specie of the same denomination lighter in the metals than before: the last signifies the lowering the denominations of the coin already made. The first therefore diminishes, the second increases the value of the unit, which is the livre.

Quest. 2d. What is the difference between raising the value of coin, by imposing coinage, and raising the denomination of it?

QUEST. II. What is the difference between the effects produced by raising the value of the coin by the imposition of coinage, and raising the denomination of it? This question is proposed as a further means of rendering the money-jargon intelligible.

ANSW. The imposition of coinage, when it gives an advanced value to coin above the metals it contains, is very different from that advanced value which the coin appears to receive when the Sovereign arbitrarily raises the denomination of it; or as the French call it, when he augments its numerary value.

Answer. The first is real, and affects foreign nations; the other does not.

When the imposition of coinage gives an advanced value to the coin above the bullion it contains, that value becomes real, and extends itself to foreign nations; that is to say, the coin, so augmented as a manufacture, must be bought with more foreign coin than formerly. But when the denomination, or numerary value, is augmented, the same piece (though augmented in denomination) is bought by strangers with the same quantity of their coin as before. An example will make this plain.

Let us suppose the coin in France, in war time, reduced to the value of bullion, and that the value of a crown of three livres, by the course of exchange, should be then worth 29 $\frac{1}{2}$ pence heavy silver sterling money; if the balance of the French trade should become favourable in general, and that coin should become 8 per cent. dearer than bullion in the Paris market, then the price of the crown of three livres will rise 8 per cent. upon the London exchange above 29 $\frac{1}{2}$ pence heavy silver sterling money, although there be respectively no balance to be paid in bullion either by England or France. But let the King of France ordain, that the crown of three livres shall be raised in its denomination to six livres, and let the coin at that time be supposed to be at par with bullion in the Paris market, the crown of three livres will then be paid as formerly with 29 $\frac{1}{2}$ pence. That is to say, the augmentation of the denomination will have no effect upon the value of the coin in other countries; whereas the augmentation affected by the operations of trade, in consequence of the imposition of coinage, is a real augmentation, since it extends to foreign nations.

Now it is certain and evident, that the augmentation of the numerary value has the undoubted effect of sinking the value of the numerary unit realized in the coin, and that upon such occasions we ought to say, that the King has diminished the value of the livre, and not that he has raised the value of the coin. But the abuse of language has made people consider the livre as the thing fixed, and therefore the coin is considered as the thing which rises and sinks. The consequence of this is, to introduce another abuse of language. People say, that the prices of commodities rise: I ask, With respect to what? Not with respect to the pieces of coin, but with respect to the denominations they carry: that is to say, with respect to livres; although the livre be considered as the thing fixed. There is, however, a reason why people express themselves in this improper manner, which proceeds from the perplexity and confusion of their ideas concerning money.



When the King of France arbitrarily changes the numerary value of his coin, commodities are found, by universal experience, to stick so closely to the denominations of it, that people are apt to think that it is the King's will and pleasure, and not the metal of which the coin is made, which gives it a value. But commodities depart from these denominations by degrees, and fix themselves a-new at a determinate value of the fine metals, proportioned to what they bear in foreign nations. This is brought about by the operations of commerce; and consequently, the rise of prices not taking place till some time after the numerary value of the coin has been augmented, people accustom themselves to say, that the augmenting the denomination of the coin raises prices, and that diminishing the denomination sinks them. But did all prices strictly adhere to the grains of bullion contained in the coin, and not to the denominations of the numerary value, then language would change, and no body would speak about the rising and sinking of prices, but of the rising and sinking of livres, sols, and deniers.

I hope, from what has been said, that the difference between raising the value of the coin by imposing coinage, and the raising the nominal value of it by augmenting the denomination or numerary value of it, is perfectly understood. The first raises the value of the numerary unit, by giving a real additional value to the coin as a manufacture: the last raises, for a while, the value of the numerary unit; only because the price of commodities, being attached to the denominations of money of account, stick to them, until the operations of trade reduce them to their true principle.

Whenever, therefore, the terms *rising* and *sinking* are applied to value, the thing which is said to rise, is supposed to be the moveable; and the thing it is compared with, or with respect to which it is said to rise or sink, is supposed to be the term fixed. Every one, therefore, who reads books upon this subject, ought, upon all occasions where there is mention made of rising and sinking of the

the price of the gold, silver, bullion, coin, exchange, or commodities, constantly to cast his eye upon the thing which is supposed to be fixed, and retaining that in his mind, he will preserve his ideas distinct.

QUEST. III. Let us suppose that the imposition of coinage, when properly laid on, will not raise the value of the pound sterling; and consequently that it will not affect the domestic interests of Great Britain: it may be asked, What influence that imposition will have upon the interest of her foreign creditors, since it must affect exchange?

ANSW. The foreign creditors of the nation will thereby be gainers, provided their interest continues to be paid in denominations of pounds sterling, and not in a determinate number of grains of the fine metals, as was proposed to be done in the fourteenth chapter of the first part. The reason is plain: upon all occasions, when coin carries an advanced price above bullion, those who have funds in England will gain upon exchange. This gain will no wife, I think, be at the expence of the nation, but at the expence of those foreigners who have occasion for paper draughts upon London.

A creditor of England (in Holland I shall suppose) draws for a thousand pounds sterling, (the interest of his English funds) a Dutchman who owes a thousand pounds sterling in London, buys his bill; must he not pay the creditor of England, not only the intrinsic value of the bullion contained in the thousand pounds sterling, but also the difference between the thousand pounds sterling in coin, and the bullion it contains, according to the price of it in the London market? This difference then, received by the proprietor of the English funds, is clear gain to him, and is no loss to the nation; it is a loss to the Dutchman.

Farther, every Dutchman who pays his debts to people residing in England, must suffer the same loss; that is, he must pay the coinage, which at present the state makes him a present of.

From

Quest. 2.
How will the imposition of coinage affect the creditors of Great Britain?

Ans. If they continue to be paid by denominations, they will gain; if by weight of metal, they will not gain, nor will they lose.

Proved by an example.

From this I think it is plain, that while the balance of trade is favourable to England, or at par, all remittances made by foreigners, to pay their English debts, must pay the coinage.

The operation of this principle has not a little contributed to facilitate the establishment of the French credit.

How the imposition of coinage advances the credit of France.

When France borrows, especially in war time, foreigners can remit to Paris the money they lend nearly at par with bullion: Then they pay little or no coinage; and when peace is restored, the coin rising in its value, they gain annually several *per cent.* upon their draughts for their interest, to wit, all the advanced value of the coin, at no loss to France.

Quest. 4. Is the plan we have proposed effectual towards preserving the pound sterling invariable?

Ans. No; but seems to be the best relative to material money.

QUEST. IV. Is the preserving the pound sterling at the mean value of a determinate weight of fine gold, and fine silver, a sure method of realizing the unit of money of account, so as to preserve it at all times invariable?

ANSW. I apprehend it is not; although it seems to be the best that can be devised, upon supposition that the metals are to be made use of, as the most proper substance for realizing the scale.

I have said, in the beginning of this book, that the use of the scale was to measure the relative value of things alienable. Now the metals themselves being of the number of things alienable, and their proportion of value being nowise determined, but liable to augmentations and diminutions, as well as that of grain or any other commodity, no scale which is attached to them can measure any thing but their weight and fineness, and consequently can be no permanent measure for any thing else.

A scale of value realized in metal can never be exact; because the metal itself varies in its value.

Did the value of commodities rise and fall with respect to grains of the fine metals, in the same proportion that they rise and fall with regard to one another, the scale would be exact: but if the grains of metal can acquire an increment, and a diminution of value, from circumstances entirely peculiar to themselves, such circumstances must render the scale they compose inaccurate in proportion.

Now

Now we have seen how the imposition of coinage enhances the value of coin. The rising and sinking of the interest of money has the same effect. The vicissitudes to which credit is liable has a prodigious influence upon the value of the metals. The manners even of a people, which can be determined by no principle, operate the same effect. When people, for example, are given to hoarding, the metals come to be demanded with more eagerness, that is, the competition to acquire them is greater; consequently the value of them with respect to all commodities, is greater than when they are purely considered as money of account.

1. From the manufacturing of it.
2. From the interest of money.
3. From the manners of a people.

That scale, therefore, is the only just one, which measuring the value of the metals, like that of every thing else, renders every individual of a state equally rich, who is proprietor of the same number of denominations of specie; whether his wealth be in gold, silver, or any other property or commodity.

The only exact scale of value is that which can measure the metals like every other commodity. Explanation of this proportion.

Now I agree that, at any given time, this is the case when the scale is properly attached to the metals; but it is not permanently so. A determinate property in land bears sometimes a greater, sometimes a less proportion to a determinate property in money. When the scale is attached to the metals, he who is proprietor, for instance, of a thousand denominations in coin, becomes richer or poorer, according to the fluctuation of the value of that commodity, the metals. Whereas when the scale is not attached to any species of commodity, nothing can change his proportion of wealth, except the augmentation or diminution of the value of the whole state. This idea is not so distinct as I could wish: let me illustrate it by an example.

Suppose then three partners (A), (B), (C). They form a common stock by equal shares; (A) contributes a thousand pounds sterling in current specie, (B) the same value in corn, (C) a like value in broad cloth. Let me suppose the measures of these commodities to be expressed by their proper denominations; the metals by grains, the corn by bushels, the broad cloth by yards. I suppose that at the end of the year 20 *per cent.* is gained upon each article of

by an example.

of flock; that is, 20 per cent. increase upon the grains of metal, 20 per cent. on the bushels of grain, 20 per cent. on the yards of broad cloth. This supposition may be allowed. I ask, if it would not be a much more equal way of dividing this profit, to reduce the whole value of the grains, bushels, and yards, to the then actual value in pounds sterling, and so to divide; than if every man were to take his 20 per cent. out of that commodity he had furnished to the co-partnership? This method of reducing all to a common measure, is what I understand by an ideal scale of money of account.

and by an application to the bank of Amsterdam.

The bank of Amsterdam pays none in either gold or silver coin, or bullion; consequently it cannot be said, that the florin banco is attached to the metals. What is it then which determines its value? I answer, That which it can bring; and what it can bring when turned into gold or silver, shews the proportion of the metals to every other commodity whatsoever *at that time*: such and such only is the nature of an invariable scale.

How the locking up the coin in that bank renders the value of it more stable.

I confess I am not capable of analyzing all the complicated operations of trade in such a distinct manner as to demonstrate how the universal circulation of value, over the commercial world, should operate this effect; and how the burying, as it were, a quantity of gold and silver in a vault, should give a more invariable worth to a florin, whose value depends upon it, than if the metal itself was to circulate in coin.

Thus far, however, I think I understand, that the impossibility of profiting of the *rising* value of one of the metals (which is buried) ought to find a compensation at all times in avoiding the loss upon the other; which sinks in its value.

Farther, the burying the coin both in gold and silver is in a manner forming these two metals into one mass; this takes away the variation in the proportion of their value, which principally disturbs the uniformity of their operation as a scale. They cannot either be considered as commodities, because they are taken out of commerce entirely; yet the permanent value of them remains. Upon that the bank money is secured; but it is not realized in it.

In

In banks which pay in coin the case is different; because the denominations in their paper are liable to all the fluctuations incident to the coin in which they pay. The bank money, therefore, of Amsterdam is pure money of account, and has nothing of merchandize in it from the metals in the vaults. The paper of all banks which pay, rises and falls in value, according to the currencies in which their notes are acquitted.

I leave the farther delucidation of this mysterious affair to people of better capacity, and of more extensive knowledge in those matters than I can pretend to.

To conclude, no material money, let it be contrived as it will, is exempted from vicissitudes in its value as a metal. This is proved by the universal risings and sinkings in the price of commodities, in consequence of circumstances peculiar to the coin. These risings and sinkings of prices, I say, are properly risings and sinkings of the value of the coin, and that again is a lengthening and contracting of the equal parts of the scale of value which is attached to it. Now there is no such thing as any vicissitudes in the prices of *all commodities* with respect to bank money, although nothing is more common than fluctuations in agio, with respect to current money; consequently, bank money has a property and a stability in it, which no material money is capable of acquiring, and for that reason it is preferable to it, and is properly considered as the thing fixed.

QUEST. V. Will not the imposition of coinage in England prevent, upon many occasions, the carrying bullion to be coined at the mint, when it would be carried were the coinage free?

QUEST. 5. Will not the imposition of coinage in England frequently stop the mint?

ANSW. Without all doubt. When coinage is free, every man who imports bullion runs with it to the mint; there it is proved, cut, and stamped to his hand, and at no cost. Now to what purpose all this expence; why carry bullion to be coined, while the balance of trade is against a nation, since such bullion must be re-exported, together with a part of the national stock of the metals? Besides, the coining of it gratis, adds not the smallest value to the metals con-

ANSW. Certainly; when the balance of trade is unfavourable.

sidered as a manufacture; consequently, upon the exportation, the whole price of coinage is entirely lost, and the national stock of coin is not thereby augmented; nor would it be augmented while trade is unfavourable, were five hundred mints kept constantly at work.

But this is an advantage to England which France now enjoys.

The imposition of coinage, therefore, has these good effects. First, it prevents bullion from being coined, except when such coined bullion can remain in the country and augment the national stock of coin. Secondly, as has been said, it gives an additional value to the coin, even in foreign countries, and thereby prevents it from being melted down abroad, in order to be re-coined in other mints, and thus augment the stock of coin in rival nations.

I believe no body ever imports louis d'ors to be coined in the English mint (notwithstanding of the benefit there is in importing gold into England from France, where the proportion of the metals is lower) yet nothing is more common than to carry guineas to every foreign mint, at the bare price of bullion. This is the reason why so little English coin, and so much French coin is found in circulation, in countries foreign to both these nations.

The coin of France passes in other nations above its value as a metal, and returns to France unmelted.

Louis d'ors, in consequence of the high imposition of coinage in the French mint, pass current, almost every where, for more than their intrinsic value, even when compared with the coin of the very nation where they circulate without the sanction of public authority; and when that authority regulates their currency, according to their intrinsic value, such regulation has the same effect as forbidding them altogether; because the moment a money-jobber lays his hand upon them at the statute value, he circulates them no more; but sends them either back to France, or to some country where they pass, by a conventional value, above their intrinsic worth. Thus louis d'ors, as well as all French coin, are effectually prevented from being melted down, and so soon as the balance of the French trade becomes favourable, they return home.

QUEST. 6. Is not this return a loss to France?

QUEST. VI. Is not this return of louis d'ors to France, upon the balance of their trade becoming favourable, a loss to France; since, in

in that case, the balance of their trade is paid with a less weight of bullion than it would be paid with, were their coin worth no more than bullion; and secondly, because when the coin is exported to pay the balance, it is exported upon the footing of bullion, and when it returns it is paid back at an advanced price?

The difficulty of resolving this question proceeds from the complication of circumstances in which it is involved; and the intention of proposing it, is to shew how necessary it is, in practice, to combine every circumstance in political problems.

I shall therefore observe, that since, at all times almost, French coin passes (out of France) for more than its intrinsic value, it is not well possible to suppose that, even during a wrong balance of the French trade, their coin can ever fall so low as the price of bullion; consequently the French by exporting their coin, upon such occasions, above the value of bullion, that nation is a gainer of all the difference. This operates a compensation of the loss (if any they sustain) upon the return of their coin. In the second place, when the balance becomes favourable for France, and when there is found a profit in sending back the French coin, the demand that is made for it, by those who want to pick it up in foreign countries, raises the value of it there in circulation; this again favours the trade of France, and makes the difference of paying what one owes to France in bullion at the market price, or in louis d'ors at the advanced value, very inconsiderable; which consequently prevents merchants from finding any great advantage in sending back large quantities of it.

Besides, when the coin returns, although it has an advanced value, it has no advanced denomination. It was exported according to its numerary value, and it returns upon the same footing. Farther, when the coin returns as the price of French merchandise, for the same value it bears in the country, I cannot discover a principle which can make this appear to be a loss to France. The loss therefore must be upon the exportation of the coin, not upon the return of it. But we have said that if it be exported at a higher value

It is no loss
to France.

Another
view of this
question.

value than that of the bullion it contains, this must imply a profit to France. Consequently, the remainder of loss upon exportation must be apparent, not real: It is a loss to Frenchmen, who, in exporting the coin below the full value of it (coinage included) lose a part of what they had paid the King for the coinage; that is to say, they lose it so far as they do not draw it back *in full* from the foreigners to whom they owe; but it is no loss to France: on the contrary, it is a gain, as far as any part of the coinage is drawn back; and this is the case as oft as the coin is exported above the price of bullion.

Or in another view. This going out and returning of the French coin, may be considered as a loss to France in this respect, that when the balance of her trade is against her, when her coin loses of its advanced value in payments made to strangers for the price of foreign commodities, those who consume such commodities in France, must consume them at an advanced price to themselves, but at no additional profit to foreign suppliers; because as to these last, the French coin, with which we suppose the commodities to be paid, having lost of its value every where, cannot then purchase so much as at another time, and consequently is not worth so much to the foreign supplier who receives it. For the better understanding of what has been here said, attention is to be had to the difference there is between a *national* loss, and the loss sustained by the individuals in a nation. The balance of trade is the national profit, or the national loss; but the gains or losses of individuals, may be compatible with either a right or a wrong balance of the trade of the nation to which they belong. This will be fully explained when we come to treat of exchange.

In this respect, therefore, France may be supposed to lose upon exporting her coin, to wit, so far as she consumes foreign commodities at an advanced value; but then I say, that in this case France loses the whole price of the commodities, not the advanced price only; because she loses the balance of her trade. Abstracted from that, I say she loses nothing. Who loses then the advanced price? I answer, the consumer of the commodity loses it, and I say that

that no body gains it. This is what, in the eighth chapter of the second book, was called positive loss, and it is owing to the annihilation of a part of the advanced value of the coin, which the operations of commerce have effectuated.

In these respects only can France be considered as a loser upon exporting her coin; but in having it returned upon her, when at an advanced price above bullion, the loss is nothing; because the advanced price then is a real value added to the coin, and there is no manner of difference as to France, to receive, for the balance of her trade, an hundred pounds weight of her own louis d'ors, or an hundred and eight pounds of standard gold bullion, at such times as bullion is commonly carried to the mint; because the one and the other weight of coin and bullion will answer the same occasions both in the Paris market, and in most trading towns in Europe.

From these principles we may gather how effectually the imposition of coinage must prevent the melting down of the coin, providing a sufficient attention is had to preserve the denominations of the coin in both species at the exact proportion of the market price of the metals.

QUEST. VII. The two metals being only valued by one another, if the English, by valuing the gold higher than the French do, occasion the exportation of their silver, why should not the French, by valuing their silver higher than the English do, occasion thereby the exportation of their gold? And if the English, by over-rating their gold, prevent the carrying silver to be coined at their mint, why should not the French by over-rating their silver prevent the carrying gold to be coined in their mint?

ANSW. The English over-rate their gold not only with respect to other nations, but with respect to the value of it in their own market; whereas the French preserve, in their gold and silver coins, nearly the proportion between the metals as they are sold in their own market.

In France no body can profit by melting down either of the species, in order to sell it, with advantage, as bullion; but in England,

QUEST. 7.
If by over-rating gold, the English lose their silver, why should not France, by over-rating silver, lose their gold?

ANSW. Because the English rate their gold above the value of it in their own market, the French do not so with their silver.

land, by melting the heavy silver coin, one may sell it in London for more gold than the same coin not melted can purchase.

But here it is objected, that although the proportion between gold and silver, in the English coin, were set upon a par with that of the metals in the London market, still one species may be exported with profit, providing the proportion be different in other nations.

There is little force in this objection, and were there any, it would be an additional argument for the imposition of coinage; because by this the exportation of either of the species, for the sake of any small difference which may sometimes be found between the proportion of the metals in the different markets of Europe, would be prevented. This circumstance however requires a more particular examination.

It is a principle in commerce, that the demand for any commodity raises the value of it; and every nation knows how to profit of a demand for what they have.

Whenever, therefore, one of the metals bears an under value in one nation, below what it bears in another, that under value makes that species more demanded by strangers, and it consequently rises in its value, even at home.

By this principle the proportion between the metals in European markets is kept nearly the same, and the small difference which is found does not so much proceed from the demand of foreign trade, as from the taste of the inhabitants. The foreign demand tends to set the proportion even in all markets, and the internal demand for one metal preferably to another, is what makes it vary.

The carrying the metals backwards and forwards is attended with risque and expence; there is not, therefore, so much danger of a nation's being stripped of one of its species of current coin by such a trade, as there is when the proportion of the market price of the metals is different, at home, from that observed in the coin;

How the proportion of the metals is kept nearly the same in all European markets. Because when home demand disturbs the proportion, foreign trade brings it even again.

because in the last case, every one may profit of the disproportion, at the trifling expence of melting down the rising species.

From this we may conclude, that nations ought to regulate the proportion of the metals in their coin, according to the market price of them at home, without regard to what it is found to be in other nations; because they may be assured, that the moment any difference in the market price shall begin to be profited of, that very demand will alter the proportion, and raise the market price of the metal sought for by foreigners. While the coin, therefore, is kept at the proportion of the market at home, and while the denominations of both species are made to keep pace with it, it will be utterly impossible for any nation to hurt another by any such traffic in the metals.

We may farther conclude, that it is to no purpose for nations to agree by treaty upon a certain proportion between silver and gold in their coins: it is the several market prices every where which alone can regulate that proportion, and the only method to keep matters even between them, is to make the denominations in both species keep an equal pace with the price of the metals in their own market.

Here it is farther objected, that were these principles just, there would not be found so great a disproportion as there actually is, between the value of gold and silver in Europe, and in the empire of China.

To this I answer, that the principles are just, and that this difference proceeds from incidental circumstances which I shall now point out.

First then, the European trade hardly penetrates into that vast empire. 2. The lowness of the proportion between gold and silver is maintained by the high internal demand for silver in China. 3. The India trade being every where in the hands of companies, there is not so great a competition between the sellers of silver, in the Chinese market, as if that trade were open to every private adventurer; consequently the price of it is not so liable to be diminished.

Coin of gold and silver should be proportioned to the rate of the market at home,

and nations cannot fix that proportion by any convention among themselves.

Why is the proportion of the metals so different in England and Asia?

Answer to this.

finished. And last of all, the expence of carrying silver thither, and the long lying out of the interest, would put a stop to the trade; were the proportion between the metals to rise in China. This prevents competition still more between the different European companies, and consequently prevents the rising of the proportion.

I need not observe, I suppose, that the term *rising of the proportion*, denotes the rising of the price of silver; as when being at that of 1 to 10, it comes, for example, to that of 1 to 11. This term has been already explained.

QUEST. 8. Is it the interest of Princes to debase the standard of their coin?

ANSW. This question has been already touched upon in the twelfth chapter of the first part. Perhaps some farther observations upon it may not be found superfluous.

In order to set it in a fair light, I shall begin by reducing it to its ruling principle.

The question turning entirely upon the *interest* of Princes, I shall take no notice of the iniquity of such a measure with respect to their subjects; but shall confine it purely to the *interest* they may have in exercising this branch of prerogative.

ANSW. It is their immediate interest so to debase it when they are debtors, and to raise it when creditors, but always unjust.

I answer then, as I have hinted above, that it is their *interest* to debase the standard of their coin when they are in the situation of debtors; and it is their *interest* to raise the standard when they are in the situation of creditors.

Debasing the standard I have explained to be the diminution of the intrinsic value of the unit below what it was before, either by raising the denomination, augmenting the alloy, or diminishing the weight of the coin.

Now since Princes pay their servants by denominations, that is, by money of account, the more they augment the denomination of the coin they possess, the more they gain upon what they have at the time. But they lose proportionally upon their revenue ever after; because the rents and duties levied on their subjects being

also paid by denominations, the Prince loses every year on his income what he had gained upon one operation.

From this we may draw a principle, that Kings who have begun to debase the standard, ought to go regularly on every year, as long as they find themselves in the state of debtors; and when they come to alter their situation, and become of the class of creditors, it is then their interest to raise the standard. This must be a little further explained.

It has been abundantly proved, that increasing the denomination, or debasing the standard, must constantly be advantageous to the whole class of debtors; consequently, Princes, who are upon certain occasions obliged to lay out more than they receive, may then be considered as being of that class. Whoever receives from another what the other is obliged to pay him, may be considered as a creditor; whoever gives to another what the other is intitled to demand of him, may be considered as a debtor. Those, therefore, who both pay and receive, are, upon the whole, either debtor or creditor, according to the side which preponderates. He who is obliged annually to pay more than he annually receives, must be obliged either to run in debt, to borrow, or to take from a fund already formed (a treasure). The maxim therefore is, first to fill the exchequer with the annual income; then to debase the standard; and last of all to pay. The debts paid, and the current expence brought within the income; then is the time to raise the standard. This operation is like that of the ram; he runs back in order to advance again with more force.

The great master of government and political oeconomy well understands this doctrine. He is now spending his treasure, not his income. He is then in the state of the debtors, and accordingly is regularly every year debasing the standard of the S—n coin. This debasement, I suppose, regularly takes place after the contributions for the year are paid. So soon as the war is over, and that this oeconomical Prince shall return to the state of creditor, he will, I suppose, suppress the currency of all this bad money, and restore

Who are debtors and who creditors, and how Princes who incline to rob their subjects may avoid robbing themselves at the same time.

Example of a Prince who is now employing this engine against his enemies, not his subjects.

the standard. That is to say, he has during the war been ruining all the class of creditors in permanent contracts (the S—n nobility) and when the peace is re-established their own Prince may indemnify them, if he pleases, by restoring the former value of the unit. All sudden revolutions are hurtful; but necessity has no law*.

This, in a few words, is, I think, the answer to the question proposed. Princes have for several centuries, in almost every nation in Europe, been gradually debasing the standard of their money-unit; and the debts they have contracted during the debasement have constantly been an argument against the restoring it. But had they first regulated all their debts upon the footing of the last debasement, stipulating with their creditors that they were to be paid upon the footing of the then currency, that is to say, according to the French stile, *an cours du jour* of the stipulation; they then might, without any advantage to their creditors, and with great profit to themselves, have restored the standard, and so prepared the means of executing the same operation as before, upon a new emergency.

Those who have writ against this practice of debasing the standard, have made use of wrong arguments to dissuade Princes from following such a measure. They have first represented it as hurtful to their own interest. This we have seen is not always true. They have also endeavoured to prove that it is vastly prejudicial to commerce. This is the great point laboured by Dutot, in his *Reflexions Politiques sur le Commerce*; but to very little purpose. All the facts and arguments he has produced to prove (by the course of exchange) that the variations made in France in the standard value of their crown of three livres did hurt to the trade of that nation, prove nothing at all, as it would be easy to shew, were this a proper place. The hurt done to manufactures is greater; but, in a trading nation, those establishments being under the influence and direction of merchants, who are perfectly instructed as to every consequence of such alterations, the manufacturers, after

* Writ in the year 1760.

a very

a very short time, raise their prices to the full proportion of the increase in the denomination of the coin.

The real inconveniencies which proceed from this exercise of power, may be reduced to three.

1^{mo}, It disturbs the ideas of a whole nation with regard to value, and gives an advantage in all bargains, to those of the society who can calculate, over those who cannot.

2^{do}, It robs the whole class of debtors when the standard is raised; and it robs the whole class of creditors when it is debased.

3^{tio}, It ruins credit; because no man will borrow or lend, in a country where he cannot be sure of receiving back the value of his loan; or of being in a capacity of clearing himself by paying back the value he had borrowed.

This last circumstance has overturned the whole scheme in France. Princes would go on debasing their standard as formerly, could they do it and preserve their credit. But who will lend a shilling to a Prince if he suspects he will pay him back, perhaps, with sixpence? The Prince above mentioned does not borrow; and as he is the only one in this situation, he may debase his standard; but others cannot venture upon such a step.

QUEST. IX. What is the best form to be given to coin?

ANSW. The intention of coinage, for circulation, being to ascertain the quantity of the fine metals in every piece, and not to represent the effigies of the sovereign, we see a manifest difference every where between the impressions struck upon medals, and those of the current coin: in the first, the head is raised, in the last, it is purposely made flat.

Antiently, the impression put upon some of the English coins was a cross; which being indented upon the penny, instead of being raised, occasioned these pieces frequently to be broken into four parts. This is said to have given rise to the denomination of farthings, or fourth parts. The indenting the impression upon the coin, is no doubt a preservative against its wearing; but as it is

The proper arguments against it are three.

1. It disturbs the ideas of a people with regard to value.

2. It either robs the class of debtors or of creditors.

3. It ruins credit.

This last circumstance will probably put an end to the practice.

Quest. 9. What is the best form to be given to coin?

Difference between medals and coins.

Of indenting the impression.

liable to other inconveniences, and is so repugnant to custom, it would be ridiculous, perhaps, to propose it.

I shall reduce, therefore, all I have to propose as a supplement to what has been said already on this subject, to a very few observations.

The less the surface, the less the wear is the less.

1^{mo}, The less surface any piece has in proportion to its mass, the less it is worn in circulation; and as all coin is made cylindrical, that whose form approaches nearest to the cylinder, whose height is equal to its diameter, must have the least. Coin therefore ought to be made thick, and for this reason louis d'ors are of a better form than guineas, and guineas of a far better form than ducats. Were it easy to give the surface a spheroidal form on both sides, rendering the coin thicker in the middle than at the edges, the surface would be thereby a little more diminished.

The advantage of heavy pieces for the greater part of the coin; yet small denominations are useful, in some cases, for preventing the rise of prices.

2^{do}, The great credit of paper in England, is a vast advantage in many respects. It renders coin less necessary. While that credit subsists, large payments will always be made in paper; and this renders the coinage of gold in large heavy pieces less necessary. The coin, therefore, in England, ought to be calculated for the easy changing of bank notes, not with a view to the making great payments in it. For this purpose, two and three pound pieces might be full as convenient as single guineas, and half guineas might be proscribed. Small denominations of gold coin lead to expence, and tend to raise the prices of such commodities as people of fashion pay immediately out of their own pockets. As for the silver, the same principles are to be observed. Crown pieces are very convenient in payments, and have a great advantage over shillings and sixpences in point of surface. The practice in France of coining the greatest part of their silver in such pieces abundantly shews how few of the lesser denominations (that is shillings, &c.) are necessary for carrying on circulation.

Mixed metal better than copper for small d. no.

3^{to}, The copper coin of England is exceedingly bulky, in order to give it an intrinsic value. This makes many people ashamed to carry

carry it; consequently increases expence, and raises the price of many things for the reason already given.

What inconveniency could there possibly be in making pence of a mixed metal of a much lower standard than the other coin. The coin would be less bulky, and the intrinsic value might be preserved. This is the custom all over Germany. The lower denominations of the coin are all of different fineness. The standard for what they call the *gras*; the 7, the 10, the 17, the 20 creutzer pieces, are all of different fineness; but still in the same sum, in whatever coin it is paid, according to the laws, there ought to be found the same quantity of fine silver. This enables them to coin pieces of very small denominations which have however the same intrinsic value with the other denominations of the coin, and which are neither of an unwieldy bulk, or of an inconvenient smallness. This is the regulation in Germany: I do not say that the regulation is well observed.

Farthings of copper are good and convenient; a few of these ought always to be preserved in favour of the lower classes of the people, who thereby are enabled to keep down the prices of the small necessaries of life: a matter of the greatest importance to a trading nation.

Nations ought to copy from one another what is good and convenient, and should be above the thralldom of little prejudices in favour of established customs, which have frequently nothing but custom to recommend them.

4^{to}, It must be observed that upon adopting the German regulation as to pence, such coin must not be allowed to be put up in bags of coin delivered by weight; nor made a legal tender beyond the value of the lowest silver coin.

minations, as appears from the practice in Germany.

Mixed metal never to be bagged up with fine.

CHAP. VII.

Of the Regulations observed in France, with regard to Coin, Bullion, and Plate.

IT now only remains, that I lay before the reader what I have been able to gather, upon good authority, concerning the regulations in some of the principal nations of Europe, with regard to their mint: and this so far only as is necessary for illustrating our subject, and confirming the principles we have been laying down.

The marc is the unit of French weight at the mint. The remedy of weight upon silver what.

The unit of weight in the French mint, is the *Marc*, composed of eight ounces, every ounce containing 576 grains. The marc consequently contains 4608 grains of Paris weight, called *poids de marc*.

By this weight the bullion is delivered to, and the coin is taken from the workmen in the mint, to whom the King gives an allowance of 36 grains upon the weight of every marc of coin delivered. This allowance is called *le remede de poids*.

A marc therefore of French silver coin, is not to be reckoned at 4608 grains, but at 4572 grains effective.

The standard of fineness is 11 fine to 1 alloy.

The *Titre* or title, as the French call it, or the standard of their silver coin, is 11 parts fine to 1 part alloy. At this rate we shall find in this *Marc* of coin, consisting of 4572 grains standard silver, 4191 grains of fine silver, and 381 grains of alloy.

Remedy of alloy what.

But the workmen have also an allowance of 3 grains upon the fineness, which introduces a new equation.

The mass of silver in the French mint (when we speak of the fineness) is supposed to be divided into 12 deniers, and every denier into 24 grains; which, in this acceptation, are both denominations of proportion, not of weight.

Any mass of silver, therefore, of whatever weight, must be supposed to contain $12 \times 24 = 288$ grains of proportion; consequently,

were the standard exactly 11 deniers fine, the proportion would be marked thus, 264 grains fine, to 24 alloy; but since there is an allowance of 3 grains of proportion, called *le remede d'alloy*, this brings the proportion to be as 261 is to 27. This is the exact standard of French silver coin, and answers to 10 deniers and 21 grains fine, which is the term used in the mint.

To find, therefore, the number of grains of fine silver in a marc of the French silver coin, we must state this proportion, $288 : 261 :: 4572 : 4143.38$.

The marc, therefore, of coined silver, after all deductions for alloy, and for *remede de poids*, contains of fine silver 4143.38 grains Quantity of fine silver in a marc, as delivered at the mint.

This *marc* is coined into 8 great crowns and $\frac{1}{4}$ of a crown, value in the coin 49 livres, 16 fols. Into what coined.

If therefore 4143.38 grains of fine silver, be worth 49 livres 16 fols, 4608 grains (or a marc of fine silver) will be worth 55 livres 6 fols 9 deniers.

But the mint price of fine silver is 51 livres 3 fols 3 deniers.

The difference, therefore, between the mint price of fine silver, and the price of it in the coin, will shew exactly the expence of coinage; consequently there is withheld for the expence of coinage and duty of seignorage (all which deductions and impositions are called *le trait des monnoyes*) 4 livres 3 fols 6 deniers upon every marc of fine silver. To know how much this makes *per cent*. state it thus,

$$55.162 : 55.38 :: 100 : 108.2$$

So that in France there is 8.2 *per cent*. deducted upon the coinage of silver, as has been said. Let us next examine the regulations as to the gold. The price of coinage $8\frac{1}{2}$ per cent. upon silver.

The marc, as above, is the unit of weight for the gold, and contains, as has been said, 4608 grains, of which 15 grains are allowed to the workmen for the *Remede de poids*: remains of standard gold in the marc 4593 grains. Remedy of weight upon gold.

The fineness of standard gold. The fineness is reckoned by carats (not a weight, but a denomination of proportion) for the gold, as the denier is for the silver. Fine gold is said to be, as in England, of 24 carats. The carat is divided into 32 parts, so $32 \times 24 = 768$, are the parts into which any given mass of gold is supposed to be divided, when we speak of the standard fineness.

The remedy of alloy upon gold. The standard of French gold is the same with that of silver, to wit, $\frac{17}{18}$, or 22 carats fine. Upon this the workmen are allowed $\frac{1}{18}$ parts of a carat, for the *Remede d'alloy*; which reduces the standard to $21\frac{1}{18}$ carats fine, to $1\frac{1}{18}$ carats alloy. This expressed according to the division above mentioned, stands thus, 692 parts fine to 76 alloy.

To find, therefore, the number of grains of fine gold in a marc of the coin, we must state the following analogy.

$$768 : 692 :: 4593 : 4138.48.$$

The marc into what coined. The marc of gold coin therefore contains, after all deductions, 4138.48 grains of fine gold.

This marc is coined into 30 louis d'ors of 24 livres each, value in all 720 livres.

If therefore 4138.48 grains of fine gold be worth in the coin 720 livres, the marc of fine gold, or 4608 grains, will be worth 801 livres 12 fols.

But the mint price of fine gold is 740 livres 9 fols 1 denier.

Mint price of a marc of fine gold. The difference, therefore, between the mint price of fine gold, and the worth of it in the coin, (viz. 61 livres 3 fols 2 deniers) will shew exactly the price of coinage.

If we ask how much this makes *per cent.* we may state it thus,

$$740.409 : 801.68 :: 100 : 108.2.$$

The price of coinage 8 1/2 per cent. upon gold. Which no way stops the mint. So in France there are 8.2 *per cent.* deducted for coinage of the gold.

By the foregoing calculations it appears, that the King takes above 8 *per cent.* upon the coinage both of gold and silver.

For many years past there have been no violent methods used to bring bullion to the mint, and yet we see, by the dates upon the French coin, what great quantities have been struck both of gold and

and silver. This is a most convincing proof, I think, that the imposition of coinage, when properly laid on, is no interruption to the mint; and being a matter of fact well determined, is a confirmation of that principle.

Let us next examine the proportion between the value of the metals, both in the coin and at the mint.

For this purpose we must compare the mint prices in one equation, and the value of the gold and silver coin in another.

At the mint, a marc of fine silver is paid 51.162 livres, and a marc of fine gold 740.409 livres; consequently $51.162 : 740.409 :: 1 : 14.47$.

A marc of fine silver, in the coin, is worth 55.38 livres; a marc of fine gold, in the coin, is worth 801.68 livres. We may therefore state thus, $55.38 : 801.68 :: 1 : 14.47$.

The proportion, therefore, both at the mint and in the coin is the same; and is nearly as the French writers state it, to wit, as 1 is to 14.47, but more exactly as 1 to 14.47, which is very nearly as 1 to 14.5.

From these computations we find the exact quantity of fine gold in a louis d'or, and of fine silver in a great crown, or piece of 6 livres. In the louis d'or there are 137.94 grains fine, and 153.1 standard gold.

In the great crown there are 499.22 fine, and 550.843 standard silver.

Farther, by the most exact calculations I have been able to make, after comparing the accounts which French writers give of the proportion of the English troy grain, with the grain of the Paris pound, and the accounts which English writers give of the proportion of

French grains, with those of the troy pound; and after checking these accounts with the most accurate trials, by weighing and taking a mean proportion upon all, I find that a French grain *pois de marc*, is to an English grain troy, as 121.78 is to 100. See the table. What a shame it is, that such proportions can only be guessed at by approximations, in the age in which we live!

To discover, therefore, the number of troy grains of fine gold in a louis d'or, state thus, 121.78 : 100 :: 137.94 : 113.27.

Now a guinea contains 118.651 troy grains of fine gold, and yet, in almost every country in Europe, the louis d'or, in time of peace, passes for as much as the guinea, when both are of good weight. This is a matter of fact well known, and is a confirmation of another principle which I have laid down, to wit, that the imposition of coinage gives an advanced value to a nation's coin, even in foreign countries.

The fineness of the French silver wrought into plate, is different from that of the coin. The fineness of the coin we have said to be 10 deniers and 21 grains, or 261 parts fine, to 27 alloy; and the value of a marc of it (when the 36 grains of remedy of weight is deduced) is 49 livres 16 fols, which makes the full marc of 4608 grains to be worth 50 livres 4 fols. The standard of the plate is 111 deniers, or 274 fine, and 14 alloy. In order, therefore, to find the value of the plate, at the rate of the coin, state thus, 261 : 50.2 :: 274 : 52.7; consequently silver plate in France, at the rate of the coin, is worth 52 livres 14 fols.

When goldsmiths sell their plate, they ought regularly to charge, for the metal, the current price of the market; but as that is constantly varying, the King, for their encouragement, has fixed the value of the marc of it at 52 livres, which is only 14 fols per marc below the value of the coined silver, including the price of coinage. Consequently, were goldsmiths to melt down the coin in order to make plate of it, they would lose 14 fols per marc, besides the expence of reducing the melted coin to the standard of the plate. Goldsmiths, therefore, in France, will never melt down the coin when they can find bullion in the market, at the price of 14 fols per marc below the value of the coin; and we have seen that the price imposed on coinage generally reduces the bullion to near 8 per cent. below coin: but supposing them to melt it down, there is no loss to the state, because the coinage is already paid.

By

By this regulation, goldsmiths profit by the imposition of coinage; because the mint price of silver being 8 per cent. below the value of the coin, and that keeping the price of bullion low, goldsmiths gain upon the sale of their wrought plate, all the difference between the price they pay for bullion when they make their provision of it, and the price they are allowed to sell it at when wrought.

Another consequence of this regulation is, that there is no competition occasioned between the mint and the goldsmiths, to the prejudice of the latter. No body will carry bullion to the mint while there is the least demand for it to make it into plate. This consequence is plain.

Bullion can never fall lower than mint price; consequently, the mint may rather be considered as receiving the bullion upon an obligation to pay a certain price for it, than as demanding it in the market. The smallest demand, therefore, from the goldsmith, will raise the price of bullion when it stands at mint price; because he who has it, will never give it to any body who has occasion for it, without some small advantage above what the mint must give him for it; but the mint price being fixed, no competition can come from that quarter, and therefore the advanced price the goldsmith gives must be very small.

Upon the whole, the regulations in France appear (so far as I comprehend them) admirably well contrived to serve every purpose. They prevent the melting down and exporting of the coin; they prevent bullion from being coined, when it cannot remain in the kingdom; they give an advanced value to that part of the nation's coin which must be exported for the payment of the balance of trade; and they recall it home when the balance becomes favourable. They prove an encouragement to the industry of goldsmiths; there is a sufficient check put upon their melting down the specie; and there is no discouragement given to private people from making plate, because the silver in the plate is sold by the goldsmith, a small matter below its intrinsic worth when compared with the coin.

The only thing to be reformed is the remedies allowed by the King upon the weight and fineness; because it tends to perplex calculations, and is not at all necessary. When exactness can be procured, it ought to be procured; and as the workmen regularly profit of all the remedies allowed them, it is a proof that they have no occasion for any indulgence to make up for their want of dexterity.

I shall make no mention of the duty of *controle* upon wrought plate. This I consider as an excise upon a branch of luxury; consequently, the examination of it belongs to the doctrine of taxation, and is foreign to that of money.

It has been said above, that the imposition of coinage (occasioning the coin of France to circulate, almost at all times, above its intrinsic value as bullion, even in foreign countries) prevented bullion from ever rising in the Paris market to the price of coin. This principle I also find confirmed by facts.

Foreign gold of 22 carats fine, sold in the Paris market (December 13th, 1760) at 712 livres the marc. In order to find the value of the marc of fine gold, state thus, 22 : 712 :: 24 : 776.7. Now the marc of fine gold in the coin, we have seen to be 801.12 fols. So at this time, when France is engaged in a most expensive war, while she is daily exporting immense quantities of both gold and silver coin, to pay her armies and subsidies, the price of gold bullion in her market is 24 livres 18 fols per marc below the value of her coin. Nothing but the advanced value of her specie in foreign currency, could possibly produce such a phenomenon. But when she was sending stamped ingots of gold to Russia, in the month of September last, the price of the gold bullion of 22 carats then rose to 734 livres per marc, which for the marc of fine gold makes 800 livres 14 fols, which is but 18 fols below the value of the coin. The reason is plain: the coin sent to Germany, or Holland is constantly returning to France, or at least may soon return, which supports the high price of it in these countries; but what was sent to Russia was plain bullion.

Before

High price
of bullion in
the Paris
market
during the
year 1760.

Before I conclude this chapter, I must say a word concerning the wearing of the French coin by circulation.

As paper money has no currency in France, by any public authority, all payments must be made in coin. For this purpose the silver is more commonly used than the gold; from which I am obliged to conclude, that the silver must be somewhat over-rated in the coin, above the proportion of the price of gold in the Paris market; but of this I have no exact information.

The silver coin is put up in sacs of 200 great crowns, value 1200 livres. This sum on coming out of the mint, weighs, according to the following equation, 23 marcs 7 ounces 152 grains. State thus, 8.3 great crowns = 4572 grains standard silver; consequently, 200 = 110168.6 = 23 marcs 7 ounces 152 grains.

These sacs, according to my information, weigh constantly at least 23 marcs 7 ounces, exclusive of the sac; so that the French silver currency has not, at this time, lost above 152 grains upon the sac of 1200 livres, which is about $\frac{137}{1000}$ per cent. This is a trifle upon a small sum; but as no difference, however small, is a trifle upon a large sum, a limit ought to be set to the farther diminution of the weight of the currency, which might be accomplished easily, by ordering all sacs of 1200 livres to be made up to the weight of 23 marcs 7 ounces effective, for the future. This would be, at present, no injury to the public, there would be a sufficient allowance given for many years circulation of the coin, and the degradation of it in time coming, would be effectually prevented.

Present state
of the wear-
ing of the
French silver
coin.

CH A P. VIII.

Of the Regulations observed in Holland, with regard to Coin and Bullion.

Present state of the Dutch currency. **I**T comes next in order to examine how this matter stands in the states of the United Provinces, and with this I shall conclude.

We shall here find the question infinitely more involved in combinations, than hitherto we have found it. We shall find the most sagacious people in the world, with regard to trade and money, struggling with all the inconveniencies of an ill regulated coinage, and an old worn out silver currency; carrying on their reckonings by the help of agio; weighing their specie; giving allowance for light weight; buying silver with silver, and gold with gold; as if it were impossible to bring the value of these metals to an equation; and loading commerce with an infinity of brokers, Jews, and cashiers, without the aid of which it is impossible in Holland either to pay or to receive considerable sums in material money.

It is very true that what must appear an inextricable perplexity to a stranger, is really none at all to the Dutch. Trade is there so well reduced to system, and every branch of it so completely furnished with hands to carry it forward, that the whole goes on mechanically, and though at a great additional expence to trade in general, yet at none to the merchant; because he regularly fums up all this extraordinary expence upon his dealings, before he super-adds his own profit upon the operation. Were therefore all this unnecessary expence avoided, by a proper regulation of the coin, the consequence would be, to diminish the price of goods to strangers, as well as to the inhabitants, to leave the profits upon trade, relative to the merchants, exactly as before; and to increase, considerably, the trade of the republic, by enabling them to furnish all commodities to other nations cheaper than they can do, as matters stand;

stand; but were this plan put in execution, the consequence would also be, to take bread from all those who at present live by the disorder, which ought to be removed.

Of the regulations in the Dutch mint.

The unit of weight in the Dutch mint, is the marc *Holland's troes*, or gold weight. Regulations in the Dutch mint.

This weight is about $1\frac{1}{2}$ per cent. lighter than 8 ounces English weight, without coming to the most scrupulous exactness. Their unit of weight is the marc Holland's troes.

This marc is divided into 8 ounces; every ounce into 20 engles; every engle into 32 aces or grains. The ounce therefore contains 640, and the marc 5120 aces. By this weight, bullion is bought, and the coin is delivered at the mint, or weighed in circulation, when weighing is necessary.

The mint delivers the silver coin by the marc weight; but from the full weight, there is deducted as a *remedy*, one engles and one ace, or 33 aces: so the marc of the mint, by which they deliver the silver, contains 5087 aces, in place of 5120. The remedy of weight on silver.

The fineness of the Dutch silver is various, according to the species. I shall here, for the greater distinctness, take notice only of the fineness of the florins; because it is the best and the most standard coin, used in the payments of foreign bills of exchange, leaving the other varieties of their specie to be considered afterwards. The fineness of silver is different in different coins.

By florins I mean (besides the florin pieces) those also of 30 stivers, and the 3 florin pieces, the standard of which is all the same, wit, $\frac{1}{12}$ fine with one grain of remedy. Florins are $\frac{11}{12}$ fine with one grain of remedy.

The mass of silver in the Dutch mint, (when we speak of the fineness) is supposed to be divided into 12 pence, and every penny into 24 grains, as in France. How they reckon their silver standard.

Any mass of silver, therefore, of whatever weight, is supposed to be divided into 288 parts; consequently by $\frac{11}{12}$ fine with one grain of remedy, is meant, that there are 263 of these parts *fine*, and the remaining 25 parts of *alloy*. This is the exact standard of the Dutch florins.

To

To find therefore the number of grains of fine silver in the marc weight, as it is delivered at the mint, we must state this proportion, 288 : 263 :: 5087 : 4645.4.

Exact quantity of fine silver in a marc weight of Dutch florins as they come from the mint. The marc therefore of coined silver florins, after all deductions for alloy, and for remedies of weight and of fineness, contains of fine silver 4645.4 aces Hollands troes.

This marc is ordered to be coined into $23\frac{67}{100}$ florins. If therefore 4645.4 aces of fine silver be worth $23\frac{67}{100}$ or (in decimals, for the sake of facilitating calculation) 23.2024 florins, then the full marc or 5120 aces of fine silver will be worth 25.572 florins by this analogy, 4645.4 : 23.2024 :: 5120 : 25.572.

Mint price of fine silver. But the mint price of the marc of fine silver is 25.1 florins. The difference, therefore, between the mint price of fine silver, and the price of it in the coin, will shew exactly the expence of coinage. State thus,

The price of a marc of fine silver in the coin	fl. 25.572
Price of ditto as paid by the mint	25.1
Price of coinage	0.472
To know how much this makes <i>per cent.</i> state thus,	
	25.1 : 25.472 :: 100 : 101.48

Price of coinage in Holland is about 1½ per cent. Of the Dutch gold coins. So that in Holland there is not quite 1½ *per cent.* taken upon the coinage of silver florins. Let us next examine the regulations as to gold coin.

There are in Holland two species of gold coins of different weights, fineness, and denominations, to wit, the *Ducat* and the *Rider*; we must therefore examine them separately.

The ducat is what they call a *negotie pfenning*, that is, a coin struck under the authority of the state, in all the mints, and of a determinate weight and fineness; but not a legal money in payments, because it has no *legal* denomination.

Ducats are delivered by the marc weight as the silver; but there is a remedy of weight deducted of one engle per marc. So the marc of ducats, as delivered by the mint, weighs but 5088 aces.

The fineness of the ducats is (as in the empire) of 23 carats 8 grains; but in Holland they allow one grain of remedy.

The standard of the gold is reckoned by carats and grains: 24 carats are called fine gold, and every carat is divided into 12 grains; so let the mass of gold be of what weight soever, it is always supposed to contain 288 parts, that is, 12x24: at this rate the fineness of ducats is 283 parts fine gold, and 5 parts alloy.

The imperial ducats ought to be 284 parts fine, 3 parts silver, and one part copper, without any remedy; but in Holland the assayers bring the gold to the fineness of 23 carats and 8 grains; then they suppose that what remains is all silver, and they take their remedy by adding one grain of copper. Dutch ducats are therefore something in the fineness, though nothing in the weight below the regulations of the empire.

To find the number of grains of fine gold in the marc weight, as it is delivered from the mint, we must state this proportion, 288 : 283 :: 5088 : 4999.6.

The marc, therefore, of gold coined into ducats, after all deductions for alloy, and for the remedies of weight and fineness, contains 4999.6 aces of fine gold. This marc is ordered to be coined into 70 ducats.

If, therefore, 4999.6 aces of fine gold, be worth 70 ducats, then the full marc of 5120 aces of fine gold will be worth 71.687 ducats, by this proportion, 4999.6 : 70 :: 5120 : 71.687.

But the mint price of the marc of fine gold is 71 ducats.

The difference, therefore, between the value of a marc of fine gold in ducats, and the price given by the mint for the same quantity of fine gold bullion, shews the expence of coinage. State thus,

Price of the marc of fine gold in ducats	71.687 ducats
Mint price of the marc ditto	71
Price of coinage	0.687

To know how much this makes *per cent.* state thus, 71 : 71.687 :: 100 : 100.96.

So that there is not quite 1 *per cent.* taken in Holland upon the coinage of their gold ducats.

But upon the silver florins there is (as we have seen) near 1 $\frac{1}{2}$ *per cent.* consequently, there is an encouragement of 1 $\frac{1}{2}$ *per cent.* given for carrying gold to the mint preferably to silver; which, in my humble opinion, is ill judged. I allow that the expence of coining a sum in silver is greater than the expence of coining the same sum in gold; but I think it is better to allow an additional profit to the mint upon the gold, than to disturb the equality of intrinsic value which ought to be contained in the same sum coined in gold and silver. But indeed, according to the present state of the Dutch mint, this small irregularity is not much to be minded, as we shall see presently.

Riders are a coin but lately used in Holland. Formerly, the Dutch had no legal gold coin, silver was their standard; and ducats as a *negotie pfenning* (as they call them) found their own value, having no determinate legal denomination, as has been said.

But of late the States have coined this new species of gold, to which they have given a fixed denomination, and the authority of a legal coin, to be received in all payments, so far as one third of the sum to be paid; the other two thirds must be paid in silver; but of this more afterwards, our present business being to examine the weight, denomination, and fineness of this species.

Riders are coined by the State alone, no private persons carrying bullion to the mint for that purpose; the coinage, therefore, not being open to the public, it is in vain to seek for a mint price. They are delivered at the mint by tale, not by weight; so we must inquire into the statute weight, fineness, and denominations of this species, in order to discover the quantity of fine gold which is contained in the florin of this currency: this we shall compare with the florin in the ducat, and so strike an equation between the florin in this standard coin, and in the other, which finds its own price, according to the fluctuation of the metal it is made of.

A marc

A marc of fine gold struck into riders circulates for 374 florins. This is the regulation as to the weight.

The standard is exactly $\frac{1}{14}$ fine, or 22 carats, without any remedy. The denomination is 14 florins for every rider, the half rider in proportion. To discover therefore the quantity of fine gold in a rider, we must first divide 374 by 14, which will give the number of riders in the marc fine, viz. 26.714 riders; then we must say, if 26.714 riders contain a marc of fine gold, or 5120 aces, how much will one rider contain? The answer is $\frac{5120}{26.714} = 191.65$.

Divide this by 14, and you have the number of aces of fine gold contained in a florin of this currency, $\frac{191.65}{14} = 13.69$.

Here then is the exact weight of the fine gold contained in one florin of the currency in riders.

Let us now examine how much a ducat ought to pass for, in order to be upon a par with the currency of the riders.

We have seen that a marc of fine gold is coined into 71.687 ducats. That number of ducats, therefore, to be upon a par with the riders, should be worth 374 florins. Divide, therefore, this last number by the first, you have $\frac{374}{71.687} = 5.217$ florins, which is a little more than 5 florins $\frac{1}{3}$ stivers.

Were the States, therefore, to give a fixed denomination to ducats, they ought to be put at that value; but the trade of Holland requires that this coin should be allowed to fluctuate, according to circumstances. The great demand at present (1761) for gold to send to the armies preferably to silver, on account of the ease of transportation, has raised the value of that metal, perhaps $\frac{1}{4}$ *per cent.* above what it would otherwise be. If then $\frac{1}{4}$ *per cent.* be added, it will bring the ducat to the present current value, to wit, 5.4 $\frac{1}{3}$ florins. If, therefore, in order to bring the currency of ducats upon a par with the riders, they were fixed at 5.4 $\frac{1}{3}$ florins, it is very plain, that no more would be sent away in payment at that rate, because of the present advanced value of gold; consequently, none would be coined; the mints would be stopped, and the armies would be paid

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in guineas and Portugal gold; the melting and recoinage of which keeps all the mints in Holland in constant occupation.

This, besides employing and giving bread to a number of hands, multiplies the Dutch currency, at a time when they have so great occasion for it.

Let us next examine the proportion of the metals in the coin.

Here we must adhere closely to the regulations of the mint above mentioned, and only determine what the proportion of the metals would be, were the coin of Holland, both gold and silver, of standard weight, and were it the practice to pay for the metals at the mint, indifferently in either species. But neither of these suppositions are to be admitted: First, because the silver coin is not of its due weight; and in the second place, because the mint never buys gold bullion but with gold coin, nor silver bullion but with silver coin. This is the infallible consequence of a coinage ill regulated in what relates to the proportion of the metals, which ought respectively to be put into the same sum, in the two different species.

It would be endless to examine the proportion of the metals, with respect to every species of their coin. It would also be incorrect to examine it as to the ducats; because that species has no fixed legal denomination; and the proportion of the metals is to be discovered by the denomination of the coins only.

Ducats pass current among the people for 5 florins 5 stivers; but with merchants, who buy them as merchandize, their value is continually varying. At present (September 1761) the new coined ducats brought in bags from the mint, which never have circulated, are bought for 5 florins $4\frac{1}{2}$ stivers; those which have circulated (were it for a day) fall, from that very circumstance, to 5 florins $4\frac{1}{2}$ stivers; which is a diminution of near $\frac{1}{4}$ per cent. of their value. This phenomenon shall afterwards be accounted for.

This being the case, we have no method left to judge of the proportion of the metals in the coin of Holland, but by the proportion of fine gold and fine silver found in the same sum, paid in florins

How to find the proportion of the metals in the coin of Holland, and a wonderful phenomenon in the value of ducats.

Were all the coin of full weight, the proportion would be as 1 to 14.62.

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of full weight, and in new riders; the one and the other coined according to the regulations of the mint above mentioned.

It has been shewn that a marc of fine gold in riders, circulates for *f.* 374, and that a marc of fine silver in florins, circulates for *f.* 25.572; divide the first by the last, you have the proportion as 1 to 14.62: But we shall afterward discover a circumstance, not taken notice of in this place, which will reduce the proportion lower.

From the above calculations, we may easily discover the exact quantity of fine silver and fine gold contained in a Dutch florin, whether realized in silver florin pieces, in gold riders, or in ducats. As this will be of use when we come to examine the par of exchange, it will not be amiss to set before the reader, the exact state of that particular before we proceed. We have said that whoever receives *f.* 24.572 in silver florins of full weight, receives a marc of fine silver, which contains 5120 aces. Divide the last sum by the first, you have 200.21 aces of fine silver for the florin.

Whoever receives *f.* 374 in gold riders, receives a marc of fine gold, which contains 5120 aces. Divide the last sum by the first, you have 13.69 aces of fine gold for the florin.

We have seen that ducats fluctuate in their value, having no legal denomination, which obliged us to state the current value of a marc of them at 71.687 ducats, not being able to express that value in florins; because of the unsettled denomination of that species. Let us now specify that value in florins, upon three suppositions. The first, that the ducat is worth what it passes for among the people, to wit, *5 f.* 5 *fl.* The second, at the value of new ducats from the mint, to wit, *5 f.* $4\frac{1}{2}$ *fl.* The last, at the merchant price of good ducats, which have circulated, to wit, *5 f.* $4\frac{1}{2}$ *fl.*

In the first case (the ducat at *5 f.* 5 *fl.*) 71.687 ducats are worth 376.35 florins, this being the value of a marc of fine gold in ducats, and the marc containing 5120 aces; divide the last by the first, you have 13.604 aces of fine gold for the florin.

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In the second case (the ducat at 5*f.* 4½*fl.*) 71.687 ducats are worth 375.04 florins; by which number divide 5120 as before, you have 13.651 aces of fine gold for the florin.

In the last case (the ducat at 5*f.* 4¼*fl.*) 71.687 ducats are worth 374.11; by which number dividing 5120, you have 13.685 aces of fine gold for the florin, which comes within a trifle of the florin in riders.

But now (in June 1762) I learn, that the course of new ducats from the mint in the Holland-market, is got up to 5*f.* 5½*fl.* in this case, 71.687 ducats are worth 378.1 florins; by which number dividing 5120, as before, you have 13.541 aces of fine gold for the florin.

If we seek here the proportion between the gold and silver, we must state thus. If a florin in ducats contain 13.541 aces of fine gold, and a florin in silver coin contain as above 200.21 aces of fine silver, then 13.541 : 200.21 :: 1 : 14.785. So the effect of this war has already been to raise the value of gold 1.12 *per cent.* above what it was esteemed to be, when the riders were coined.

The proportion as to riders is, as before, 1 to 14.62.

The present proportion as to ducats is 1 to 14.785.

$$14.62 : 100 :: 14.785 : 101.12.$$

I must farther observe upon this subject, that although we have seen that the ducats which have circulated for ever so short a while, when bought at 5*f.* 4½*fl.* produce for the florin 13.685, (which is more than is produced by the new coined ducats fresh from the mint) we are not from this to conclude, that the former are intrinsically a cheaper currency than the latter. I have been at all the pains imaginable to weigh these ducats against others fresh from the mint; and also to compare their weight with what it ought to be by the regulation; and I have constantly found near ¼ *per cent.* difference between them. This is entirely owing to the nature of the coin. The ducat has a large surface in proportion to its weight; it carries a very sharp impression, full of small points; the cord about the edges is exceedingly rough; so that the least rubbing, breaking

by which it appears that the late war has raised the value of gold, and set the market price of the metals in Holland at 1 to 14.785.

Which is a rise upon the value of gold of 1.12 *per cent.*

breaking off those small points, diminishes the weight of the price near ¼ *per cent.* which is clear loss, not only to the proprietor, but to the state, and to all the world. Besides, those who are obliged to go to the mint for new ducats, are supposed to bear the greatest weight of the coinage of a piece which, having no legal denomination, is left afterwards to seek its own value, according to that of the metals at the time.

As I have entred into this minute detail of the weight of fine silver and fine gold contained in the Dutch florins, with a view to facilitate the calculation of the par of the metals contained in the coins of Holland, and those of other nations; I must next mention the proportion between the aces in which we have expressed the weight of the Dutch specie, and the grains in use in some of the principal nations with which they trade: These I take to be England, France, and Germany.

The reduction of weights to mathematical exactness, is beyond the art of man; and to this every one, who ever tried it, must subscribe. I have been at all the pains I am capable of, to bring those weights to an equation; and here follows the result of my examination into that matter.

By all the trials and calculations I have made, I find that 5192.8 aces Holland-troes; 3840 grains English troy weight; 4676.35 grains Paris poid de marc; and 4649.03 grains Colonia (which is the gold weight of the empire) are exactly equal.

I reckon by the lowest denomination of these several weights, to wit, their grains; to avoid the endless perplexity of reducing to a proportion, their pounds, marks, and ounces, which bear no regular proportion to their grains.

To give some examples of this method of calculating the exact par of the metals contained in the coin of those nations, reduced to the weights of Holland, I shall state the following computations.

A pound sterling in silver, by the statute of the 43d of Elizabeth, is 1718.7 grains troy fine; to know how many aces Holland-troes that makes, state thus, 3840 : 5192.8 :: 1718.7 : 2324.1.

Divide:

The intention of this minute detail is in order to calculate the real par of the coins of Europe.

Proportion between the mint weights of Holland, England, France, and Germany.

Par of a pound sterling, in weighty silvers, with Dutch florins in riders, is 11 florins. 12 silvers.

Divide 2324.1 by 200.21, (the number of aces contained in a silver florin) you have for the par of the pound sterling, *f.* 11.609.

Par of the pound sterling in gold with ditto, is 11 florins 3 rivers and 3.

A pound sterling in guineas, by the statute fixing guineas at 21 shillings, contains 113 grains troy fine; to know how many aces Holland-troes that makes, state thus,

$$3840 : 5192.8 :: 113 : 152.8.$$

Divide 152.8 by 13.69, (the number of aces contained in a gold florin in ridders) you have for the par of the pound sterling in guineas, *f.* 11.161.

Par of a French louis d'or with the same florin, is 11 florins 3 rivers and 3.

A French louis d'or contains 137.94 grains poid de marc fine gold; to know how many aces Hollands that makes, state thus,

$$4676.35 : 5192.8 :: 137.94 : 153.17.$$

Divide 153.17 by 13.69, (the number of aces contained in a gold florin in ridders) you have for the par of the louis d'or, *f.* 11.188.

Par of 24 livres French in silver with the same florin, is 11 florins 12 rivers.

24 livres French, contain 1996.88 grains poid de marc of fine silver; to know how many aces Hollands that makes, state thus,

$$4676.35 : 5192.8 :: 1996.88 : 2217.4.$$

Divide 2217.4 by 200.21, (the number of aces in a silver florin) and you have for the par of 24 livres French silver, *f.* 11.076.

Great balance of trade against France, in September 1761.

The French silver here is less valuable in Holland than the gold: this is no proof that the proportion between the metals in the respective coins of these two nations is different (we shall soon find it to be very exactly the same); but this preference in favour of the French gold, is owing to the temporary demand for gold on account of the war; for which reason no French silver coin appears at present in Holland. I write in September 1761.

I must also observe, that at this time the course of louis d'ors is 11 *f.* 4*l.* which is little or nothing above the real par of the metal they contain; which in peaceable times is not the case. This proves how strongly the balance of trade is against France with respect to Holland; as it has reduced her specie to the price of bullion: it is not so in Germany.

Low value of the pound sterling in Holland, in 1761.

The low value which a pound sterling has borne for these several years in exchange, and the great fall of its worth in Holland of late,

late, when it has been at 10 *f.* 10*l.* is no argument against the high conversion I have given it, to wit, above 11 *f.* 12*l.* Were there nothing but silver coin in England, and were it all of standard weight, exchange would frequently run even above that value in peaceable times; because the silver coin in Holland is light, and I have reckoned it as if it were of full weight.

It will be observed, that the par upon the gold does not quite amount to 11 *f.* 4*l.* the reason of which is the great disproportion in the British coin, between the intrinsic value of a pound sterling in silver, and in gold, when both are of standard weight; the latter being near 5 *per cent.* worse than the former, when the proportion of the metals is supposed to be at 14*l.* But at present there are no sterling pounds in silver money; there is no silver in England in any proportion to the circulation of trade; and therefore the only currency by which a pound can be valued, is the guinea.

It has been said, and I think sufficiently proved, that the price of the metals in the market, shew very exactly the weight of the currency in nations where coinage is free, when there is no severe prohibition (*put in execution*) against the exportation of the coin. This time, I take to be the case in England: Now gold there has risen of late to 4*l.* 0*s.* 8*d.* per ounce; from which I conclude, that the guineas with which it is bought, or with which bank notes are paid, are at present so light, that 4*l.* 0*s.* 8*d.* of them do not weigh above an ounce, (the good guineas are exported) whereas an ounce of new guineas is worth no more than 3*l.* 17*s.* 10*d.*

Gold, therefore, which now sells for 4*l.* 0*s.* 8*d.* would certainly be worth no more than 3*l.* 17*s.* 10*d.* were English gold coin of its proper weight: and the price of it will come down to that value, in proportion as circumstances shall call back the heavy guineas.

To facilitate the verification of this point, I shall first observe, that the difference between 4*l.* 0*s.* 8*d.* and 3*l.* 17*s.* 10*d.* is 4.57 *per cent.* The English gold currency, therefore, at the time standard bullion was worth 4*l.* 0*s.* 8*d.* must have been worn 4.57 *per cent.* Guineas,

neers, when of full weight, weigh 129.43 grains of troy weight; if such guineas are worn 4.57 *per cent.* they ought to weigh no more than 123.23 grains troy. Now let any man try the experiment, and put an old guinea, taken by chance (not picked out) into a scale, and see whether it has not been worn down to 123.23 grains; and let him also examine whether the *greatest part* of the guineas, at the time when gold bullion has got to so high a price, are not of King George I. and his predecessors: these I call old.

Besides these there are other circumstances to be attended to. Men who job in coin, pick up all the worst guineas they can when they go to market; or if they buy with paper, we may decide, that the bank at that time pays in guineas not above the weight of 123.23 grains troy; for if the bank paid with guineas of a greater weight, he who had occasion to carry his paper to market to buy gold bullion, would certainly rather go to the bank, and afterwards melt down their guineas. Were the bank of England never to pay but in gold of full weight, and were the exportation of guineas free, it is impossible that gold should ever rise above the mint price, which is 3*l.* 17*s.* 10*d.*

As a farther confirmation of the justness of the high valuation I have put upon a silver pound sterling of standard weight, I shall observe, that a new guinea passes in Holland (at the time when the exchange is at 10*f.* 10*fl.*) for 11*f.* 11*fl.* and every body knows, that such a guinea in England is not above the intrinsic value of a silver pound sterling of full weight. If then I can get 11*f.* 11*fl.* for a new guinea, I ought to get as much for a new silver pound sterling, since the intrinsic value of both is the same, when the proportion of gold to silver is as 1 to 14. Now this guinea must be worth more than 11*f.* 11*fl.* because the Jews, who carry them to the mint, give that price for them (I have disposed of them to Jews at that value *); and as the coinage of ducats costs, as we have seen, near 1 *per cent.* the guinea is intrinsically worth 2 shillings more, that is 11*f.* 13*fl.* but as gold at present bears an advanced price

* This was writ in Holland.

upon

upon account of the war, and that the proportion between gold and silver is in Holland above 1 to 14, these are the reasons why the guinea, in Holland, is at present something above the intrinsic value of a silver pound sterling, which we have stated at *f.* 11.609, a trifle above 11*f.* 12*fl.*

Let me here observe, by the bye, that all the pounds remitted from Holland to England, for filling the subscription for 12 millions of last year, cost the remitters but about 10*f.* 10*fl.* for the pound sterling. If this low course of exchange be owing (as some pretend) to a wrong balance of trade against England, and not (as I pretend) to the lightness of the gold currency; then we must allow, that the expence of the German war (which is what alone carries off coin out of the kingdom) must have exceeded all the profits of the English commerce, which I apprehend to be at present immense; and also all the money lent by foreigners towards the loan of 12 millions. I leave to others more knowing than myself, to determine if such a supposition be admissible. If it be rejected, let any man reflect how absurd it would be to raise, at this time, the standard of the pound sterling to the old value; and to repay at 11*f.* 12*fl.* such sums as have been borrowed at the value of 10*f.* 10*fl.* or in other words, to make a present to the Dutch creditors of above 11 *per cent.* upon account of a loan for a year or two.

Having now given as good an account as I can of the Dutch coin, according to the regulations of the state, I shall next point out the defects of their silver currency, and shew the consequences which result from them. As for the gold, it is at present perfectly well regulated. The riders are all exact in their weight, fineness, and denomination; the ducats are all now recoined of legal weight and fineness; and the denomination not being fixed, they serve, in a trading nation, as a merchandize, of which the weight and fineness are well ascertained. The only defect, therefore, I can discover in the Dutch gold currency, is the form of the pieces. They have too much surface in proportion to their weight, and the impression

is too sharp; both which contribute greatly to the wearing of the coin.

Account of
this cur-
rency.

The silver currency of Holland is of two sorts. The bank species, and the current species. Here it must be observed, that by bank species is not meant Amsterdam *banco*, or bank money, but certain coins which are called *bank species*. These are,

Pieces of 3 guilders.

30 stivers.

20 stivers.

These are called *groff gelt*, as being the good specie, of which hitherto we have only spoken. Sums to be paid in bank species, must be composed of $\frac{2}{3}$ of this currency, and of $\frac{1}{3}$ of what follows, viz. Riders of 14 florins.

Dutch half crowns of 28 stivers.

Ses halves of 5 $\frac{1}{2}$ stivers.

I have put in the riders, though a gold coin, in order to give a compleat enumeration of all the kinds of these bank species.

Regulations
for the pay-
ment of fo-
reign bills
in coin.

Foreign bills drawn on Rotterdam in *banco* (i. e. bank species) are often received *there*, in any of the above species, without regard to the $\frac{2}{3}$ which ought to be *groff gelt*; but when the holder of the bill desires the acceptor (which the latter cannot refuse) to write it off to his credit in the current bank of Rotterdam, and that he has there no stock, then, if he brings in specie to the bank, it must be as above specified.

Ditto for
current bills.

Current bills, not specified by the word *banco*, are generally paid according to the following proportion:

$\frac{1}{10}$ in schillings of 6 stivers.

$\frac{1}{10}$ in dubleties of 2 stivers.

$\frac{6}{10}$ in good silver.

Ditto for
merchan-
dize.

Merchandize are paid with all kinds of Dutch silver, $\frac{1}{10}$ only in dubleties, and $\frac{1}{10}$ gold, less or more, or sometimes none, according to agreement.

The deno-
minations of
the several
silver cur-

From this exposition of the matter, it is very evident, that all these currencies must be of different intrinsic values, in proportion

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to their denomination; otherwise, why all this trouble about regulating the proportion to be received in payments? This proceeds from two causes: first, from the wearing of the pieces; the second, from the disproportion of the fineness in pieces of the same weight and denomination.

As to the first, to wit, the wearing of the coin, I shall observe, that the three denominations of the good silver, to wit, the 3 guilder pieces, the 30 silver pieces, and the 20 silver pieces, are put up promiscuously in the same bags; being of the same fineness, and consequently of the same value, in proportion to their weight. These bags contain 600 florins each, and the legal and full weight, with which they are weighed at the bank current of Rotterdam, is 25 marcs 5 ounces and 10 engles. Now the exact weight of a florin, according to the regulation, is, as we have said, 200.21 aces fine; then the 600 florins ought to weigh 1201.26 aces fine, which at the standard of 263 parts fine to 25 alloy, is 131545 aces standard: by this analogy, 263 : 120120 :: 288 : 131545; which is equal to 25 marcs 5 ounces 10 engles and 13 aces. So the weight at the bank is but 13 aces lighter than in strictness it ought to be; which is so small a difference, that it could hardly turn a scale with such a weight suspended in it: for which reason, I suppose, it is left out, for the sake of the even reckoning of 25 marcs 5 ounces.

Did these bags of silver coin come up to the full weight, then the silver currency in Holland would be good as to those pieces; but as the greatest part of them are old, having been struck with the hammer, and are of unequal weight, having been coined (*al marco*) in the old fashion, when coin was weighed by the marc, and not as at present piece by piece, it is impossible they should be of legal weight: the bank, therefore, allows 2 ounces of remedy in receiving those sacs, that is, they put 2 ounces into the scale with the sac, and if they find that the sac is still light, but that the deficiency does not exceed one ounce more than the remedy, they throw out the coin and reckon it over; and if the tale be just, and that none of the pieces appear to have been clipped, they receive it as if it

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were

were of due weight: if it prove above 3 ounces short of the just weight, they do not receive it.

All allowances for light weight are an abuse.

Here is a palpable abuse, from a disorder in the coin. If a fac is ever so little too light, why allow it to pass, as if it were of due weight? Nothing is so easy as to order such deficiency to be made good by the deliverer. Weights are made for exactness, and all remedies are awkward and incorrect.

This allowance must open a door to malversations in a country like Holland, where there is almost no milled silver coin. The old hammered money was not weighed at the mint, as has been said; piece by piece: it was sufficient that every marc of it answered to the legal denomination: under such a regulation, it is very plain; that there must be many pieces above the legal weight, as well as many pieces below it. Is it to be supposed that money-jobbers will not profit of that inequality, by reducing the heavy pieces to their standard weight, when by such an action they cannot be convicted of any crime? This is one abuse.

By reducing the heavy pieces to their legal weight, the currency is degraded; because that which is taken from these ought to be left to compensate what the light pieces fall short. The bank, therefore, by giving the remedy, gives a kind of sanction to this malversation.

Farther, if a money-jobber in Holland.

Farther, if a money-jobber gets some facs above the current weight, is it to be doubted but he will reduce them as near as he can to the lowest weight received at the bank? And if he should mistake, and reduce them too low, he has still an expedient for cheating the public, which shall be mentioned presently.

The best silver coin in Holland is, upon an average, 1 per cent. too light.

Now let us suppose, that the specie we are speaking of is, upon an average, only 2 ounces *per fac* below the standard. If it be no more, this circumstance does great honour to the money-jobbers. Such a deficiency, however, amounts to within a mere trifle of 1 *per cent.* Is not this an object of great importance, upon all the silver specie of Holland; especially as the remedy given by the current

current bank, is a tacit permission given to every body who has address, to rob so much from all the weighty coin?

Now let us, by the way, correct the former calculation we made upon the proportion of the metals in the Dutch coin. We said above, that a marc of fine gold in ridders circulated for *f.* 374; and that the same weight of silver circulated for *f.* 25.572, which gave for the proportion 1 to 14.62; but here we find that the marc of silver has lost by fraud and wear 1 *per cent.*

From which it follows, that the actual proportion of the metals in their coin is as 1 to 14.479.

Now the marc of silver being 5120 aces, if they have lost 1 *per cent.* there will remain 5068.8 aces. If these 5068.8 aces, therefore, circulate for *f.* 25.571, the full marc must be worth in the coin *f.* 25.83.

In order then to find the exact proportion of the metals in the Dutch currency, we must divide 374 by 25.83, instead of dividing by 25.572, as we did when we supposed the silver of full weight: Now $\frac{374}{25.83}$ is = 14.479. So the proportion is as 1 to 14.479, the same, within a trifle, of that received in France; which is as 1 to 14.47. But if we attend to every circumstance, we shall find the proportion still lower than the last calculation makes it; for in that, we have searched for it with respect to the best silver specie in Holland; whereas we ought, in strictness, to calculate the gold, against a mixture of $\frac{1}{3}$ of less valuable specie, with $\frac{2}{3}$ of the good: but when computations cannot be brought to perfect exactness, it is better not to attempt a calculation.

Before I leave the consideration of the inequality in the weight of the Dutch currency, I must take notice of another circumstance of considerable importance.

Another abuse in the silver coin of Holland.

No payments, made in silver, below *f.* 600, are subject to be weighed; any more than what circulates without being put up in bags. What restraint, therefore, is there laid upon money-jobbers, with respect to this part of the currency? When these gentlemen have occasion for money bagged up, they take care that such specie shall be of the proper weight to pass at the current bank, and as for all that is light, they either employ it in payments be-

low *f. 600*, or throw it into the common circulation. This circumstance presents us then with two sorts of silver currency in Holland; that which is bagged up, and weighty; and that which is not, and light.

If we consider the trade of Holland, and the prodigious quantity of payments made in current money, we shall find the quantity of silver which circulates in loose pieces very small, in proportion to that which is bagged up: the regulation therefore of weighing the bags is of infinite importance; and were it not for that, the currency would be debased in a very short time. But the cashiers, who are the great depositaries of this currency, being obliged to deliver the bags of the legal weight, they are thereby restrained from tampering with it: and the bagging up, greatly preventing the wear, supports tolerably well the weight of this old currency of hammered money.

Reason of the great apparent scarcity in Holland of silver coin.

To people who do not attend to all these circumstances, there appears a prodigious scarcity of silver currency in Holland. It is there as difficult to get change for ducats, as it is in England to get change for guineas; and yet, upon examination, we shall find, that the intrinsic value of the silver coin, commonly given in exchange for the gold species, is far below the value of the gold.

A paradox to be resolved.

Here then is a paradoxical appearance to be resolved; to wit, How it can happen in trading nations, such as England and Holland, that in the exchanging light silver coin for weighty gold coin, people should be so unwilling to part with the silver, although really of less value than the gold.

This is the case in both countries: thus it happens in England, where there is so little silver currency; and the case is the same in Holland, where there is a vast deal. Let me therefore endeavour to account for these political phenomena.

Since the time I composed the former part of this inquiry into the principles of money and coins, I have found, by the trials I made in Holland upon the weight of the English silver currency, that shillings are at present (1761) far below the weight of $\frac{1}{10}$ of a pound

a pound troy, which is what they ought to be, in order to make 21 of them equal in value to a new guinea, according to the present proportion of the metals. It is therefore demanded,

1^{mo}, How it comes about that such shillings do not debase the value of the English standard below that of the gold?

2^{do}, Why are they so difficult to obtain, in change even for new guineas, which are of more intrinsic value every where? And,

3^{tho}, Why money-jobbers are not always ready to give them in exchange for new guineas?

These appearances seem inconsistent with the principles above laid down; and a reason must be given why these principles do not operate their effect in this example.

I answer, that circumstances are infinite, and must constantly be attended to; and there are in the case before us several specialities not to be overlooked; I shall therefore point them out, in my answers to the three questions, as they lie in order.

As to the first, I answer, that these shillings are in so small a quantity, in proportion to the gold species, that they cannot be employed in payments. Now it has been said above, that exchange (in trade) regulates the value of the pound sterling, and considers it as a determinate value, according to the combination of the intrinsic worth of all the several currencies, in proportion as payments are made in one or the other. Now (generally speaking) no commercial obligations are acquitted in silver. I do not understand by the word payments, a few pounds sterling sent from farmers in the country, perhaps in payments of their rents to their landlords; nor what falls into the public offices, in the payment of taxes. It is trade alone, and the payment of bills of exchange between different countries, which can ascertain the true value of that currency in which mercantile payments are made. Were these worn-out shillings in such plenty as to allow bills of exchange to be acquitted in them, I make no doubt but they would fall below the value of the $\frac{1}{10}$ of new guineas; every one would be glad to dispose of them for guineas, at the rate of their currency;

rency; and guineas, then, would be as difficult to be got for silver, as silver is now to be had for guineas. This would bring the standard still lower than it is at present; that is, below the value of the gold: but as payments cannot be made in shillings, their currency cannot affect the standard.

The second question is, Why they should be so difficult to obtain in change for guineas, which are above their value?

I answer, that it is not the intrinsic worth of the light shillings which makes them valuable, and difficult to be got; but the utility they are of in small circulation, forces people to part with their guineas for a less valuable currency. These shillings I consider (now) as *marks*, not as material money, fitted to a standard. Every body knows the difference between *marks* or *counters*, and *specie of intrinsic worth*. The copper coin of most nations is marks, and passes current, although it does not contain the intrinsic value of the denomination it carries; nor ought it to be a legal tender in payments above a certain sum. Such a regulation preserves its usefulness for small circulation, and prevents it, at the same time, from debasing the standard, and involving in confusion the *specific currency* (as I may call the gold and silver coins) when properly proportioned, and of just weight.

But shillings in England, although they be at present in a manner no better than marks, because of their lightness; yet in the eye of the law they continue to be lawful money, and a legal tender in payments. It is therefore of great consequence that such shillings be not in too great plenty. That would have been the case, had government come in to the plan proposed for the coinage of shillings below the standard; such shillings would have been coined abroad, and run in upon England, to the great detriment of the nation; and although they had been proscribed in payments, beyond a certain sum, yet they would have been so multiplied in small payments, as to have furnished a means of buying up the gold coin, and carrying it out of the country for an under-value. Whereas the worn shillings do not produce that bad effect, from the

the scarcity of them, and from the impossibility of imitating them in foreign mints*.

The answer to the third question, viz. Why money-jobbers are not always ready to give old shillings for new guineas? is easy, from what has been said. They cannot pick them up below the mean value of the currency; because of the great demand there is for them in exchange for guineas; therefore they can gain nothing by providing them for that purpose.

It comes next in order, to solve a similar phenomenon in Holland, where there are great quantities of silver specie, and yet one can hardly find change for a ducat, except in a shop, where one has occasion to buy something.

This mystery is easily resolved. The great quantities of silver in Holland consist of what is put up in bags of due weight, accord-

* It is commonly believed that shillings are coined at Birmingham, and that government winks at the abuse, because of the great scarcity of silver in England. I find no foundation for this belief, after the inquiry I have made.

In the first place, Mr. Harris, who was the best assay-maker in Europe, told me, that a bag of those shillings had been sent to the mint by the Lords of the Treasury, to be tried by him: that he had found them to be English standard, to the most scrupulous exactness: that he did not believe any such correct assay could be made, except at the mint: that all the engravers of the mint declared it was impossible to imitate a worn shilling.

The trials I myself made were of a different nature. I examined the shillings with a magnifying glass; and found almost every one different in the impression, as well as in the weight. In some the back-part of the head was worn, in others the face: none, in short, were worn perfectly alike.

I put a handful of them into a coal fire; and taking them out when red-hot, and throwing them on the hearth, I plainly discovered, on many of them, some part of the arms of Great Britain appearing in the cross upon the reverse, in a different colour from the ground of the coin: in others indeed nothing could be seen: this was owing to the degree of wearing. How then can any dye strike an impression upon a coin, which answers all these appearances?

I communicated to Mr. Harris the trials I had made, and he was perfectly satisfied, upon the whole, that no old shilling had ever been counterfeited at Birmingham.

ing to the regulations mentioned above. This part of their currency is about $\frac{1}{2}$ per cent. better, in intrinsic value, than ducats at 5 *f.* 5 *fl.* tale for tale; which is a sufficient reason not to part with it, in change for ducats at that rate. But besides this bagged up bank specie, there are many other sorts of old worn-out coin, of unequal weight and fineness.

These serve as marks for the small circulation, and are not a legal tender in all payments; such as foreign bills. What is the consequence of this? Since this old specie carries denominations above its value, when compared with the bagged-bank-silver coin, it serves to buy up this good silver, when it falls into circulation; that is, it serves to buy up, or to exchange, florin pieces, which are, as I have said, $\frac{1}{2}$ per cent. better than ducats at 5 *f.* 5 *fl.* Such good silver pieces are not very common in ordinary circulation; but as it frequently happens that people receive silver in fact, for their daily expence, who do not mind the difference of $\frac{1}{2}$ per cent. when they pay in this good money, it circulates for a little time, until it falls into the hands of those who know it, and bag it up again. Thus it happens in Holland, from the disorder of their coin, that you may be paid a million sterling, if you please, in good silver coin; and yet you find difficulty to procure silver for a ducat, in the lightest, basest, and most awkward pieces imaginable for reckoning. The bad consequences resulting from this disorder, have been taken notice of in the proper place.

END OF THE THIRD BOOK.

AN
INQUIRY
INTO THE
PRINCIPLES OF POLITICAL OECONOMY.

BOOK IV.
OF CREDIT AND DEBTS.
PART I.
OF THE INTEREST OF MONEY.

INTRODUCTION.

I COME now to inquire into the principles of credit; a subject already introduced in the 27th chapter of the second book, where I examined the nature of circulation, and pointed out the principles, which direct a statesman when and how to retard or accelerate its activity, according as the political interests of his people may require.

In that chapter the object was, when and how either to extend or restrain the use of credit, according to political circumstances. The question now comes to be, what that credit is; upon what it is founded; what the various species of it are; what the methods of establishing and extending it, while in its infancy and vigour; how to sustain it when overstretched; and last of all, how to let it fall as gently as possible, when by no human prudence it can be longer supported?

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