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STRAY THOUGHTS
ON
WEALTH AND ITS SOURCES.

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STRAY THOUGHTS

ON

WEALTH

AND ITS SOURCES.

BY

MR. SERJEANT ROBINSON.

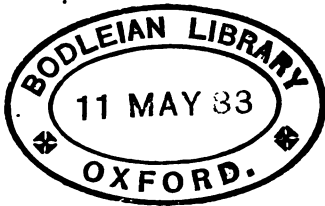
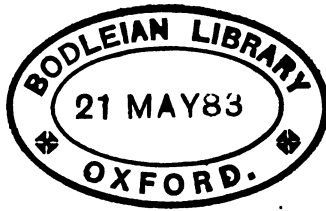
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STRAY THOUGHTS
ON
WEALTH AND ITS SOURCES.
A SKETCH.


THERE is no branch of knowledge that is less understood, less appreciated, or less cultivated than that of Political Economy. One would suppose that a science which teaches how wealth is to be acquired and increased would be a prominent one in men's thoughts and studies, since most of them are occupied with the task of augmenting their possessions and adding to their stores.

But then political economy mainly concerns itself with the mode of increasing the aggregate wealth of a nation, whilst individuals have their own particular mode of benefiting themselves, and are generally careless about the pecuniary well-being of the community, provided they themselves can manage to thrive. Individual interests are some-

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times diametrically antagonistic to the general one, and men enrich themselves by methods that, if ordinarily pursued, would tend to impoverish the country. For instance, monopolies furnish means to a few of accumulating riches at the expense of the many, and every one denounces a monopolist as an invader of the rights of his fellow-men; but singularly enough when protection or its synonym, fair trade, is advocated, we find it now frequently received with acclamation by two different classes of people—those who do not understand its principle or those who hope to obtain unfair advantages to themselves by its introduction. The granting of monopolies by Charles I. as a part of his assumed prerogative, cost him his head, and however outrageous may have been such a penalty, for a mere mistake in the estimate of his personal rights, yet even in this enlightened age people cannot or will not see that what is called protection seeks to confer as grievous a monopoly as could well be devised.

Another difficulty in the way of the study of political economy is that it is supposed to involve an intimate acquaintance with statistics, and nothing can be much more repulsive than the contemplation of such a task. Then again, considering the complicated interests of mankind, the diversity of



relations that subsists between the various classes of society—the theory of banking, of taxation, of stocks, shares, and exchanges—all which, it is assumed, must be thoroughly sifted and understood, it is perhaps not surprising that men's minds are not attracted to a science, in which, individually, they may deem they have no great interest, and which moreover they may think requires so much labour and devotion to accurately comprehend.

But many of these suggested difficulties are merely imaginary ones, and I venture to think that by a reduction of the matter to first principles, and by a series of plain propositions put into consecutive form, and divested of all the excrescences, by which on a first contemplation it seems to be encumbered, a better notion of the subject may be obtained than generally prevails.

I propose, therefore, to take a small community of men, locate them on an hitherto uninhabited island, and isolate them at first from all communication with the rest of the world. I, of course, furnish them at the beginning with the wherewithal to make a fair start in their new life, and then describe the course by which with proper industry and energy they may attain to considerable wealth.

I may then assume them to come into communication and competition with other communities in somewhat similar circumstances to themselves, and trace them onward to further prosperity and opulence.

But I wish it to be distinctly understood that I am not pretending to write a treatise on political economy. Neither do I arrogate to myself a claim to any fresh discovery, nor in fact to the enunciation of anything new, either in theory or argument. All I seek to do is to afford, by familiar and apt illustration of economic principles, food for thought and reflection to those who have never thought or reflected on the subject before.

Several of the axioms I lay down may be considered trite and commonplace, and scarcely worth enforcing; no doubt there are many propositions that only require to be stated to ensure universal assent; yet, taken singly and unconnected, they lead to little result. But when several kindred ones are combined, compared, and their mutual dependence upon one another made manifest, the process may be productive of very valuable conclusions. This view may be illustrated by referring to the component parts of a watch before they are put together. No one probably could look at them

without being struck by the delicate minuteness and exquisite finish of the springs, the chain, the wheels, and the pinions. But it would scarcely occur to any one, without foreknowledge, that they might be so combined as to form a machine that, by ordinary care, would, with wonderful accuracy, mark the time at any hour of the day or night for twenty or thirty years.

If I should be charged with frequently repeating myself, my answer and excuse must be that whether my views are right or wrong, I am anxious at least that my meaning should be clearly understood. The same example used in different connexions may be useful in establishing many various positions.

Several of my deductions and conclusions may be entirely erroneous. These will be readily detected by those who have gone more deeply into economic science than I pretend to have done, and to their criticism and correction I freely submit myself.

But before I enter into a description of my little community, and attend it on its voyage of discovery in pursuit of prosperity and fortune, I should like to say a few words on the subject of wealth—its nature, its sources, and its different phases. The term wealth is a very elastic, a very variable and indefinite one. The same thing may be very valu-

able in one condition, and utterly valueless in another. What may be of great use to one man, may be utterly useless to his neighbour. For instance, spectacles and eye-glasses, however serviceable to the many, would be of themselves valueless to the blind. One who could not read might just as well be without books as possess them. A merchant cast with a quantity of costly merchandise on a desert shore would be none the richer for his surroundings : he might perish for lack of nourishment in the midst of what, under ordinary circumstances, would be regarded as enormous wealth.

Again, one who had a much larger stock of provisions on his hands than he could possibly consume would, if he had no clothing, die in the midst of a rigorous winter from cold. Another who had a vast superfluity of clothing would, if he were without food, starve from hunger.

Now this evidently introduces into the definition of wealth, the attribute of exchangeability, or the power of parting with what we do not want for that which we may require, or wish to possess. For example, in the instances I have just put—if each man could have parted with his surplus to the other, both might have lived and prospered.

The sources of enjoyment are manifold, and they operate differently on different individuals; and, moreover, there is this tendency in most of us, that what we have once vehemently desired, soon palls upon us when obtained, and we sigh for some new and untried means of gratification.

The consequence of this is, that among all mankind, the peer and the peasant, the rich and the poor, there is a constant, never-ending traffic carried on—a continuous interchange of commodities taking place, according to the requirements or the necessities of the various individuals. This exchanging is effected by means of money, though the articles purchased by it are the main objects of desire.

Wealth then may be safely defined to be that which gives its possessor a command over the *necessaries*, the *conveniences*, and the *luxuries* of life; but unless he had the power and opportunity of parting with what he does not require, for that which he may wish for, a large portion of his possessions become valueless to him. We see then that the principle of exchangeability is clearly included in the term Wealth.

By *necessaries* I mean what is absolutely essential to man's continued existence, and they comprise

in their most simple form, food, clothing, and shelter.

Conveniences include what, though not actually necessary to us, yet still contribute materially to our comfort, or to the means of adding to our possessions; such as, for instance, chairs and tables—tools which save us much manual labour, carts and carriages which save both labour and time.

We come then to *luxuries*, which may be taken to be those things which tend merely to the gratification of the senses, the appetite, or the taste, without the slightest other real utility to the possessor or the world, except that the desire to possess them may stimulate people to work and labour, and so contribute to the substantial wealth of the community. I use the word substantial in a modified sense, because although works of art, for instance, may benefit a nation by civilizing and refining it—however they may enrich the individual who executes them—they do not in the slightest degree add anything to the productive capabilities of the general society. They have an exchangeable value, if a market can be found for them; but however many hands they may pass through, neither they nor the thing which is exchanged for them involve any increase in their respective worth.

Among luxuries (merely to give examples) may

be classed such things as precious stones, sculptures, paintings—as well as expensive wines and other objects which merely please the palate, as distinguished from those which contribute to the sustenance of the individual. It may be mentioned, however, here that many of the things usually considered as portions of a man's wealth may partake of the character of both conveniences and luxuries. For instance, a carved ebony table would not be really more useful than a common deal one. A richly chased goblet would not be more useful to drink out of than an ordinary delft one. As far as mere utility went they would be upon an equality ; yet there might be an enormous difference in their respective money values, where there was an open market for their disposal. But the article and the money paid for it would merely change hands, and there would be no more real value in the community than before. To possess the superior piece of workmanship might please a sentiment or a taste ; but in the possession of one, or of a succession of owners, it would do no more. Assuming it to be an heir-loom, which could not be parted with, it would only remain to be looked at, and hundreds of people might have the same pleasure in that respect as the proprietor himself.

In the same way it may be said that our open

parcs and museums afford as much amusement and pleasure to the public as to those who own them. They could scarcely be said to be the source of wealth to those whose actual property they might be. But call the right or title what we will, this consideration illustrates the difference between marketable and unmarketable value.

A wealthy man then means one who has more or less extensive property, a large portion of which he does not require for his own use, but which he has the means of exchanging for other property, or means of enjoyment, that he has a necessity or a fancy for.

It is said that none of us want to part with our money, but yet we are hourly and daily spending it with the view of obtaining more gratification than we should get by its retention in our purses.

If we were to keep it perpetually locked up in a chest—for all available service it would be to us—it might just as well be at the bottom of the sea.

But the fact must never be lost sight of that this bartering and exchanging, this buying and selling, add nothing, in themselves, to the wealth of a community. They stimulate production by inducing some to produce what others may require. They constitute the machinery by which wealth

may be distributed and indirectly augmented ; but, as I have said, they add nothing to the value of the articles exchanged, since what one man gains, the other loses.

With regard to the relation of money to wealth, I shall dwell on this subsequently ; but I may say here that all buying and selling is mere bartering one thing for another. If you buy corn with money, you buy money with the corn ; and the one is just as much a commodity as the other. However obvious this truth may be when stated, it is a much more important proposition than may at first appear, as I hope may be seen hereafter.

It is with nations precisely as it is with individuals : trade and commerce, *per se*, have no effect in increasing the value of the goods exchanged. Still, one country may have peculiar facilities for yielding or forming one species of things, while another may be singularly prolific in developing a different kind of produce which the first may require. The result, where there is unrestricted intercourse, would naturally be that each would produce more than it required for its own consumption, of what it could so advantageously create, in order that it might obtain from the other that of which that other had a profusion, and though there would be no increase

in either of the commodities exchanged, the transactions might very much tend to furnish a means of increase, as we shall see by and by.

But in any way it is easy to perceive that the two countries would be largely benefited by each obtaining what it might otherwise be in need of, either in the shape of necessaries, conveniences, or luxuries.

What, then, is the real origin of the world's wealth, viewing it with reference to the progressive increase of property and possessions from year to year. It is palpable that there is an enormous consumption and waste of valuable produce going on continuously. Yet, notwithstanding this destruction, we possess infinitely more riches than existed in the earlier stages of mankind.

Since the creation it might perhaps startle us to find that successive generations of men and animals have consumed and destroyed as much in bulk as would equal the substance of the earth itself. Of course, when I use the word destroyed, I do not mean it as an equivalent to "annihilated," because we know that no particle of matter, however it may be changed in form, is really lost to us. I only mean that what was once wealth, and had a specific value, is changed into something valueless and useless,

commercially or otherwise, although by the combined operations of nature and the energies of man the most worthless and noxious things may form the elements of future utility and wealth, and so contribute to the necessities, the comforts, and even become the source of luxuries to mankind.

Now if this vast increase in opulence may be truly asserted, how has it been brought about? Evidently by that part of created things that possesses vitality, and is thus capable of reproduction. Rocks, stones, the solid earth will not increase and grow. Neither a pebble nor a diamond can multiply itself; they will remain the same for all time, except by mechanical or chemical action in some way exercised towards them. Their form may be changed, but they cannot reproduce themselves. But all things that have life—men and other animals, plants, trees, vegetables—have the faculty of propagating themselves, and are capable of reproducing a large number of their own species, and it is worthy of remark, as evidence of providential design, that the lowest classes in the scale of vitality—those which are subservient to the wants and necessities of the higher ones—have in general by far the greater power of reproducing their kind, so that there may be less chance of failure in that which may be essential to

the existence of the superior grades. For instance, there is a limit, though an uncertain and undefined one, to the procreation of children, both as to number and time. That limit is far less applicable in the case of most domestic animals, while the seeds of plants and fruit will reproduce at the rate of a hundredfold.

We may then safely assume that the condition of vitality is the primary source of that which produces the increased wealth of mankind. There can be no other principle or example of increase—of the recuperation of that which has been destroyed. It is pretty clear, too, that men were intended from the beginning to work and toil for their subsistence. Omnipotence might, if it had so pleased, have caused the earth spontaneously to bring forth all the necessities and luxuries that human beings might require for their existence or enjoyment, and in such abundance that they might have them for the mere seeking: but then there would be no scope for the employment of those faculties with which they are endowed, and which must have been implanted in them for some special purpose.

Men differ essentially from the lower animals in this respect, that whatever is necessary for the continued well-being of the latter, and for the fulfil-

ment of their destiny, was provided for them with a lavish hand in the spontaneous and luxuriant vegetation with which the particular region in which they were placed abounded. They were not gifted in general, as superior intellects are, with foresight to perceive that their present store of food might be exhausted, and that it might be necessary to provide in time for its renewal. What they required was plentifully supplied to them by the teeming woods and plains, and by the copious streams that rushed down from the hills. There was no need of cultivation, nor for any labour, to ensure a supply of what their appetites might demand.

Moreover, they were given natural instincts which sufficiently instructed them in choosing that species of food which was best adapted to their peculiar physical conformation, with reference to health and longevity.

Nature, too, without any exertion of their own, gave them, according to circumstances, warmer clothing in the shape of wool and fur in winter, while the foliage of spreading trees afforded them shelter from the piercing rays of the sun in summer.

There is again this striking peculiarity about them, that the food which they eat and drink, their means of enjoyment, their sources of pleasure and

pain—in fact, their culture and civilization, if I may use the expression—were in general precisely the same probably at the creation as they are now.

This may be fairly accounted for by the fact that they have no language, and this circumstance would deprive them of all means of organization for the improvement of their condition, even if it were otherwise susceptible of advancement. No doubt they have limited means of communication with one another—of the nature of which we know nothing—but it merely resolves itself into one of those instincts which were bestowed upon them for the purpose of satisfying their immediate needs. Everything tends to show that the lower animals were intended to be subservient to the wants and requirements of man.

Probably in the very early period of the world men too were in much the same condition as the brutes in regard to their means of subsistence ; they lived at first on berries and the wild animals they killed, and whose skins supplied them with clothing, but they were imbued with higher aspirations, and were endowed with the desires and the means of augmenting the enjoyments and comforts of life, and they would thus make speedy progress towards comparative civilization.

Now assuming that it was part of the original

design that man should toil and labour, it is difficult to imagine a more effectual mode of carrying this out than by rendering those things that were most necessary to his actual existence speedily perishable. Meat, bread, fruit, vegetables, very rapidly decay, and perpetual labour and exertion are required to reproduce them. We cannot eat corn nor feed upon cattle as such, though we do partially live on the product which each furnishes. It is true, corn can be stored, fruit may be preserved, and cattle may live for a time; but even then they require labour to prepare, keep, and properly tend them.

It is, however, enough for my purpose to point out that the most pressing of our necessities, namely, food in general, decays more quickly than other things which, though essential to our well-being, are not so indispensable as the former. It would be obviously useless therefore to produce at any one time more perishable food than could be consumed within a given period, and thus arises the necessity for never-ceasing labour, in order to secure a continuous supply. It may be urged that only a few people, comparatively, are employed in producing the actual necessities of life. But it must be remembered that the rest must resort to toil and exertion in order to produce other things which may tempt

the cultivators of the soil to part with a portion of their food in exchange for them.

Now it may fairly be asked—if what we call wealth depends on the continuous reproduction of what in itself is perishable, and therefore cannot be long hoarded up, by what process do we go on constantly increasing it? The answer is simple. All realized property is in truth mere stored up labour, or, in other words, it represents the food and other necessaries that the labourer has consumed in producing or manufacturing it. The food has been used up, but it survives in the thews and sinews of the worker; his labour is exhausted, but it survives in the article, whatever it may be, upon which that labour has been expended.

The result of the operation then is this, the labourer is in the same, probably in a better, condition than when he began, and he is ready to begin again. He has been nourished and supported during the time, by the necessaries (or what is the same thing, money to purchase them) with which his employer has supplied him; while the employer has exchanged those necessaries which were perishable, and were useless to him personally, for a thing which would be more or less durable and permanent, and which must of course tend to his gratification,

or he would not have entered into the transaction. And this in its simplest form may serve as an exemplification of the principle on which wealth is founded.

If mankind could exist without food and other necessaries, and men still retained their energy and habits of industry, they could only employ their time in forming articles of convenience and luxury, each using his skill in producing what might be enjoyable by others, in order that he might exchange it for those products of theirs that might afford pleasure to *him*, and so there would be an ever-increasing accumulation of property as time went on.

On the contrary, if, constituted as we are—compelled to toil for our subsistence, the soil were so churlish as, with all our exertions, to produce no more than was sufficient to furnish us with the actual necessaries of life, upon which employment every one must be engaged, there would be neither time nor opportunity for the creation of any adjuncts to our comfort or our luxury, and there could be no accumulation of what is called property.

But we are subject to neither of these conditions. The earth is so teeming and prolific that if the need existed and other occupations were relin-

quished, we might raise infinitely more of what constitutes the mere means of living than we do now.

Besides, what one country cannot produce easily in the shape of aliment, another can, and this suggests the immense advantage of a free intercourse among the various nations of the globe. Cattle are slaughtered in Australia and in South America for the sake of their hides, or fat to be used as tallow, and vast quantities of meat are wasted, which might, otherwise serve as sustenance for starving populations in other parts of the world. Corn grows in Western America in wonderful abundance, almost spontaneously, or at least with the exercise of very little manual labour, and the ingenuity of man is taxed to find means of profitably transporting it to distant regions which require it—such as ours, where the available soil has become less fertile, and is in a measure exhausted.

At all events the fecundity of the earth generally is so great that a comparatively small section of mankind may suffice to furnish actual necessities for all the rest. These latter are therefore set free to shape and form other products of fixed and otherwise non-generative materials into what may be useful or material to mankind. Clay may be turned into bricks, bricks into houses; wood may be shaped

into furniture ; stone into monuments and temples. Iron may be made into tools and implements of all kinds. All these would be more or less durable, and while in that condition they would in fact constitute the wealth of each succeeding generation. To sum up the argument, Nature supplies us almost gratuitously, as far as the exertions of all mankind are concerned, with the necessaries of life. These cannot be stored in specie, because they are, in general, perishable ; but they can be stored in the result by the products of the labour which this boon of nature supports and nourishes during the period of their formation.

The money value of a thing roughly stated must ordinarily be regulated by the quantity of labour, or, in other words, the quantity of food and other necessaries consumed by the labourer while producing it ; but it is not affected, as is often erroneously supposed, by any temporary variation in the price of that labour. Wages depend in general on a totally different principle, namely, on the amount of capital in proportion to the quantity of labour in the market, as will be seen further on. Whether more or less is paid for that labour does not in the slightest degree affect the money price of goods.

But of course there may be fancy prices, which have nothing to do with the mere cost of production, but depend on the rarity of the particular article, or the difficulty and perhaps impossibility by any amount of toil of multiplying it. Precious stones, old coins, ancient statuary, valuable by reason of their scarcity or antiquity, may be mentioned as examples of the class.

Another matter in connexion with this subject it may be important to refer to.

It by no means follows that those things which are most useful, and even essential, are most valuable in a monetary point of view. Otherwise air and water would be the most costly of all products, for we could only live for a few minutes without the one, and but for a short time without the other, and this again illustrates the difference between interchangeable or commercial value, and one which, though supremely important in our vital economy, cannot in general be estimated in figures or in coin.

To render a resort to any such standard available, we need a commodity of necessity or utility, of which some people have a superabundance and others a deficiency, and this can only be said of things of which, taking the whole community together, there is a limited supply.

Now air and water are among the exceptions to the rule I have before referred to, that those things which are most essential to the continuance of our being we must needs toil and labour to obtain.

But these two requisites, among others, are given to us in such profusion, under ordinary circumstances, that no one can require to prepare them for himself, or to buy them from any one else. It is true that air may become vitiated, or water may be dangerously scarce in particular localities. Purer air or a supply of water may then command a price, but it would mainly consist of the labour spent in remedying these evils. The sand of the sea-shore we look upon as almost valueless where it is originally cast, but if it is required in the midland counties it may have there a considerable money value, and that would mean the cost of the labour of collecting and conveying it across the country.

But I am only dealing with general principles, and unless I desire to illustrate a particular position I trouble myself little about exceptions, although there are few general principles without them.

How is it then that we get air, for instance, in such abundance without any exertion of our own.

In the first place, had we to provide air for our-

selves, the slightest delay in the operation would be fatal.

We may live for a long time without food, and during that period we are warned to seek it. In the other case, a few seconds might constitute the difference between life and death.

Again, air and water are as necessary to the brute creation as they are to mankind, and as I have endeavoured to show, Providence has bestowed actual necessities much more lavishly and spontaneously upon them than upon man.

Moreover, air and water exercise vast influence over most things, both animate and inanimate in the creation. We take them as special gifts bestowed equally on rich and poor, and which we have no need to waste our energies in procuring for ourselves.

I have already used the word capital, and although it will be more fully referred to and explained further on, it is right that I should expend a few words upon it here.

However exuberant and fertile a soil may be, Nature requires time for her operations to be carried out.

If we could get corn the day after we had sown the seed, or if a sapling could give fruit the day

after it was planted, it is clear that the law which necessitates a resort to labour would be partially annulled.

The seed may reproduce itself manifold, but before it comes to maturity much labour must be expended in its cultivation, and much time must be consumed before it is developed into food. During this time those who cultivate it must be nourished and supported, and this can only be from that which was previously realized, saved and stored in the past, in the shape of food or of other property in exchange for which food, &c., may be obtained.

Then there is the mill, the plant, the machinery, the tools. All these must have been the result of thrift and the storing up of what remained unconsumed of past production.

Now that which goes to support and maintain the labourer or workman while he is bringing his work to perfection is called capital ; and the more of it that exists in any particular country, the richer of course in general will the community be, and the better off will be the working classes who are fed and supported by it. Nothing can be more mendacious than the assertion that there is a natural antagonism between capital and labour. There are

always bad advisers in the world, who find their account in flattering the worst passions of the multitude, and in leading them astray from the path of contented industry.

It may be that capitalists as well as workmen may sometimes seek to obtain a larger share of their joint gain than is quite consistent with equity; but that unfair attempt would soon correct itself. The relative proportion between the profits of the capitalist and the wages of the labourer is regulated by a law far beyond the control of either master or man. I have before said that the money value of the article manufactured is not in general affected by either, but that price is fixed according to the quantum of labour bestowed upon it, and not upon the sum that is paid for it. Price is ruled by a law of its own; profits and wages have one between them, and it decrees that each shall depend upon the relation of the amount of capital to the amount of labour in the market. Competition would soon repress any transgression of nature's ordinances in this respect.

There is no better established proposition in political economy than this, that the wages of labour and the profits of capital come out of one single fund which consists of the surplus of sale value left,

after all *other* expense and outlay of production have been allowed for. The price of the manufactured goods depends mainly upon that expense and outlay. The surplus—a totally different thing—is to be appropriated exclusively to the profits of capital and to wages. The question is how is this to be divided between them. The solution of this problem entirely depends, as the money value of most other things depends, upon demand and supply. It is clear that when there is a larger quantity of goods in the market than the public exigencies require, the price of those goods will fall. If, on the contrary, there is less than can accommodate the normal wants of individuals, their market value will rise. Now capital and labour are in this respect subject to precisely the same conditions. If the labour market is suddenly overstocked in relation to the capital that is to employ it, there are more labourers contending for the same aggregate amount of that capital in the shape of wages than before, and they will compete with one another by reducing their demands for remuneration. Assume, on the other hand, that capital has largely increased, with fewer labourers to bid for it, there must necessarily be a larger competition amongst the capitalists for labour, wages will inevitably rise, and the profits of the capi-

talists will as surely be reduced. If a certain fixed sum is to be divided between two parties, where one of them gets more, the other must obviously get less. The proof that an increase of wages must come out of profits, and reduce them, may be a little diversified in this way. I assume that where there is a glut of anything in the market, that is, where there are more sellers than buyers, the money price of that thing must fall; it becomes of less value to its particular owner, that is to say, his profit on the sale is lessened. Just in the same way, when there is a large redundancy of capital, it becomes of less value, in the sense that it is less productive to its possessors. Each of them has a greater amount of competition to contend against than when capital was scarcer, and he must needs embark his funds in less profitable investments than he did before. Just as in a crowded room every one must content himself with a more limited space than when it was only moderately full.

If then it be conceded that profits fall as wages rise, and *vice versâ*, and that any variation must result from a change in the ratio that the amount of capital bears to the supply of labour, it follows that profits and wages will continue much the same as long as that ratio continues, and that no individual of either class could have any power to alter it.

If an employer sought arbitrarily to reduce wages, that he might augment his profits, and was really successful in his attempt for a time, other floating capital, of which there is always a vast amount ready to be invested in any speculation that is likely to turn out extra remunerative, would at once rush into the particular trade, and by competition speedily reduce his profits to their normal level. He would soon discover how futile had been the attempt, and his regret at his folly would not be mitigated by finding that he had been the means of introducing into that trade a large number of competitors who would manage to divide with him in future the legitimate gains that were once all his own.

A kindred fallacy pervades the minds of many who only regard these matters superficially. It is often assumed that if manufacturers were to pay higher wages to their workmen, they might easily recoup themselves for the difference, by adding it on to the price of their goods; but I trust I have already shown that the sellers of this kind of property have substantially no more power of deciding what shall be their selling price than their customers have.

There is always—at any one period of time—a

fixed and recognized rate of the profits of capital, and an equally settled rate of the wages of workmen, varying, of course, with the amount of skill, experience, or intelligence required in any particular trade or occupation ; and any attempt to interfere with these would, as I have said before, be simply to invite a ruinous competition. Employers will always take care not to give a higher rate of wages than the current one, or it would interfere with the sale of their goods if they were bent on reaping the current profit.

If they could put an increased price on goods to compensate for increased wages, they might as well add a further sum for the purpose of augmenting their own gains. The inevitable result would be that they would be undersold by their rivals, and their stock would remain upon their hands until they had arrived at a sounder appreciation of their own interests.

What would be the result of all the grocers in a particular locality combining and agreeing to put a higher price upon their wares than the ordinary one. Why, that enterprising grocers from distant neighbourhoods would invade their domain, and by underselling them, speedily take away their custom.

If then a few manufacturers or producers were to put an exorbitant price upon their productions, we see how speedily competition would defeat them. If it were possible to conceive such an unanimity in unreason that all should combine to sell their goods at an unnecessarily dear rate, the price of all merchandise would of course be increased; the result of this would be that the incomes of individuals would not bear the strain, a less quantity of goods would be purchased, and the manufacturer would be no better off than before. If he gained on each individual transaction he would lose by the number of transactions being reduced.

Take the case of the omnibus and steam-boat companies. At the fares they charge now they make an infinitely larger amount of profit than they made when the charge was much higher. Multitudes of people use this mode of transit now who never thought of using it before. Were the directors again to increase the fares to a threefold sum they would probably reduce the number of passengers to one tenth of what it is now.

I hope then I have made it manifest that the outcry on the part of working men against capital in general is about as suicidal a one as they could adopt. Even if they were the victims, temporarily,


of some injustice, the worst possible mode of resisting it would be to resort to those violent measures which are often recommended and even forced upon them by their factious, interested advisers. Strikes and turn-outs are infinitely more disastrous in their results to the workmen than they are to their employers. The latter suffer, no doubt, by the loss of the return which their invested funds ought to afford them. Their capital becomes in the end lessened; they must live upon it. Consumption is still going on, and there is no reproduction of that which is consumed; and in this way the labourer also suffers indirectly, for the funds which were to supply him with work are so far reduced.

But he of course injures himself still more by being compelled to consume his savings in supporting himself during the time he remains idle, or he sacrifices his independence by living on the miserable pittance doled out to him by the charitable contributions of others who are more prosperous, though equally misguided with himself. It may be necessary sometimes to withstand the sordid attempts of employers to reduce wages below their proper level, but strikes are much more frequently entered upon at the dictation of one of the working classes themselves, who lives at ease upon their

alleged grievances, and profits by the misery he is continually lamenting.

I have said that the mission of man in this world is to toil and labour for his subsistence. But it may be fairly urged that if this is so, the behests of Providence have not been carried out in the case of people with large fortunes, who are thus supposed to rebel against Divine ordinances. It is this sort of feeling that begets in the toiler an idea that some people are favoured by Providence in the distribution of the good things of this life, and that wealth is often bestowed where it is least deserved—that, in fact, the poor are compelled to labour to support the rich in the indulgence of their pleasures and their fancies; and this further absurd deduction is often made by those who know no better, though frequently encouraged to make it by those who do—that what they conceive to be the charms and delights of life are entirely created by their labour, and that they ought to be considered the sole and actual producers of that which confers upon the rich their various means of enjoyment. Just as well might the masons who sawed and placed the blocks of stone upon one another at the building of St. Paul's, claim the credit of having erected that magnificent pile; or a working tailor

to whom cloth was delivered to be turned into a suit of clothes, claim the suit when completed, on the ground that it was his handiwork. It is true that the mason and the tailor were necessary to produce the respective results, but where would they have been without the capitalist who supplied the materials and their subsistence during the operation. At the risk of repetition, I must remind the reader that the capitalist who employs a workman to exercise his calling and his skill for wages in the manufacture of any articles, loses the value of the necessaries with which he has supplied the artificer while engaged on his work; *that* property or value is utterly lost to him, but he gets for it in exchange what he of course considers more than an equivalent; the workman gets his share of the advantage of the transaction in the wages that are paid to him; and he deems himself benefited by the bargain, or he would not have entered into it. True, the owner gets the article when made, but then he had the value of it at the commencement of the contract, and must necessarily be entitled to retain it at the end. The workman owned nothing except his prospective labour; why should he be better off, beyond the wages that paid him for that labour? It is he that has eaten up and consumed



the amount of capital with which the employer has furnished him. Surely it is but just and reasonable that he should replace it. Had it not been for this little store which the employer possessed, he might have been without work and without food.

Conceive a state of things where no capital of any kind existed; where nothing had been saved or stored by any individual from the bounteous products, or the results of them, that Providence had lavished on mankind. There could be no employment of one man by another, for there would be nothing wherewith to remunerate the *employé*. It is true that one species of labour might be contracted for in exchange for another; but this could be but an uncertain promise, to be fulfilled in future, and might be broken in the end. Capital, or the funds saved by former industry and frugality, is the very foundation of the comfort and prosperity of the labouring man who begins the world with nothing. He ought to look upon it as his greatest blessing, instead of regarding it with suspicion and distrust, and seeking to diminish it with a sort of half-concealed, foolish instinct of wishing to reduce its possessors to a level with himself. In envying what he assumes to be the happiness and prosperity of the wealthy, he loses sight of the fact that the more

riches men have accumulated, the larger is the share of it that he secures to himself. It must never be forgotten that large possessions which enable a man to remain idle, or at least, assure to him an immunity from manual toil, are after all mere hoarded labour, which really means the hoarded food and other necessaries that have supported the worker during the time that he was completing the subject-matter of this wealth. Its possessor or those from whom he legitimately derived it must by their heads or their hands, by their industry and their thrift have stored up for future use, more of the aggregate products of the soil or that which would purchase them, than others of their fellows had done. They might, in so doing, have acted selfishly, with a view of exempting themselves at a future period from the necessity of working, or perhaps with the natural desire of placing their progeny in the same position ; but whatever the motive might be, there can be no doubt that it would tend materially to the advantage of the whole community. They might have been content with satisfying their own needs or their pleasures for the moment. They might have yielded themselves up to a life of ease and luxury, and have been satisfied to die, leaving no property behind them. But they chose to work on, and by con-

tinued perseverance and industry, to add yearly to their stores a large amount of wealth which would serve not only to benefit their descendants, but would in ordinary course almost necessarily be employed in the support of future labour.

Those who view these things without bestowing much thought beyond the surface, are wont to assume that a millionaire is the sole enjoyer of the property he possesses; and that by the expenditure of his income on his own pleasures, so much is wasted of the aggregate wealth of the country. There cannot be a more egregious fallacy. However wealthy a man may be, he cannot consume personally a larger amount of actual necessaries than one of his own dependants; and remember that what he does consume is the only actual loss the community sustains through him. The rest of his income is consumed or eaten up by those whom he employs in various capacities. It is true that what he eats and drinks and wears may be richer and more expensive in quality; but the excess would be very trifling amid the general expenditure of capital or income; and even here some people must be employed, nourished, and supported by his funds, in providing this very excess.

Let me assume that a man has a spending power

equal to 100,000*l.* a year, and then trace how, according to probabilities, he would dispose of it. The chances are that it would all be paid away in the course of a year to agents, tradesmen, servants, and workmen of all kinds; and each of these would, in his turn, pay away his earnings to others, whose goods or services he requires; these again would do the same thing, and so on. Every one would gain something to himself out of that large fortune, and thus a multitude of persons would be supplied with employment (which means nourishment and comforts) by the accumulated wealth of one individual.

If he were a prudent man, he would so utilize his property as to secure the same income for every succeeding year, and this could only be brought about by the process of reproduction, the result of the labour of those whom he employed. But if he were recouped for all he had laid out or paid away, the same might be said of all the numerous people through whose hands the money had filtered; they too had been maintained probably in comfort during the year, and would find themselves at the end of it at least as well off as they were at the beginning.

But let us suppose that this wealthy capitalist was not a prudent man, and we shall find that there


would be very little difference in the result. We have heard of late years of persons with a rent-roll or an income far exceeding the figure I have above mentioned, who, by their recklessness, extravagance, and luxury have frittered away their fortunes, until they have become bankrupts and beggars, and a foolish outcry has been raised against them that they have injured the public by wasting and annihilating funds which ought to have gone to the support of honest industry. They may be justly blamed and denounced for their folly, but they are probably the only sufferers, and it may be that the substance of their former wealth is as existent and as great as ever ; the only difference is that it has got into other hands, and possibly into such as will make a much better use of it ; but of this, the public, at all events, have no reason to complain.

Of course there is a great difference between what is called productive and unproductive labour. Digging a deep hole in the ground, with no other object than that of filling it up again, is an instance of the latter. It is simply a waste of time and of food, for the labourer must eat and drink while he does it ; but the toil of sinking a well in a parched soil is productive labour, for it survives in the means it affords of irrigating the earth, and rendering it per-

haps much more fertile in the future. All these principles will, I hope, be further illustrated when I come to speak of my little colony, and start it into life and action. This I now propose to enter upon.

But in doing so I must be allowed to make many assumptions, and to lay down many conditions, before I send it forth to try its fortune in a hitherto unknown land, and I want its precise position to be clearly understood from the beginning, so that the change from what it then was, to that to which it might eventually be brought, may be more easily traced and followed out. It must be stated that the numbers and figures, whether of men or things with reference to my general illustrations, are quite arbitrary, and have no regard to the due proportion between them and other matters with which they may be connected. I wish to dwell on natural laws and principles—quite regardless of facts—still less do I predict inevitable results. I am only desirous of reducing the subject to its simplest elements, and to rid it of all extraneous topics which might otherwise hamper and complicate its consideration.

I will suppose, then, twenty men of average intelligence, but with varied capacities, located upon an island, and far removed from any communication with the outer world. The new territory shall be



of extent sufficient, when fairly apportioned amongst them, to give ample scope for the exercise of their energies and faculties, in their endeavours to improve their condition. It shall be sufficiently fertile to produce by cultivation and industry not only whatever may be necessary for the subsistence and well-being of the new-comers, but also what may contribute to the conveniences, comforts, and pleasures of life.

I mean, therefore, at the outset, to give them wherewithal to supply not only their immediate necessities, but also what would be requisite for their future subsistence during the time that their efforts for providing for themselves were maturing. I have already partially referred to that stage of the world's career when men were in the condition of aborigines and had to seek nourishment from the spontaneous productions of the soil. I wish it to be understood that my small society has had all the advantages of civilization, and that they go forth as emigrants constantly do, to tempt fortune in a new and untried land. And I may add that I leave out at present all reference to an increase of population, because family considerations would interfere with the simplicity of a mere abstract discussion as to how wealth may be promoted and maintained.

I propose, therefore, endowing each of the emigrants with property which would cost in the country they had left the sum of 100*l.*, so that they all start on equally fair conditions. Their future prosperity would much depend upon how each 100*l.* had been laid out. I need hardly say it would be absurd to take any large portion of it in money. There would be no one to buy of, except their companions, and this would be a mere exchange, adding nothing to the joint stock of the company.

Costly furniture, expensive household utensils, jewellery, or other mere ornaments would of course be of no avail, if forming any portion of the 100*l.* outlay; they would be absorbing a portion of the money that might be much better employed. Their stock should mainly consist of that which, though more or less consumable, might with care and industry be reproduced.

Food would of course be the first consideration. Seeds, plants, a few cattle, sheep and poultry, two or three horses and mares; clothes to cover them; materials for building huts to shelter them, tools, implements, &c., all these would be essential, for though these latter are not reproductive of themselves, they would materially aid in reproduction. But everything they invested money in should be the

plainest and cheapest of its kind, consistently with use and service for the future.

A portion of their capital (for this would be its proper designation) must necessarily consist of money, by which I mean coin. I need scarcely suggest that a bank-note or bill, however useful elsewhere, would, if it were taken as a part of the 100*l.*, be of no possible value here. It would be mere waste paper to its possessor, unless the bill were drawn on one of his comrades, and if he paid it, his 100*l.* worth of property would be lessened by precisely the amount of the bill.

Notes and bills are serviceable by providing an easy mode of transferring debts. They are the mere shadowy representatives of a certain amount of coin in other people's pockets, but the value of that coin is assuredly not doubled by writing or printing anything on a worthless piece of paper.

In general, a system of paper currency is regarded as an indication of poverty on the part of the nation that resorts to it extensively. It suggests that that nation cannot afford to purchase the metal that would be requisite to turn into coin, and is obliged to adopt a cheaper mode of providing for the circulation of wealth.

And at all events in a highly-taxed country it

might not be expedient or safe to impose further imposts upon the population. Paper is cheaper than gold and silver, and where a paper currency is general, it is made compulsory on the inhabitants to receive it in payment of their debts. It is, however, for the most part at a discount, that is to say, its interchangeable value is less than its nominal one, and the reason is obvious; people prefer to have cash in hand to trusting to the indebtedness of others, however respectable or responsible those others may be, and although the most unstable governments usually guarantee the ultimate payment of their notes, they almost invariably omit to say when the payment shall be made. But government guarantees are not always to be relied on. Foreigners cannot, at all events, be expected to put full confidence in them. It is true, with us in England, bank-notes are always as valuable as coin, but then their issue is subject to great restrictions, and an amount of substantial bullion, largely proportioned to that issue, is always kept ready at hand to discharge the debt when payment is demanded, so that ample faith in the contract is established. It may be said that, such is the trust reposed in those who issue Bank of England notes, that even throughout most of the states of Europe they gene-

rally realize the same amount as the current coin of the realm. But it is enough for my purpose to say that whatever may be the amount of bills or notes in the world, they add nothing whatever to its aggregate wealth, though they materially assist in its transference from one man to another.

Apologizing for this little digression, I recur to my statement that it would be essential that part of the capital of every emigrant should consist of coin, and I would assign 5*l.* in every hundred to this object as an advantageous investment. This would probably be much more than would be required for the circulation of their property among themselves in the earlier stages of their career. But whatever excess there might be at first, would cease to be a superfluity so soon as they had made any considerable increase of their property, as we shall afterwards see.

It must be remembered that money being simply a commodity like everything else with which it is exchangeable, is limited in its uses, just as clothes, chairs, tables, or spectacles are. If there are more of them than individuals or the public require, the overplus becomes useless. They remain, in fact, incumbrances in the hands of the proprietor; or if he seek to get rid of them, he must do so at a much reduced price.

Now the use of money, though not superseding the principle of barter, most essentially assists it, by supplying that convenience in which barter is deficient. It is the authorized and universally recognized standard by which the value of different commodities may be fixed. If a man wishes to exchange a horse with another for a cow, and there is a difference in the respective values of the two things, something must be given by the owner of the less valuable article to the one who possesses the other. Without money this would be very difficult. The one might not have the particular goods that the other desired to have ; and if he had, there must be a specific value put upon them ; and even then, an accurate proportion of the difference in the values of the objects of the dealing, might not be satisfactorily arranged. But by a resort to money, with its capabilities of the minutest subdivision, the transaction might be at once completed. Money bears to traffic precisely the same relation that an interpreter bears to two foreigners who desire to carry out a bargain. The interpreter has nothing to do with the terms of the contract ; he merely assists in its arrangement and completion. So, the use of money is simply for the purpose of carrying out bargains between buyers and sellers of all pro-

perty, whether lands, goods, or services. It is the great balancer, as it were, of accounts between individuals, without in the slightest degree varying the figures in those accounts.

It is important to remember that this is its sole use; and if more of it exists in a country than is necessary for this purpose, it ceases to be of the same value; it becomes like other redundant things, cheaper, or what is the same thing, fewer goods can be obtained for any particular portion of it, than before the superfluity existed.

Nevertheless, coin, unlike bank-notes, forms a part of the substantial property of the country. It must be so, because the metals of which it is composed, have cost a considerable amount of labour to procure them, and they themselves are of use and service for many other purposes. Their value, in fact, as metals, very nearly approximates to what it is before they are coined; but it is necessary that the coin should be worth more; for if, otherwise, money were to become cheap in consequence of a sudden redundancy—and this not unfrequently happens—there would be a temptation to melt it down by those who could make more of the metal than they could of the coin. Besides, the labour expended upon it in the process of coining would

always give it an augmented value beyond that of the rough metal.

But although coin forms a part of a country's wealth, it represents but a very small fractional proportion of the bulk of it. A very little coin is made to go a very long way. In small daily transactions it is indispensable, as we all know. Where there are larger ones, mere differences in value are adjusted by means of transfer to the seller of debts due from these parties to the buyer; and here we see how bills and notes supersede the necessity of using hard money. If A. owes 100*l.* to B., B. owes the same sum to C., and C. is similarly indebted to A., the debts of all may be easily cancelled without a single coin passing. A man may pay away a sovereign in the morning, and in the course of the day it may pass through the hands of twenty different persons, each receiving and parting with it in exchange for some equivalent in the shape of goods or services. It would thus have done duty for an amount twenty times its own value. A man in receipt of 100,000*l.* a year, seldom has perhaps more than 20*l.* worth of coin in his individual possession at any one time. He may obtain it from his agents or his banker whenever he absolutely requires it, if he ever does: while these again never have

in their custody nearly enough coin to satisfy all their liabilities, but they know where to get it in their turn, from those who have a stock of ready money by them. At all events the 100,000*l.* has been under the control of its owner for a year. To render it profitable and get it replaced, he must have probably paid away and received back in some shape or another the whole of it, as I have before endeavoured to show; and yet a very infinitesimal sum in comparison with the gross income is sufficient, as far as he is personally concerned, to put the latter into circulation. All the gold and silver in the world might fall infinitely short of satisfying the debts due from one single country to the various other countries of the globe.

Transactions to the amount of many millions of pounds annually, are settled, and transfers of property made, with scarcely a necessity for the intervention of coin.

I have been thus explicit on the subject of money, because, however needless may be the explanation to many, there are always some who are disposed to attach much greater importance to it, specifically as such, than it deserves.

I have, then, stipulated for a little company of

twenty men, possessed of a capital among them of 2000*l.*, consisting of all that may be required to maintain them for the present, with ample means of augmenting their stores for the future. I want it to be understood, in fact, that they have possessed themselves of all the elements that would suffice to develop to the utmost, the resources of the soil on which they are located, and to assist in producing whatever it is capable of bringing forth. I assume, in fact, that their working equipment is complete. I must propose, too, that each man of them is, in his pecuniary circumstances, entirely independent of the rest, striving to do the best he can for himself, so that there may be constant emulation and competition amongst them—for it is these that constitute the strongest stimulus to exertion and industry. Of course they would soon arrange some simple form of government for themselves, to prevent any encroachment by some, upon the rights of others. They would probably lay down certain rules and regulations which, when once sanctioned by general consent, would have the effect of laws, and which the whole body would be pledged to maintain; so that if any individual were disposed to transgress them, the other nineteen would combine their social and physical strength to coerce him into

obedience ; and this they would be bound to do, so long as the law remained unaltered, though some might think its principle inexpedient or unjust. This is in fact, the fundamental theory of all well-constituted governments, although in these very recent and enlightened times it is not always acted upon. However, my object at present is to discuss economical subjects and not political ones.

Having thus given my *protégés* a fair start in their new life, I will try to suggest the course they would probably adopt in their pursuit of wealth and prosperity.

They would first construct huts, just sufficient to give them shelter from the inclemency of the weather, but with the appliances with which I presume they have provided themselves, this would be speedily accomplished. Their next consideration would be how they could most effectually provide food and other absolute necessaries, by the time their present stock was exhausted, as in course of time it must needs be. They could afford to run no risk in ensuring such a result, and therefore they would probably all be mainly employed in working to this end, by preparing and tilling the land, sowing it with seed of various kinds, tending their cattle, and generally doing what was essential for

propagation and increase of their live stock.¹ This would occupy all their efforts for a certain period, and they would have little leisure for anything else ; but as the stubborn earth yielded by culture more copiously to their exertions, as it certainly would do, it might happen that one of them, more skilful or more industrious than the rest, would find that he could raise twice as much produce as was sufficient for his own immediate consumption ; and if the whole of the company were fairly provided for in the way of food and other necessaries, it is clear that his superfluity would be useless to him, unless he could in some way dispose of it when obtained. He might, then, bargain with one of the

¹ I cannot better illustrate the difference between organic and inorganic matter than by supposing that one of the emigrants had brought with him a small quantity of silkworms' eggs, which, to a casual observer, would appear little else but mere specks of dark sand. But mark the difference. The grain of sand would remain perhaps the same to all eternity. It could produce nothing. It would neither grow in bulk nor weight, whereas the little (to all appearance equally insignificant) egg might, by virtue of the wonderful organization and natural machinery within it, under favourable circumstances and proper care, be capable of producing, eventually, sufficient silk and satin to clothe all the inhabitants of our little colony. But of course no such employment of time and labour would be thought of until a much later period of their career, when the cultivation of luxuries had become a necessity.

twenty who had more capacity for carpentering and building than for raising food, to build him a house, and in return he would supply him with subsistence while he was so occupied. It would suit the purpose of both, for the one would utilize the extra food which he did not want, and the other would be engaged in a labour much better suited to his ability. At the end of the transaction, then, the employer would have got a substantial house for the surplus food which was perishable, and the other would be probably much better fed than if he had toiled to procure food for himself.

Now, if in the meantime the rest of the society had managed to replace in substance, all that they had consumed, it is obvious that there would be in the community the value of this permanent structure added to the total property with which they had commenced their enterprise.


But if one man could produce so much more of the actual necessities of life than he could possibly consume, others might be soon enabled to do the same, and it might in the end be found that five men would be sufficient to raise an amount of produce that would maintain the whole twenty. The result would be that the remaining fifteen would be released from the necessity of toiling for their own food, and

could devote themselves to other occupations—that is to say, to the manufacture of articles that would be useful and serviceable, as distinguished from essential, to the general community. They *must* apply themselves to some species of toil, for the food producers would require to be paid in some way for the aliment they had produced in excess of what they wanted for themselves. It would be by this process that the society would become enriched.

There could be no reason why their original stock should decrease. That part only would be consumed and lost to them, which by the hypothesis might be replaced by the co-operation of the energy and industry of man with the bounties of nature ; whilst, on the other hand, there must be a constantly increasing accumulation of the various articles the large majority of workers had manufactured.

Of course there would be a constant interchange of commodities amongst the different inhabitants, so that all would be benefited by the possession of what was useful to them.

Now, if this process went on, it is easy to imagine that a time would come, when the whole twenty would be surrounded by all those objects of real service and utility that might contribute to their reasonable wants. They might all have commodious



habitations, useful furniture, and so forth, and if every one had enough of things of a serviceable description it would be a mere waste of time and labour to manufacture more. The builder of houses, the maker of furniture, the man who made jugs and basins—each would find his occupation gone, for there would be no one to take them in exchange, where every one was already furnished with an ample supply. Still, they must work in order to produce something which they may exchange for food—since the agriculturist would take care not to grow more than he wanted for his own use, except with the expectation of getting something in return.

Now this brings us to the subject of luxuries, and we shall see that these are absolutely forced upon the society by the very exigencies of its condition.


But before I enter upon this topic, I should like to say a word as to the general distribution of the increased wealth that has accrued to them thus far.

It is only fair to presume that each ought to share in the general prosperity, and if all did not do so equally, they certainly would do it substantially, for all must now be taken to be fairly industrious, and all have been employed in producing only such things as were necessary or useful.

They might have gone on the principle of every

man producing everything he required for himself; and then it may be said that as a quarter of the time and labour of the community might prepare enough food for the whole, so each, if he were to procure it for himself, might do so in little more than a quarter of the hours he could give to labour; thus the remaining three-quarters of his time might be employed by him in making what would hereafter conduce to his comfort and convenience. He would then be precisely in the condition of Robinson Crusoe on his desert island, where he had to be his own provider in every species of requirement.

But the society would soon find out the advantages of the division of labour, and the additional facilities that practice and experience give to those who devote themselves to that particular class of work for which they are more specially adapted. Each would find it to his interest to confine himself to one species of production, and then to exchange his goods with his companions for what they, acting on the same principle, could furnish him with, and as, on my present assumption, nothing was made but what was of real utility, all would desire to possess them, and so every man would exchange with the others until the wants and requirements of all were satisfied. Thus there would be a full participation in the joint



profits that the society had accumulated, and such articles of convenience that each possessed would represent his share of the total proceeds.

Now I have endeavoured to show that at the outset, all would probably be compelled to employ themselves in seeking the actual necessities of life, but that to this production there would be a definite limit; for to extend it beyond what could be consumed, would be mere waste. This would be the first stage in their career.

The second represents them as having secured for themselves a thorough immunity from the risk of famine, with leisure to devote themselves to the acquisition of those articles of comfort and convenience that would render their labour more easy, and their hours of relaxation more pleasurable. But there would also be a distinct limit to the production of these things in the sense in which I employ the term—just as more chairs in a house than were ever likely to be sat upon, or more fire-irons than there were fireplaces to put them in, would be incumbrances rather than objects of utility.

If, then, every one had a sufficiency of this species of property, the demand for labour in that direction must necessarily cease, and it would become requisite to introduce some new occupation,

some fresh incentive to the energy and industry of the workers, with a view to gratify other desires distinct from the acquisition of what was merely useful.

We are thus landed in the third stage of our society's career, which, I repeat, renders the introduction of luxuries inevitable, unless the members are to become idle and their lives and faculties profitless.

No doubt it is very difficult to draw a precise line between what are mere comforts and conveniences and what are luxuries, and this must always be so, where contrary extremes gradually approach each other, until they glide imperceptibly into some mean or vanishing-point, equally distant from that from which they both started. For instance, it is not easy to detect the precise medium between bright sunlight and total darkness, but we can all appreciate the difference between day and night. We cannot fix a clear definition of where wealth ends and poverty begins, but we cannot be far wrong in stating that a man with 20,000*l.* a year is rich, and that one who has to support a large family on ten shillings a week is poor.

We might fairly contend that sleeping on a feather-bed would afford more comfort to the sleeper than

if he sought repose on bare deal boards. But if he had the advantage of reposing on the former it would not be in the slightest degree enhanced by the fact that the bedstead was richly carved, or the coverlet an elaborately embroidered one. These more costly attributes would not increase the chance of slumber, or give the least accession of bodily enjoyment to the recumbent individual. Now what I have just said may perhaps afford as clear an illustration as could be given of the distinction I am anxious to draw between the necessities, the conveniences and comforts, and the luxuries of life. A sheltered spot, on which our bodies may recline, though it be a deal board, may be considered a necessity—a feather-bed beneath a snug domestic roof would be a convenience and a comfort, any expensive and decorative accessories, such as I have alluded to, would be luxuries. It is certain that we are endowed by nature with the faculty of appreciating and delighting in beauty, in taste, and refinement, with regard to things as well as to persons. But it is not given to all men alike, because such tendencies form rather the ornaments than the utilities of life, and as we have seen, what is essential to us has been bestowed much more liberally than that which is merely superfluous, though it may be

subservient to our general welfare. The sense of what is useful comes home to every man. It assists him more advantageously to pursue his career, whatever that career may be.

We do not all perceive the excellence of a picture by Raphael, or a composition by Handel, but we all see, at once, how useful is a chair, a knife, or a time-piece. We might exist in the world quite as well for all practical purposes without pictures or melodies as with them, but we should find it very inconvenient to be without the others. No prudent or rational man would, I presume, store his house with expensive paintings, statuary, or plate, until he had possessed himself of all the substantial comforts and conveniences of domestic life, but when he had done that it would be folly to multiply them. A man carrying one watch about him might ascertain the time just as well as if he carried half a dozen.

But when the householder was fully equipped with everything that might satisfy his real wants, he would be quite justified, if he could afford it, in indulging himself with luxuries. A watch would be of use ; a picture, or a piece of sculpture, would only serve to gratify a fancy ; but still he could spend his surplus income in no other satisfactory way, if he were resolved to spend it at all. He

might (if a member of a commercial community) invest it in trade; or, if he did not choose to do so himself, he might enable others to do it, by lending the money out at interest; and it is pretty obvious that the borrower, who paid him that interest, must in some way or another have so employed and utilized the loan, as to make it produce much more than the annual sum he paid for its use—or he would gain nothing by the transaction.

Of course there are many different species of luxuries. They are the mere indulgences of a taste, a fancy, or a fashion, and to these we know there is no limit, such as we have proved to exist with reference to necessaries and mere conveniences. They vary with the individual, and even with the times. Some of them trench, as I have said, on the other two elements just mentioned. Tea, as an instance, comes very near to the boundary-line. At its first introduction, it was regarded essentially as a luxury, accessible only to the few. Now, the poorest family in the kingdom would deem itself poorer, if it were to be deprived of that particular beverage. In fact, there are few households, even the most lowly, where what might be fairly termed luxuries—in the sense of things that might very well be done without—have not by habit and

custom become matters of daily use. If tea is an example in one direction, wine may be quoted on the other hand. It is tasted but seldom by a large mass of the population; and some very wise people are always trying to persuade us that if the world were to get rid of it altogether, it would sustain no great loss. At all events the broad distinction between these two species of property, the useful and the luxurious, is tolerably clear.

I left our adventurers at the fulfilment of their second stage, when an appeal to luxuries was about to ensue, and I hope I have proved that a resort to them is now actually essential to a continuous and advancing prosperity.

With industry and energies still unflagging and urging them onwards to some new objects and desires, for they have satisfied their old and more pressing ones, no other course would be open to them than to seek to produce that which is pleasing, instead of what was heretofore simply useful.

They had been accustomed to the habits and tastes of civilized life before they embarked on their novel expedition, and would now strive after ideal and sensuous gratifications, after having achieved the more real and substantial ones. They would probably in the first instance betake them-



selves to the task of ornamenting and rendering more elegant and tasteful the objects of utility, of which they now had an abundance: plain wooden chairs and tables would become chiselled and polished one; clothes would be made of more expensive material and of more studied form; eating and drinking vessels would assume a more artistic shape: men would rack their brains in devising something that might be attractive to their neighbours, and each would strive to do what, by gratifying the wishes of the rest, would, by the process of interchange, obtain that which would be pleasurable to him; and, I repeat, if they were still to work and toil, they could do it in no other way. It would be the only mode by which their industry could be made available in promoting their own enjoyment. For instance, one might have a talent for painting, another for sculpture, a third for music, &c., a fourth for house decoration. By constantly bartering, or buying, or selling the results of their several capabilities, one with another, all would derive gratification from the labour of each. And, roughly, it may be said that the price put upon these various productions of skill and taste would be reckoned by what was consumed by the makers in their production. It must not be supposed that I

mean by this, the mere necessities that supported the artist, whilst his picture was being actually painted. A painter or a sculptor must have spent a considerable time in learning his art : during this period his labour would be entirely unproductive. When he was able therefore to produce anything worthy of his craft, he must needs be recouped the expense he had been put to while acquiring his skill.

As far as the total funds of the community were concerned, the learning to paint, as well as the painting the picture, must have absorbed and destroyed a large portion of them. But what was so consumed, was the property of the artist himself, and must be repaid to him by those who purchased his work ; and the picture would be all the society, at least, would have to show for the large amount of sustenance that had been virtually expended upon its execution. Though the painter got the price, the purchaser would lose it ; and whether that price was 5*l.*, 10*l.*, or 100*l.*, the aggregate funds of the community would be unaffected by the sale, whilst they must have been considerably diminished by the process by which the object of it was procured. But I assume, of course, that the colony had arrived at that stage of superfluous wealth, if

I may so express myself, that it could very well afford the expenditure. For, remember, that through however many hands the picture passed, and whatever might be the successive amounts given for it, it would be simply the exchange of one thing for another, each remaining the same.

To illustrate this matter a little further, let us think for a moment what would be the effect of one of the inhabitants finding on his land a jewel of such size and quality that it would fetch a very large price in the old country. It would certainly form no substantial accretion to the total wealth of the new one. As long as the society remained isolated, it would be something like a picture, a mere additional possession, but in truth a much less important one. It would merely afford a transient pleasure to the sense of sight. But pictures, while they do this, would in some measure give instruction, and even improvement to the minds of many persons, by calling into action other faculties that were intended to be exercised. They might, for instance illustrate history, and help to fix its events upon the memory; they have served to stimulate men to deeds of valour and patriotism; they may awake emotions that tend to soften the heart, and lead to repentance and virtue. In this sense they

might be regarded as things of use and convenience, if we were discussing mere moral topics, instead of economic and pecuniary ones. But a jewel (and I of course treat it now exclusively as an ornament) could only serve to gratify the pride or vanity of its possessor, although even these qualities are not to be treated with scorn, since they are highly valuable when kept within proper bounds. We see around us every day things equally beautiful with rubies and diamonds, and which are much more useful, but they are not so rare ; and people may always be found who will pay large prices for any rarity, whatever may be its nature. An individual will give perhaps 1000*l.* for what he is assured is a fine brilliant, though he might be unable to distinguish it from a cleverly executed model made of common crystal. It is evidently a sentiment—a mere fancy that allures him.

Now to have found the jewel I have spoken of, might be a lucky incident for the finder, because there might be some of his companions who would be disposed to give him a large price for it, either in money or goods ; but this, again, would be a mere exchange, involving no general increase ; what he would get, the purchaser would part with ; and this would be the case, however many buyers and

sellers there were. Our community, remember, is a very limited one, and therefore the opportunities for trafficking are limited too. But the world also may be said to have its limits in this respect; and no amount of precious stones or jewellery would augment its totally aggregate wealth.

If our adventurers had some separate body of people near them with whom they could trade, some of them might be willing to give many articles of use or luxury to purchase the jewel. Our society as well as the finder might be all the richer by the exchange, since the articles coming in as payment might be very available for further production, and must at all events save the labour that, if the colonists had to make them for themselves, they would be obliged to expend. But in proportion as one community became richer, the other would be poorer, and taking them together there would be no more wealth amongst them than there was before.

The jewel might wander round the world, constantly changing owners; the price that was paid for it might be increasing on every sale; but the same principle would apply: what the buyer gave the seller would part with, and the jewel at the end of its travels would continue precisely the same

as ever, a mere thing of beauty but of no real utility. The property that had been given in exchange for it would be differently distributed to what it was before, but it would not be augmented.

It may be truly said, then, that a knife, a saw, or a spade would be of infinitely more service to the community than the finest emerald or brilliant that was ever found within the bowels of the earth. They might daily and hourly for years be used in their humble way in profitable operations that it would be difficult or impossible to carry on without them, while the jewel would remain as a mere embellishment to be worn and admired.

It is probably some such comparison that has engendered the notion before referred to among a certain unthinking portion of the labouring classes, that they are much more beneficial to society than the rich man who lives at ease upon his income. The latter they assimilate to the jewel, and themselves to the tool—they do all the work, and the other does nothing towards production. But they forget, in the first place, that the tool is valueless of itself, and can only be made available by having some material in improving which, it may be employed; and in the second, some skilled agent who can wield it to advantage. This material as well as the agent requires

pre-existent money, for the one has its price and the workman requires his wages while he works, and without these he might starve.

Now it is capital—stored-up labour—that can alone supply these essentials, and it is the rich man that possesses it. Personally he may be insignificant, weak, and worthless; but he has the wealth that can set industry and skill in motion. Without him the implements and the workmen would be idle, useless, and without occupation; and I trust I may take it as proved already, that in whatever way he uses his wealth, whether prudently or recklessly, he can scarcely help employing it in the support and maintenance of a vast number of persons, who make substantially as much profit out of it, for their purposes, as he makes for his.

Still, as I have said, the influence of this peculiar class of luxuries, such as jewels, on the world's action, is not to be overlooked or despised. The desire to possess them has been productive of much good as well as of much evil. They have induced many to labour in various ways—commercially, scientifically, and politically—seeking only perhaps to aggrandize themselves, but incidentally contributing largely to the benefit of mankind. On the other hand, they have led to much crime; and in the history

of one celebrated diamond we learn that the wish to possess it was the motive to the murder of more than one prince or rajah.

The desire for wealth may be like most other desires ; by excessive indulgence it becomes a vice, but kept within proper and legitimate bounds, by rousing men's energies and urging them on to labour, it carries out one of the most useful and beneficent laws of nature.

What I want strongly to inculcate is that a temperate indulgence in luxuries is not the mere gratification of a whim, or a wasteful expenditure of the bounties of Providence. It is a necessity forced upon us by the very exigencies of our being, and one which, while it affords pleasure to the rich, is of immeasurable advantage to the poor. The very disposition to possess luxuries begets the fund that enables their possessor to enjoy them, and that very fund maintains and nourishes the labourer while working to produce them. At all events, we have seen that our colony must enter upon a career of luxury, or it must stagnate. It would virtually soon return to its primitive condition of each man providing for himself that which would satisfy his immediate needs ; all buying and selling would speedily be at an end, for while all were supplied

with as much as they could wish for of necessaries and conveniences, it could scarcely be otherwise. Three-fourths of their time would be wasted in indolence and inaction. The food producers would cease to produce more than sufficed for their own consumption, since they could not part with any surplus, except for articles of which they already had an abundance, and every other man, whatever might be his occupation, would be precisely in the same position.

I need not dwell on the various species of luxury that might excite desire in some, while it stimulated others to labour. Many things would remain durable and permanent after their production, such as pictures, carvings, or other works of art. They would be valueless so far as any accession to the aggregate wealth of the community was concerned, as long as there was no external market in which they might be exchanged, although, should this opportunity ever arise, they might fetch ten times the value of the material and time consumed in their formation, and thus the property of the society might be augmented.

Many things might be produced which merely addressed themselves to the appetite, and which would be destroyed in the very fruition of the enjoy-

ment they were meant to afford : such as wines, hot-house fruits out of season, which would require a large outlay for their growth. These would be consumed, and leave no trace of their having existed. One can readily see that the production of those luxuries which were permanent might be more advantageously manufactured than those which were thus evanescent. But if the society had reached that point to which I have sought to bring it, where every individual was surrounded by sufficient articles of convenience and comfort, I repeat, that its members might soon be able to indulge in transient gratifications, the producing of which had at least given employment for a time to others, and prevented them from leading a life of inactivity and sloth.

Again, if the principles I have enunciated are sound, it is obvious that the property which the society possessed at the outset would in the course of time be vastly increased, and the increase would be due to the surplus time that would be left to them in which to manufacture lasting and substantial things after they had provided themselves with what was necessary for their actual subsistence.

But it may be worth while to state here that in their own estimate of the money value of their possessions it would amount to a denominational sum, very

much less than it would be valued at, according to the currency of the outer world. They could only reckon its worth according to the exchangeable value of the money that circulated amongst them. If that value was altered, the nominal value of their property would be altered too, and we have seen that the current price of money varies with circumstances. If there is a scarcity of it in comparison with other things, its value rises, and *vice versâ*. I have assumed their original property to be worth 2000*l.*, and that there was amongst them 100*l.* in coin, and I will take it for granted that they could not get more. Now although that amount of specie might suffice to circulate a property worth 2000*l.*, it would probably be insufficient to sustain the burden of circulating a capital that had multiplied tenfold. The property had increased; the coin had remained stationary. There would be a much larger demand for the latter than the supply could meet; money would become dearer, that is to say, a greater quantity of goods could be obtained for any particular coin than would have been obtained before.

But the same principle would apply to the whole property as to a part of it, and its increase in nominal value in money, would be very much less in proportion, than its real one. So that if their pos-

sessions were ten times greater than they were at the outset, they would be probably reckoned by the settlers themselves at not much more than their original price. We are so much in the habit of attributing dearness or cheapness to the articles purchased, without regard to any change in the value of the coin paid for them, that we are apt to lose sight of the real nature of any variation in prices. Dearness of commodities, for instance, may arise from one of two causes: a scarcity of the commodities themselves, or a fall in the value of money. But where it proceeds from the latter cause, the increase in the price of goods would of course be general.

If, on the first day of any year you can buy a sheep for 1*l.*, and—the demand and supply remaining the same—if, on the first day of the next year you have to pay 2*l.* for one, it is fair to assume that the difference is due to a change in the value of money, and that it is by reason of a large influx of bullion, or perhaps other causes, that it has become less valuable; or, in other words, less will be given for it than was given twelve months ago.

In the case of our colony, while the objects of traffic among themselves were largely augmented, the means of conducting that traffic through the



medium of hard cash, had become diminished. There would be more transactions in the way of buying and selling, paying for services rendered, carrying out bargains, and so forth; and whilst the conveniences for doing these things had considerably decreased by the scarcity of money, what there was, must needs rise in exchangeable value.

I hope I have explained how in estimating the value of their property by the only standard they could adopt (the nominal value of the money that existed among them) they would reckon it at much less than it was intrinsically worth. It is only important as further illustrating the principle that money is subject to the same economical laws as other kinds of commodities, and that its exchangeable value depends upon the supply relatively to the demand.

Whenever the colony again came into commercial relations with the world at large, the ratable value of each coin would sink to its normal condition, property would rise in price, and the currency would fall in value, in accordance with general prices established elsewhere.

In treating of the progress of our emigrants towards prosperity and wealth I have assumed them to be uniformly skilful and industrious, each seeking to aggrandize himself, though by that very means

necessarily contributing to the welfare of the whole body. My object was to show what it was possible to do, rather than what it was likely would be done.

But it is pretty obvious that although they all began with the same amount of capital, inequalities in the distribution of wealth would soon arise amongst them. Some would be more assiduous, more energetic, more enterprising than others, and might therefore become more prosperous and comparatively wealthy. Some might be idle and unthrifty; and some again, without any fault of their own, might by accident or misfortune be reduced to poverty and privation. The cessation from labour, however, caused on the part of one or more individuals would of course prejudicially affect the gross accumulation of the funds possessed by the whole body; for instead of adding to those funds by the produce of their toil, the idle or unfortunate would be consuming, and so diminishing them. They might have a moral claim on their more prosperous brethren, but no one could affirm that the latter had not an absolute right to that which their toil and industry had procured them.

A sort of difference of rank, too, would soon be established; for inasmuch as wealth is power—at least, in the sense of enabling its possessor to




confer benefits on others—that power would always beget an outward respect and consideration, and that without necessitating any sacrifice of independence on the part of those who exhibited it. Where homage is not insolently exacted as a right, it will in general be cheerfully manifested where it is due; and when a man has the means, the opportunity, and the will to oblige others, it is not unnatural to suppose that he would be looked up to with extra consideration.

The aristocracy of wealth is generally regarded as the most despicable of all social dominations; but this arises probably from the fact that it is not infrequently accompanied by sordid views, upstart manners, and impertinent airs of superiority. Yet this is by no means an essential or invariable attribute of the possessor of riches, and discuss the matter with as much philosophy and as much affectation of manly independence as we may—as long as human nature is constituted as it is, large possessions will always have their influence; and perhaps it is well they should, for nothing can afford a stronger guarantee that the owner is an advocate of order and good government and a staunch supporter of a sound and well-devised constitution.

But I only desire to suggest here, that in all

probability there would soon be a difference in grade amongst the inhabitants of our island. One important change in the distribution of their visible property would certainly soon arise, and that is with regard to the possession of land. I have supposed that, in the first instance, there would be a tolerably equal partition of the soil among the whole body. But it would in a very short time be found that one species of occupation required much more of the surface of the ground for its operations than another. Some would require merely enough to contain a house or a workshop. Those who turned corn growers or graziers would require much more than they obtained from their original allotments. Those who had too much would part with the surplus—of course, for a consideration—to those who had too little, and a share that once belonged to a single individual might be cut up into small parcels, each the property of a different owner; but it is clear that whoever was substituted for the original allottee would stand in his place, and have, by the purchase, all the rights he once possessed. Now let us inquire how it was that any one of them ever gained a paramount, indefeasible right to a portion of the soil. He could scarcely base his title on the mere fact of having been the first to take



possession, or that, by the general assent of the community, his particular part of it was allotted to him.

Suppose a second colony had come upon the island the day after the first had arrived and had taken possession. It might perhaps be difficult to contend that the first comers had an absolute right to exclude the others from a claim to the smallest fraction of the soil. Mere possession for twenty-four hours would seem hardly sufficient to confer on them an exclusive title against all the world. But so soon as they had expended capital or labour on the land, they would be in a very different position. They would then have a clear advantage over strangers by every principle of justice and equity.

Suppose they had improved it by draining, manuring, planting, by clearing the ground, and building huts or houses. After all this had been done, it would surely shut out fresh invaders from all claim to participate in benefits to which they had in no way contributed. The improvements would be inseparable from the soil on which they had been made, and without the most ample compensation for previous outlay, it would be to the last degree unjust that the improvers should be disturbed in their occupation.

Now, it is virtually on this principle that the title to all lands in the possession and ownership of individuals is based. Either they themselves have reclaimed and improved the soil, or their predecessors have done so, and they have legitimately succeeded by purchase or otherwise to their rights, and what had been paid is merely equivalent to that which has been heretofore expended, representing the hoarded accumulated labour of the purchasers, as has been before explained.

Ideas couched in vague generalities of expression are often promulgated by those who hope to profit by the theory, that every man born upon the soil comes into the world with some vested and inherent right to a portion of it.

If what these people mean were subjected to the trammels of a definition, the proposition would at once refute itself. If every one had a right to a part of the soil, it is obvious that no man could have a continuous title to any particular fixed portion of it, since a change of population must be constantly necessitating a redivision.

The whole community is interested in having the land cultivated and improved; but in doing this it is often essential to bestow upon it large expenditure for which there can be no return for a con-

siderable time—often for years, as in the planting of young trees for timber.

Who would invest his capital in that of which he might be dispossessed long before any profit from it could accrue to him? Without a guarantee that we should be secured in the enjoyment of the profitable results of our toil, we should be reduced to the primitive condition I have before described, where men would live from hand to mouth, content to produce what was merely necessary for their subsistence, since any property that they saved or accumulated might be filched from them by the hands of strangers.

The allegation is that the land is common, and that any person condescending to be born on it, acquires an irrefragable claim to a portion of the surface. Let us admit this for a moment to be true. But at all events, if it is once conceded that there can be an absolute right to anything, the produce of a man's labour must be held to be his own. Fish in the sea are in general the property of any one who will take the trouble of catching them. They may be said to be common property in the first instance, but the man who devotes his labour to reducing them into possession has an incontestible right to call them his, against all those who

before had as much interest in them as he had. Even if land were originally the property of each and all, still where capital has been irrevocably bestowed upon it, and has rendered it more valuable—and that, in accordance with a law of nature, that it was designed for cultivation—it must lose its universality of ownership. It is said there is a land hunger as there is a food hunger and a money hunger. I might go further and say there is a watch and chain hunger on the part of many of our fellow-subjects who prowl at night about the dark purlieus of the metropolis. But if this abnormal craving cannot be appeased except at the expense of every principle of justice and common sense, it must be forcibly checked and restrained, or at least, no additional facilities should be afforded for its gratification.

PART II.


I HAVE dealt with our emigrants hitherto, as if they were entirely separated from their fellow-beings in any part of the world. I now propose to treat them in connexion and correspondence with other bodies of people with whom they have free intercourse for purposes of trade and commerce.

I will suppose, therefore, that they are now surrounded by islands with communities somewhat similar to their own, except that there shall be varieties of soil and climate, and that in consequence each shall have some peculiar facilities for producing certain commodities, whether natural or artificial, that the others do not possess; and I must also premise that the several other islands had been subject to no restrictions as to intercourse with one another.

Now, whether the change were to come suddenly upon our old acquaintance, or that there was no change at all, but a mere continuance of what had long existed, is not very material, inasmuch as in

the first case, the principles of interchangeability would speedily assimilate, and the prices and value of property would be pretty generally equalized throughout the various populations.

No doubt, if it were sudden, the change at first would be very great. Our original society would find its accumulated property very much increased in nominal value, for the restriction in amount of their coin, which must have hitherto been their standard of price, would be withdrawn. The scarcity which had given it a fictitious value would cease ; for at every sale of any of their possessions to their new neighbours coin at the old world estimate would flow in, and soon reduce theirs to its normal condition. No outside customer would take their money at the high rate they had been compelled to put upon it, and no one of their former brethren but would sell his goods to the foreigner in preference to his neighbour, since he would necessarily receive from the former a larger sum in specie. The holder of cash would be impoverished by reason of the large accession of coin, and the consequent decrease in value of what he held at the time. The proprietor of goods would believe himself enriched, because he would get much more for them nominally than he could previously obtain ; but he would




find himself mistaken in the end, for the extra sum he received would go no further in purchasing, than the smaller one he could sell at previously.

But what I have just said has reference only to the change in the value of money. The transition from a state of solitary existence to one of general association with competitors in commerce might render the inhabitants in effect much richer, substantially, than they were previously. Their accumulated productions might exhibit such skill and excellence as to excite the admiration and desire of their new customers. As I have before hinted, the latter might be so charmed with a picture or a piece of sculpture that they would give them twenty times the real value of the labour it had cost to produce it, and this cost, as we have seen, would in general be the quantity of food and other necessaries that had been consumed during the whole process of its formation, including, of course, a proportionate share for the education of the artist. This would be without regard to the nominal price of money. Whether the cost of the food, &c., were more or less would be immaterial. It would be the quantity disposed of that would fix the real value of the article.

Now, if the acquisition of twenty times the value of the necessaries used up, and so destroyed in the

course of its production, were to accrue to the painter or the sculptor, it is obvious that he would be much more wealthy than he was before. Other results of skill and labour might be coveted in the same way, and be similarly paid for, and the proprietors would of course be largely benefited too. But what I wish to be particularly observed (though the remark is an obvious one) is this, that not only would there be a great gain to the individuals who had wrought these things, but the aggregate property of the entire community would be largely augmented also, and to promote this result is peculiarly the province of the science of political economy. If the consideration were given in money as, to the individual seller, it probably would be, the gain would be appreciable by every one. The real transfer as far as the two populations were concerned would be of commodities rather than of specie, and our colonists would be relieved from the expenditure of labour so far in producing them, and that labour might be then expended in distinct and profitable ways. This consideration will be seen to be highly material when we come to discuss the arguments that are often used with reference to the advantage of employing native labour instead of availing ourselves of that of strangers.



The wealth of a community must be made up of the separate wealth of individuals. If you increase the latter, you naturally augment the former ; unless, indeed, when by monopolies or artificial imposts and restrictions the State seeks to enrich one class of men at the expense of the general body.

It would perhaps be universally conceded that the best mode of ensuring the wealth and commercial prosperity of the inhabitants of the various islands I have assumed to be in communication with one another, would be to allow them free and unfettered liberty to interchange their several productions, every individual buying as cheaply as he could from any other, regardless of whether he were a stranger or a neighbour.

Divergence of opinion only arises when any one society begins to place difficulties in the way of this free interchange, by putting restrictions in the shape of duties on the importation of foreign productions into its own territories. The motive alleged is a desire to encourage its own manufactures, and thus give employment to its own people. When this course is once taken, then arises the question on the part of the proscribed communities, how this injury to themselves (for no one denies that it is one) can be most effectually obviated or checked.

It is pretty clear that if a man can purchase an article for half the price at which he can make it for himself, and he persists in being his own artificer, the one half of his labour would be thrown away. The difference between dearer and cheaper generally resolves itself into a question of time, since price depends upon the *quantity* of labour expended upon the production of the subject-matter ; and if its price is doubled, it would in most cases imply that twice the quantity of necessaries have been used up and so destroyed in making it. And if the man in the case above stated were to manufacture the article himself, instead of buying it elsewhere, the superfluous food, &c., he absorbed during the operation might just as well be buried in the ocean.

It is true that he had been nourished and supported during the whole time, but as far at least as the half of that time was concerned, there would be nothing in the end to show for it. He would have been consuming and destroying, without producing any tangible thing. Had he bought the article, instead of fabricating it at double cost, he would retain in his hands the precise amount of money he had paid, namely the half of the larger outlay he would otherwise have made ; his time would be at



his disposal, to work in other ways for which he was better adapted, and which would leave some object of value as the result. It may be a trite illustration, but it is a conclusive one, that if a shoemaker were to employ a tailor to make his clothes, and the tailor were to furnish himself with shoes from a shoemaker, instead of each making those articles for himself, they would not only be better clad and better shod, but they would save a large amount of time, cost, and labour. They would in truth be both benefited by buying in the cheaper and better market. But if this would be the result in the case of two independent men, each looking to his own interest, and caring but little for that of his neighbour, the same principle must apply to two independent nations, each looking exclusively to its own welfare.

Still the question remains unsolved—how is a nation which interrupts this free interchange of traffic by the imposition of impost duties on foreign goods to be treated by those whose merchandise is thus sought to be excluded from it. Is it expedient freely to receive what it may send to you, though it persists in maintaining restrictions on the receipt of yours? I answer unhesitatingly in the affirmative, and I think the policy of such a course may be proved almost to demonstration.

Anything that tends to check the extension of commerce must necessarily be evil, and for this simple reason, that the commercial exchange of one thing for another obviously implies a gain to both parties engaged in the transaction; for if this were not so there would be no inducement on the side of one of them, at least, to engage in it. Again, if it increases the wealth of the individuals, it must also increase so far the wealth of the nation to which each belongs. Now the very imposition of import duties is meant to diminish the opportunities for the free interchange of commodities to which they are applied, and it is an acknowledgment by the nation enforcing them that they cannot produce them themselves as cheaply as they could purchase them elsewhere, for no one would think of paying a higher price to foreigners for goods of the same quality than he could purchase them for at home. Admitting then superior facility of production on the part of the country against which the impost is directed the imposing nation is willing, for some reason or another, to throw away the extra labour and cost of manufacturing for itself. Now, whatever that counterbalancing reason may be, at all events as far as either public or private wealth is concerned, it is wasting instead of augmenting it.

It is a mere sacrifice of capital, and far from encouraging the employment of its own labourers, it effects a wilful diminution of the fund by which labour is supported. It is true that more labour may be employed for the moment, but a large part of it is unproductive, and leaves no trace of anything remaining after that which maintained it has been consumed. It would be precisely the same as if you had employed and paid wages to twenty men, for doing what ten perhaps could have effectually accomplished in the same time. It would be no satisfactory explanation to say that the extra ten men have been supported by their wages during the whole period. They had been consumers, but they had produced nothing as the result of that consumption. They might as well have lived in idleness, and fed gratuitously upon your bounty.

For a nation then to put a tax upon articles of manufacture in order to enable its own countrymen to be employed in producing them, necessarily at a much larger cost, is not only a wasteful consumption of labour, but it compels every member of its population to pay a larger sum than he need pay for the articles themselves; for it must be remembered that price is regulated by the quantity of labour that is used in the production of goods. It dimi-

nishes too the number of commercial transactions, and the mutual profit attaching to them, since if a country refuses freely to receive foreign goods in exchange for its own, it must result that its exports would be less than if no restriction existed. It is pretty clear then, that self-imposed duties on foreign commodities, in order to promote home industry, must needs be injurious to any nation resorting to them ; and this seems to suggest the course that should be taken by those countries whose goods are thus refused free admission to the taxing one. They must participate to some extent in the loss, because they would miss the profit they had hitherto made by the existence of a market for their commodities that was now closed to them. This they must submit to under any circumstances. But what advantage would they obtain by resorting to a similar course against the foreigner, that he had pursued towards them ? That which they suffered from was a contraction of their trade. What they proposed to do would still further contract it, by adding a restriction on their own side to that which had already been imposed upon the other, so that there would be two contractions instead of one. If one tradesman were to refuse to buy goods of another merely because that other declined to buy


goods of him, and he persevered in this, notwithstanding he could purchase what he required at a much cheaper rate and of a better quality than he could buy them elsewhere, everybody would pronounce him to be a very foolish person. But if the tailor, because the shoemaker would not have his clothes made by him, determined to make shoes for himself, a lunatic asylum would perhaps be a fitter receptacle for him than any other. Substitute two nations for the two individuals, and why should not the conclusion be the same.

Now I wish it to be clearly understood that I am only dealing with those import duties that a country levies upon foreign goods with the sole object of establishing and encouraging the manufacture of that species of things for itself. In fact, that is the only form in which the question is ever raised. Reciprocity, fair trade, protection, all virtually mean the same thing, namely, a preference for native over foreign industry. To treat other nations as they treat us would no doubt be but fair, if it were expedient, and to promote the welfare of our own workman would be both patriotic and meritorious. But the question is whether the way in which we set about it would not do the objects of our solicitude more harm than good.

The motive is praiseworthy ; my contention is that the means proposed are fallacious and would utterly defeat themselves. This principle of retaliation might gratify our spleen and our revenge, but we should find it a very expensive indulgence.

After all, commercial patriotism in general stops short at the point of self-sacrifice. Every individual will look to his own interest first ; when that is provided for he will much prefer assisting a fellow-countryman to helping a stranger, but in this instance there is no antagonism between his own welfare and that of his co-patriots. They would both profit by availing themselves of the extra facilities that Providence has given to different localities on the face of the globe for producing certain species of commodities, whether natural or artificial. If other countries decline to participate in those benefits, it is to their own loss ; why should we voluntarily subject ourselves to the same privation.


I confine myself to these ostensibly protective duties, because there are many others that are imposed upon foreign imports for peculiar and specific reasons. But these are exceptional and anomalous, and I am only dealing with generalities. There are many courses that would be totally in-



defensible upon abstract principles, but which might be expedient or even necessary under a particular state of circumstances. Duties, for instance, continue to be levied mainly for the sake of revenue, such as on foreign wines, tea, tobacco. There is no scope for competition on our part as to these, and they are not, therefore, prohibitive, as those I am denouncing must be to a great extent, or they would not effect their intended purpose: when they produce to the State large amounts, are of long standing as a means of materially assisting the revenue, and have led us into complicated relations with other countries, with a view to their maintenance, however impolitic they may be in principle, it is not an easy matter to change the system. Some duties again may be prohibitive and yet salutary and essential, and it might be expedient to prohibit some importations entirely,—for instance, certain poisons, highly dangerous explosives, or foul and licentious literature,—although a traffic in them might produce much profit. But I pass by all these things for the reasons I have stated, and only deal with those which are newly sought to be imposed for the ostensible purpose of promoting home production.

While upon this subject, I do not wish to lose sight of an argument frequently brought forward by those who call themselves Fair Traders ; namely, that the gain to the revenue by such imposts as I am censuring affords a material relief to general taxation, and as the expenses of the State must be provided for in some way, this, they say would be an advantageous mode of accomplishing that end. Now there are three principles among others (as will probably be admitted) that should be always kept in view in every species of taxation—first, that it should be fairly and equitably distributed so that every member of the community should pay a share proportionate to his wealth, because it is obvious that the larger are a man's possessions, the larger is the amount of protection he requires for them. Secondly, that the mode of collecting the tax should be as easy, simple, and inexpensive as possible, so as to increase as far as may be its net productiveness. Thirdly, it should studiously avoid putting any check upon the trading or manufacturing industry of the country.

Now, with regard to the first point, direct is evidently more equitable than indirect taxation. The income-tax is an instance of the first. The tax upon tea illustrates the latter.



We used to put a tax upon very many articles that constitute the bare necessities and ordinary conveniences of life—upon those things which the poor would actually require for consumption as well as the rich. With regard to these, I have before sought to show, that the rich man individually requires and consumes very little in excess of the working man. For instance, he will not eat much more bread, consume much more sugar, drink much more tea, and might possibly smoke less tobacco, than one who possessed one-hundredth part of his income, and thus he would contribute indirectly, a mere infinitesimal part of the aggregate tax in proportion to his means.

A man with 100,000*l.* a year under the direct system, assuming it to be at 6*d.* in the pound, would pay a sum annually of 2500*l.* It is pretty clear that under no scheme of indirect taxation that could be devised, could he be compulsorily mulcted in one-twentieth part of that sum—I say compulsorily, because he might always escape paying taxes on expensive luxuries, by not consuming them. It is true he would have to pay the imposts on domestic articles for his whole household, but this would not much vary the proportion, and he would escape paying for those independent agents, labourers, workmen,

&c., whom I have heretofore represented as substantially dividing the benefits of his income with him, since they in their turn would have to pay taxes on what they consumed. Take, as a further and final illustration, the very familiar commonplace article, soap. How much oftener would a millionaire wash his hands in the course of a day than a poor though respectable cottager on his estate? If not more frequently, then, if there was a tax on soap, he would pay no more to the Exchequer personally than his humble tenant. But though the income tax is the most just in theory, it has its drawbacks in practice. We all know that it is extremely unpopular, except amongst those who are relieved from paying it. It is looked upon as far too inquisitorial, and, moreover, it is frequently evaded to a large extent by false returns. By the other and indirect mode of assessment, the true nature of the impost is concealed from men's view, and they cheerfully pay the price demanded for what they require, oblivious or regardless of the fact that part of that price is really forced from them by the necessities of government; and to keep the public in good humour, or to prevent its lapsing into a bad one, is by no means an insignificant or objectionable attribute of state-

craft. Comparing then the advantages and disadvantages of the various systems of taxation respectively, it is perhaps not inexpedient that some compromise should be come to regarding them, and I do not wish it to be supposed that I am finding fault with the mixed course that exists at the present day, though I would object to any scheme that sought to extend the principle of indirect taxation.

But of all the methods of levying taxes for the purposes of revenue that could be devised, the most pernicious perhaps is that which seeks to lay imposts upon foreign manufactures, for the express purpose of preventing competition with our own. It transgresses all the three principles I have laid down. It is unequal and inequitable, for those only pay it, who require the particular articles that are so taxed. If it were confined to pure luxuries, which might easily be done without, it would be somewhat less objectionable, because those who insisted on having them, could scarcely complain of having to pay extensively for their gratification; but as the scheme is propounded, it includes within its scope all manufactures, whether useful or ornamental, with which we could possibly attempt a rivalry, however unsuccessful it might be. Then, it requires an elaborate and costly machinery to collect it, as well

as to carry out a harassing supervision in general, over merchandise sent into this country, whether contraband or not, and thus the produce of the tax is materially reduced.

But the most formidable objection is, that it cramps and restricts trade and commerce, by not only limiting importation, but, as a consequence, diminishing our opportunities and means of export.

Thus, the scheme would be accompanied by all the ordinary disadvantages of indirect taxation, whilst it would present many other evils exclusively its own. The profit derived from it to the Exchequer would constitute a mere fraction of the loss sustained to the country by the sacrifice of the many interchanges of commodities and the gain attendant upon it, that it would entail.

I have dwelt on this subject with perhaps too much persistence, too much iteration, and a needless sameness of illustration; but my excuse must be, that an argument that may strike one mind, may not influence another, and that a redundancy of proof is preferable to a deficiency which leaves the reasoning obscure. Yet I think I may further simplify the views I have sought to lay down, by treating them in connexion with the populations of the islands I have supposed to exist, and which I assume are now in

trading communication with one another. Let me then distinguish the one whose origin and progress I have attempted to trace, by the letter A, and a neighbouring one by the letter B, and I will suppose that there is the ordinary commercial intercourse between them. Let me further assume that A could produce corn at half the price, or, in other words, at half the labour that it would cost B, and that B could grow cotton at the same proportionate advantage over A, were A to attempt the same thing. It could scarcely be doubted that if A grew corn to supply both islands, and B did the like with regard to cotton, and that they mutually exchanged their surplus produce, there would be, at the end of a given period, a great saving of labour and a large increase of wealth to both. Had each remained isolated from the other, and had each grown both articles for itself, it is obvious that A would have only half the cotton, and B only half the corn it might otherwise have been in possession of. Now suppose that A were determined to grow its own cotton, and prohibit the importation of that grown by B; if B refused to avail itself of A's supply of corn, because A refused to take B's cotton, it would be precisely in the disadvantageous condition I have just described. It would be wasting its substance

by growing corn under great difficulties, when it could easily procure it without encountering any difficulty at all.

It must be remembered that a nation, however anxious to exclude foreign manufactures, is always willing and even solicitous to export its own. The popular notion is, that this is the only way to get any profit out of the foreigner, and that whatever is taken in the shape of merchandise from him, is so far a loss to the home trade. It cannot be too often repeated that we can scarcely ever purchase foreign manufactures without exporting home manufactures as the only means of paying for them. They must be paid for in some way—that is, in money or in goods.

Now in an earlier part of this paper I have tried to prove that large commercial transactions cannot be settled by money, and at the risk of repetition I must dwell upon it a little further; and for this especial reason, that it is from a misconception of the part that money plays in the economy of trade, that so much error on this subject prevails.

It is a common saying of those who only possess a superficial knowledge of the matter, that we are constantly draining the country of specie, in order to pay for the large excess of our imports over our exports, and it is of course assumed that whenever

specie leaves this country, we are losers by the event: just as if the owner of the gold or silver would part with it, unless he obtained in return property of a greater value. And besides this, the money itself would probably be the result of home labour, in the shape either of natural produce or manufactures. It is said to be advantageous to export goods, disastrous to export specie. Why? Because, the answer is, the latter would have supported labour. But labour is not nourished and sustained by money, but by what money can purchase. Goods may be exchanged indirectly for sustenance as well as money can.

A certain amount of specie is requisite in every country for the due circulation of the property it possesses. Allowing for ordinary fluctuations, it is on the whole neither more nor less. If there is more than is requisite, its value falls, and it becomes an encumbrance, just as more furniture in a house than can be required is not only in the way, but is an actual nuisance rather than a benefit. If there is too little, the inconvenience is felt in the other direction. Any serious disturbance in the balance between demand and supply would enhance or depress the value of money accordingly, and any large and continuous exportations of it in payment

for goods, would be neither expedient nor profitable. I have shown elsewhere that there is a limit to the desires of mankind for mere necessaries, as well as for simple conveniences. No one would wish for more food than he could consume, nor more chairs in his house than could possibly be sat upon; he might have a hankering after more costly provisions or highly decorated furniture, and just so far as they went beyond simplicity or usefulness they would become luxuries, and to these it is clear that there can be no limit. Now money is a convenience, and nothing more, and consequently has its limits in use: just as a particular tool has to a workman. One is as serviceable to him while it lasts, as a dozen of the same kind would be. In the same way money is a mere tool to trade and commerce. It is a means to an end, but not the end itself. No one desires money for its own sake, but merely that it may be the medium for obtaining what may afford him substantial pleasure and gratification, and of these we never feel that we have a superfluity. A collector of pictures or coins or autographs, for example, is constantly craving for more, and only wishes for money as a means of augmenting his store of things which please his fancy.

Money is, in fact, very like the counters used by

gamblers in a game of loo or speculation. They have a certain nominal value, and bear the same relation to the stakes played for, as money bears to merchandise in the ordinary traffic of life. The players are anxious, no doubt, to win them, but merely that they may attain the substantial objects of the game. Large sums of money may pass from one player to the other, but this does not in the least affect the number or value of the counters. If there are enough to carry on the play conveniently, a larger quantity would encumber rather than assist the progress of the game. Money then, constitutes the counters with which men play the game of commercial exchanges of merchandise. The bartering of one species of goods for another is the main object of the play ; money, simply as such, is very little concerned with the substantial result.

But to return to our islanders ; if A be willing to supply B with corn (which it certainly would be if requested), although it will not take the particular article, cotton, in return, why should not B avail itself of the opportunity, instead of wasting twice the amount of money and labour in raising it for itself ? It is true that if B had no other direct mode of paying for the corn except by cotton, which A would not receive, and it could not get it elsewhere,

there might be a difficulty, and B must then submit to be its own grower at whatever cost. But such a state of things would be very unlikely to exist. In the first place, there would be many other commodities that were ordinarily exchanged between these two islands, upon which no such tax was imposed; and in the next, islands C, D, E, and F, who were in general course of trade with A and B, as well as with one another, would very likely import corn from A, pay for it in their special productions on which A had created no restriction, and then B might get supplies of corn from them in exchange for its cotton, on the importation of which the other islands might be too well advised to put prohibitory duties. It is in this circuitous way that commercial transactions are continually carried on.

At all events, if the inhabitants of B were to put duties on A's corn, that they might raise it for themselves, when they had the means at hand of obtaining it at half the price it would cost them, they would not be giving much proof of their intelligence. To buy in the cheapest as well as to sell in the dearest market, quite irrespective of the locality whence the commodity or the payment may come, is surely the truest policy with reference to your own population, as it is to every other.

To act as fair traders suggest, would be very much as if, because you had already suffered one infliction at the hands of a foreigner, you would, without obviating the first, voluntarily subject yourself to another, on the simple ground that, although it injured you, it equally injured him.

Now, by way of varying the argument, I will put an illustration in another shape. Suppose the inhabitants of A could buy shoes from B at 5*s.* a pair, whereas similar articles could not be made and sold at A for less than 10*s.* (I select shoes because they stand midway, as it were, between luxuries and absolute necessities. They are not things which could easily be dispensed with, and at the same time they are not essential to our existence, though every one is desirous of possessing them.) Now suppose that the people of A should take it into their heads that it would be a credit or an advantage to them to have a shoe manufacture of their own, and that they, accordingly, prohibited the importation of shoes from B into their island. The result of that would be that each inhabitant would have to pay 10*s.* for what he could otherwise get for 5*s.* Five shillings would therefore be absolutely sacrificed or lost to him, without any corresponding advantage to set against it, as far as he or any one else was con-

cerned. It would be equivalent to a tax, but of which even the State got no particle.

The shoemaker would not be especially benefited, because he would only get the ordinary profit that was the current one among the artificers in a similar species of trade, and which he could make by his labour in other work for which he was better fitted. If it were found that he got more than the general rate of remuneration for his labour and outlay, competitors would soon spring up, and by underselling him put a stop to his inordinate gain. He would sell his shoes for 10*s.*, because he could not afford to sell them for less ; and the reason of this would probably arise from the longer time, and consequently the greater amount of labour he had to expend in bringing his work to completion, and this would involve a loss to him of a considerable quantity of food and other necessaries, which must of course be included in the price. Now if perfect free trade were established in A and B, it is evident that this loss might be avoided, and every inhabitant of the former would find himself with an additional 5*s.* in his purse, to be spent in other things, equally the result of labour.

Where then is the advantage to any one of artificially vamping up a particular trade, on the weak

and sentimental pretence that it is right to encourage the home artisan? You may force strawberries to ripen in winter time, and affect to enjoy them at Christmas banquets; but it would be by a very large expenditure of money paid for toil, and after all, the flavour might be far inferior to what nature would provide, if you would be content with her almost spontaneous efforts at production. You might be well able to afford it, and quite justified in doing it, but it would be folly to contend that it was in the end an economical mode of producing the fruit in question.

I think I may truly say, therefore, that what is ordinarily meant by protection to native industry, or the synonyme Fair Trade, is the encouragement to men to enter upon an occupation for which they are comparatively unsuited, and while the rest of the community have to pay the cost of the experiment, the workers themselves are no more benefited than they would be, by any other employment to which they might turn their hands.

There may be a lurking idea in the minds of some people that if this sort of manufacture were not resorted to, those sought to be employed upon it would not get any work at all, and that it is better to set them on partially remunerative toil, than to

let them languish in idleness and inaction. Now this is, in the first place, regarding the matter in the light of pure charity. But even then, to recur to the case I have put of the protected shoemaker in island A, probably everybody would be a gainer if part of the money saved by buying shoes in island B, were expended in pensioning off their pet tradesman, and allowing him to live in idleness instead of employing him in wasting half his time by making their shoes. But there is no necessity to resort to the principle of charity at all. I suppose it may be admitted that *prima facie* it would be more beneficial to manufacture those articles in which we excel than those in which we are excelled by others; at least, we should have a larger quantity of commodities than we should otherwise possess. It may be said that possibly there might be no demand for those articles that we had such superior facilities for producing. But you would be destroying all opportunity of testing this, while you were granting monopolies and bounties for the nominal benefit of certain trades, and so almost compelling capital to devote itself to their sickly and unnatural culture. Great Britain has long been considered one of the most favoured nations of the world for the development of invention, industry, and skill in trade and manu-

factures ; in natural productions our soil is rich and prolific in certain cases, as, for instance, in coal and iron. Now if foreign markets were glutted with one species of commodities, they might be open to us in others. English people ought to be the last to admit that they are so far outdone in competition with other countries in manufactures, that they require a sort of body-guard, in the shape of imposts, to protect their interests. At all events it cannot be denied that by fostering illegitimate production, we may be possibly damaging that legitimate enterprise which might in the end be much more profitable, because much more in accordance with the special advantages which in many instances Providence has bestowed upon us.

Is it worth while to run this risk, by authoritatively interfering with a system which has existed for so many years ? It seems a singular argument to put forth, that because some countries have done what we all admit is palpably detrimental to their interests, we should, without counteracting the effect of their movement, intentionally subject ourselves to the same evil consequences. There appears, too, to be this further inconsistency in the views of the protectionists. One would suppose that, if they were inclined to carry out the selfish theory of benefiting

their own countrymen, regardless of the interests of foreigners, their course would be, churlishly to refuse to the latter, all participation in the special advantages that nature and skill had given them, whether with reference to soil or manufacture; but singularly enough, while they are studiously desirous of extending these benefits universally, they would doggedly refuse to avail themselves of the superiority in this respect that other nations have over them.

That we should give encouragement to our own workmen in preference to those of other countries is, I repeat, a very plausible and very proper contention; but it would be to the last degree impolitic to waste our resources in effecting it. Those who call themselves Fair Traders are in the habit of pointing with great unction to the large excess of our imports over our exports. They allege this to be a great evil, but they do not attempt to enlighten us as to how the imposition of duties upon foreign produce is to remedy the evil, if it really were one.

The figures set before us, however authentic in form, are far from warranting the conclusion that the difference shows the precise extent to which we avail ourselves of foreign labour, over and above what foreigners employ of ours.

I am not going to enter into any detailed statis-



tics as to this matter, because I wish strictly to limit myself to the discussion of abstract principles. I admit that there is a considerable excess of our imports over our exports, and there is an all-sufficient reason why this should be so, without any derogation from the theories I have advanced; and the explanation will be seen presently. But I may say now with reference to this subject, that the published accounts are very misleading, if we seek by their means to elucidate the point we are at present discussing. In the first place, our exports are taken in the tables at their prime cost, without including freight and other expenses, which would, if added, of course considerably swell their amount; while our imports are, on the other hand, reckoned with the accumulated expenditure caused by their transit to this country.

But quite independently of this, the profits of our foreign trade are largely augmented by having in our hands a large preponderance of the carrying trade throughout the world; and this accrues both from exports and imports, though of course not included in the tabulated accounts. They are necessarily excluded from the exports, which are assumed to be in our favour; they are included in the estimate of our imports, and though to our

actual profit, help to swell the balance of trade that is alleged to be against us. But the excess of imports, which affords so large a scope for lamentation, and which I have said may be naturally accounted for, without derogation from the argument in favour of free trade, arises in no slight measure from the fact, that a large amount of British capital is invested in enterprises abroad, such as foreign loans, foreign railways, and other like speculations, the interest and dividends on which, must always amount to a very large sum. I hope I have sufficiently established that these cannot be paid in gold and silver coin. They must in general be sent to this country in merchandise, which is sold here, and the proceeds, in the shape of money, paid to the owners of the capital invested. Of course there can be no exports to set off against such imported commodities, because they have been already paid for by the use of the loan in the country whence the goods came.

Now this raises the very important question I have before touched upon, and affords at the outset, an apparently fair topic of complaint to those who honestly sympathize with home artificers and labourers, because it seems to trench upon a principle we all recognize, that we should, in the em-

ployment of our capital, give the preference to our own countrymen over strangers. If, in resorting to these foreign investments, we really did prejudice the British workman, I would denounce it as much as any fair trader could do, although, after all our denunciations, it would be difficult, certainly impolitic, to interfere with the liberty every man has, in this direction at least, of dealing with his property in any way he pleases. Assuredly the levying duties on foreign goods would not effect this object. It would, in truth, increase the quantity imported, and so add to the inquietude of the fair trader, since, as the duty must fall ultimately on the person entitled to receive the interest on the investment, a larger quantity of merchandise must be sent to enable him to receive the amount that was due to him.

But further to elucidate this topic, let me enter a little more minutely into the question of capital, which has only been lightly referred to in an earlier portion of my subject. The word is not always used with precisely the same meaning. It must always however be taken to apply to the accumulation of the savings of labour after the remainder of the general produce, of which it once substantially formed part, had been consumed or destroyed in

ministering to the necessities or pleasures of individuals, and so of the community at large. And these savings are stored up in the shape of quasi-permanent and tangible property. Any variation in the sense in which the word is used, merely arises from the mode of employment of the capital itself. In the first place there is fixed capital, which means plant, machinery, tools, &c., which are constructed for one single and restricted purpose, and if that purpose be altogether superseded, the subject-matter being available for no other, becomes absolutely valueless. It was of great value while its operations were called for, because it saved the expenditure of labour, or what is the same thing, it manufactured its peculiar objects much more expeditiously than the unassisted toil of man could possibly accomplish, and thus limited the consumption of necessaries which would be expended by the greater number of persons who would otherwise be employed to do the same quantity of work. The stocking-loom, for instance, would produce in a given space of time an infinitely larger quantity of stockings than hand-knitters of themselves could turn out; but if men ceased to wear stockings, the existing looms could be of no use to any one.

Most property is of some value, because if one

man does not require it, another may ; but this is because it is an object of desire and of utility in some way. The stocking-loom, if people gave up wearing stockings, could be an object of desire or utility to no human being.

Another species of capital is circulating capital, which is used in the ordinary transactions of trade and commerce, the substance and foundation of buying and selling, the fund for paying wages and such like purposes. It is constantly changing hands, and is in fact so dealt with, that some profit may arise from exchanging it for something that may be of more value to the dealers, whether in the shape of goods, money, or labour. But from what I have said before, it will readily be understood that though the popular idea of wealth is represented by money, a comparatively insignificant portion of it consists of specie.

Circulating, again, differs from fixed capital in this, that it is nearly always convertible, and therefore valuable, and this on account of the universality of its application.

But there is a third species of capital which is but seldom adverted to, but which forms a vast item in the general available wealth of a nation, and this I will call, for want of a better term, domestic

capital. I cannot perhaps give a better idea of what I mean, than by directing attention to one of the fashionable streets at the west end of London, and begging a moment's reflection to the amount of riches enshrined in every dwelling-house there—the costly furniture, the works of art, the plate, the jewellery, and various other articles of luxury that are considered as the ordinary appendages of an opulent household. And if we extended our contemplation on this score, we should find in every dwelling-house throughout the kingdom—of course varying with the station of the occupant—that there is a large amount of superfluous objects of cost and value, which, in case of necessity or strong inducement, might be converted into active means of employing labour and increasing wealth, and this without interfering in the least degree with the substantial convenience or comfort of the owner. But enormous as this stored-up capital must be, it is seldom or never intended originally to be used for any such purpose. It is considered to be almost a necessary appertaining to a man's position, and whatever that position may be, he must needs keep up appearances, as they are called, in the eyes of the world—meaning, in general, those of his associates in the same

rank of life as himself. He would no more part with them than—to use a very humble comparison—he would part with his umbrella, his spectacles (if he requires them), or his razor (if he does not prefer a beard to being close shaved), though these would be much more useful.

Now it will be readily seen that this kind of capital differs essentially from both of the others: from fixed capital, that it is always valuable and convertible; and from circulating capital, inasmuch as it remains stationary, and is never involved in trade or speculation, except when temptation in the shape of large profits assails it. It is needless to say that, while it remains in the state I have before described, it is quite unproductive. It neither augments the products of the soil, nor does it in any way employ labour.

Much as I have said about the subordinate part that money plays in the estimate of our national wealth, I must repeat that nothing is more difficult than to dissociate the word in the ordinary mind from the term capital. We constantly hear it said that “a man does not know what to do with his money.” This is not quite what is meant, or, at all events, what is correct. Substitute the word property for money, and the observation might be

just. A person is said to leave several thousand pounds behind him, while perhaps 100*l.* in hard cash constituted more than the sum total of his possessions in that particular article. The thousands only of course mean, in value or money's worth ; and into money, if necessary, it could always be converted : but if the conversion took place in this country, it would be a mere exchange, and would leave the aggregate wealth unaffected. But it might be, that those into whose hands the property came, might see their way to some profitable speculation at home, so that by selling and embarking the proceeds in some novel enterprise, a large gain might accrue to themselves, as well as to the public, by increasing its general funds. As things stood before, the property might have remained dormant, and the money value might have been invested in the same species of articles as, for years, it consisted of, and they would be dormant and unproductive too. To make property breed, as it were, much of course depends upon the energy, skill, and industry of the possessor ; and the more it circulates, the greater chance there is of finding a judicious and successful operator. Of two men, one may be wealthy without enterprise ; another may be enterprising without wealth to render his talent avail-

able. Separate, they both stagnate, and the country is benefited by neither ; but by amalgamating their different advantages, large profits might arise—not only individually, but universally—because an increase of wealth in any particular locality, of course increases the wealth of mankind collectively.

It is true that opportunities for brilliant speculations do not often occur in old communities like ours. Great occasions sometimes do spring up, as in the case of railways, gas, and steamboat introductions in former times ; and probably electricity will be productive of others in the present generation. We know with what avidity capital of all kinds, which had hitherto lain dormant, rushed into the first-named undertakings, wildly and ruinously to many of the early adventurers, but eventually subsiding into enormously profitable operations.

Yet the current of our ordinary trade and business flows on slowly and cautiously, and offers little inducement to men to run the risk of employing their time and their savings in venturing upon them. I have pointed out before, that wherever capital is great in proportion to the demand for it, its profits are necessarily small. With us, assuming that the bare interest of money is from four to five per cent., many prefer to place their savings in the

public funds, where they get little more than three per cent., to running the hazard of losing their principal altogether.


It may not be out of place here to mention that when we talk of putting money in the Public Funds, or in the Stocks, or in Consols, we do not quite correctly state what the transaction consists of. It is sometimes thought that, in such cases, money is taken to the Bank, and there deposited for the use of the Government, which agrees to give a certain annual sum by way of interest for its use. But in truth, Government has nothing to do with the proceeding, except to provide by taxation from time to time the sums accruing due for such interest or dividends. It never touches the principal, for there is no principal to touch. In former and even in recent times, when the State was engaged in onerous wars, or was pressed by other emergencies that required a large and immediate expenditure, it was in the habit of drawing on posterity, by borrowing money from the public, and undertaking to pay for the use of it, by levying in future, taxes on the people generally, until the loans were paid off. The sums so borrowed have very long, since been spent and dissipated; and inasmuch as these accumulated amounts so raised—called the National

Debt—now reach to between 700 and 800 millions sterling, the chance of their ever being repaid is somewhat remote : but the obligation to pay the interest to the successors of those, whomsoever they may be, who originally advanced the principal, remains ; and as long as this country continues to enjoy the reputation it now holds throughout the world, the pledge so given will never cease to be redeemed.

It is true that public faith has recently sustained a severe strain—perhaps it may be said, for the first time in the history of the nation—by the mode of dealing with Irish landlords. Many of them purchased land on the distinct guarantee that they should enjoy the full usufruct of the soil without let or molestation—at least from the Legislature : they were assured that they would in fact possess a parliamentary title to that in which they were invited to invest their money. But now, by a second statute, in direct contravention of the former one, they are forcibly deprived of a large portion of the profit they fairly expected to realize, and their rights are as deliberately confiscated as they were before deliberately established. I will not here enter into any controversy as to whether, under the peculiar circumstances of the case, this course was or was not absolutely necessary ; but it certainly

seems questionable on the score of political morality. It forms a most dangerous precedent, and precedents are things that legislators are apt to quote when they desire to make a tyrannical use of their power, backed as it sometimes is by the still more tyrannical voice of a capricious public. What is to be feared is, that the pernicious principle lately acted on may eventually prove the first step towards national dishonour. It has been said that the measure only affects our own fellow-countrymen, and that inasmuch as the interests of the few must needs give way to the welfare of the many, therefore individual equities ought not to be regarded.

It is a very delicate and specious distinction, and might be resorted to, to sanction the most oppressive infractions of honesty and fair dealing. But injustice is injustice still, whatever may be its scope, or whosoever may be its victims. The light-hearted performers in this game of spoliation may seek to silence the whisperings of conscience by these transparent sophistries, but they leave behind them a rankling sense of wrong in the minds of the people, and do infinite mischief by destroying their confidence in those who are placed in authority over them. But at all events, any such plea as I have referred to would be utterly nugatory in the case



of the National Debt, since very many foreigners hold large amounts of stock in what are termed the Public Funds. Repudiation has been resorted to by other states elsewhere, and we may remember what scorn and obloquy were lavished on its perpetrators.

But to quit this digression, when a man is said to invest in the Stocks, it means that he simply purchases from somebody else, the right that other possessed of demanding from the State an annual sum in the shape of interest due on a sum of money long since lent, and not a trace of which remains. There are no other parties to the transaction. Such rights are the subject of continual purchase and sale in the open market. They can always be bought, and always be sold, at one price or another. For there are men who make it their special business to deal in this species of property, and are at all times ready to sell at a trifle somewhat above the market price, and buy at a trifling reduction below it. Inasmuch therefore as there is a constant fluctuation in the number and identity of the owners for the time being, it is of course essential that the Government should know who are entitled to receive the dividends. But this duty is entirely taken off their hands by the Bank of England, which, in consideration of certain ulterior privileges granted

to it, keeps an exact register of every transfer that takes place from one person to another, so that there is thus complete evidence of the holder's title always afforded.

Now remember that, with regard to the man who buys and the man who sells, their joint property remains the same as ever. It is a mere exchange between them. The former may be willing to pass a life of ease and unproductive leisure, satisfied with the pittance of three or four per cent., which he is sure can never fail him while the present constitution lasts. But he who receives the money for the stock may be more active and energetic, and be disposed so to use it as to make it produce to him much more than the trifling amount of interest he would get by retaining the security in his hands. A tradesman or a manufacturer with a capital of 1000*l.* might so use it, that by turning it over (as it is called) several times—that is, by making or selling his wares frequently in the course of a year, and getting a profit on each transaction—he might, at the end of it, not only be able to replace the capital, but find himself in possession of an equivalent sum to that with which he started. He would thus have doubled the amount he originally possessed. In the process of effecting this, he

would have employed and sustained a large amount of labour, have given a strong impetus to reproduction, and thus have largely increased the wealth of the community among whom he lived. That 1000*l.* which would only have produced to him three or four per cent. had he held it in the public funds, would now return him 100*l.* per cent. The extra gain could not of course be assigned to mere interest on capital. It would be due to the skill, intelligence, and industry of the operator. If it may be urged that I am putting an extreme case, it is at all events one that very frequently occurs. But I am only desirous of showing in what different ways capital may be employed. If the owner had spent his 1000*l.* on plate or sculpture, the whole would have been absorbed in metal and marble, and further reproduction from it would be gone for ever. In saying this, however, I am anxious to guard myself from the imputation of decrying the culture of art in any of its various shapes. All I mean is—and I have suggested this before—that it has a tendency to consume rather than to create substantial produce, and can only be justifiable where there is a superfluity of wealth, after the actual requirements and conveniences of life have been provided for. When these have been amply

guaranteed, the encouragement of art is not only justifiable, but in the highest degree praiseworthy : at that period of a nation's career when luxuries become inevitable, as they assuredly do, it becomes one of the most advantageous and ennobling forms of their development.

Times, however, will always occur when commerce becomes lethargic, and enterprise is to some extent paralyzed. But if there were a vast and sudden impetus given to trade, by some new invention or some startling discovery that gave promise of materially affecting the comfort and welfare of society, the profits from the employment of capital in that direction, might be so increased that the interest upon the loan would be much increased also. The demand for realized wealth would become considerably enlarged, and according to the invariable rule its price would rise in proportion. After all, trade depression among artificers, does not entirely proceed from there being too much labour in the market as against the gross amount of capital in the country (for I have shown how enormous and available that amount is), but to the indisposition on the part of those who own it, to risk their funds in undertakings that are likely to be but slightly remunerative. A depression in the labour market often arises from

the greed of manufacturers, by their resorting to over-production in times of prosperity and hope. They produce in one year what ought to be spread over two or three, and even if their goods are eventually disposed of at a profit—and they not infrequently remain unsaleable on their hands—the demand for labour receives, for a time, a serious check ; work becomes scarce, and wages are reduced. On the other hand, artisans, irritated at what they conceive to be the inordinate profits of their employers, demand larger remuneration than the latter can afford, or at all events, more than they need pay, according to the wages tariff at the time. This leads to strikes and locks-out, which I have before shown to be destructive of the interests of both the masters and the men, and at the same time a direct obstacle in the way of any increase to the world's wealth. Depression in trade too, of course, often arises from bad seasons. We have seen that the augmentation of capital depends upon the annual productions of the earth, and constitutes what remains, after the actual necessities of man have been provided for. Be they small or great, the whole population of a country participates in them more or less. Where the season is disastrous, the share of every individual is necessarily reduced ; and

this is productive of a twofold injury to the trader and the workman, because he not only loses some portion of what he would get in the general distribution, but his customers, being losers also, have less funds to expend on the articles he deals in or works upon. Consequently there is less demand for labour. The mode in which the upper and middle classes meet a casualty of this kind, is by cutting down their expenditure, and dispensing with many of the little luxuries they had previously indulged in. We do not in general hear of their selling off a picture, or a piece of plate, or furniture, to make up the deficiency of income. It is at this period of failing trade, that theorists and agitators put forth their nostrums and specifics, and try to urge the Legislature to officially prescribe them as infallible remedies—just as if legislative enactments could supply those productions of the soil that nature had for a time peremptorily denied to us. We must bear the burden as we best may, and live in hopes that the bounties of Providence may again be extended to us.

Nothing can be gained in such a case, by seeking to avert our gaze from the true source of the calamity, and the worst mode of dealing with it, is to resort to a meddling, empirical interference with a condition of things that is irreparable.

Having then endeavoured to show that there is always a vast amount of unproductive capital, only waiting for an opportunity of being turned to profitable account, I will now recur to the question of foreign investments. I will premise by saying that Great Britain may be likened to a man who, after a life of toil and labour and industry, had become well stricken in years, and had lost much of the physical power which once distinguished him ; but he might still have preserved all his intellectual faculties, all his moral and mental energies in their ancient vigour. If he had a large and young family dependent upon him for food, and could only procure it for them by his own bodily exertions, the share that would fall to each child, would probably prove to be a somewhat scanty one. But if, during his past career, he had been saving and thrifty, and had amassed a fair share of wealth, he would, in spite of his faded strength, have no difficulty in maintaining in comfort and prosperity, all those that had domestic claims upon him.

Now it can scarcely be denied that the vitality of our soil, so far as concerns its powers of reproducing the fruits of the earth—what I will call its life-sustaining power—has been very considerably impaired by time. It is true that England

has vast stores of mineral wealth—for instance, coal and iron—hidden away in her bosom, and these have been perhaps more conducive than any others that could be named to her mechanical and trading supremacy: but, although these require labour to develop them and render them available, it is obvious they have nothing to do with natural reproduction. The density of our population, in proportion to the extent of our home territory, is much greater than that of any other European nation, with the exception of Belgium. A large portion of our land has been appropriated to manufacturing and other distinct purposes, and that which could conveniently be devoted to agricultural pursuits, has had its powers and its energies overstrained, in seeking to provide for the ever-increasing number of mouths it has to feed. In this particular therefore, we necessarily show a deficiency in vital tone. But that is very far from affording any evidence of general creative decay. It is quite possible—to take a very extreme case—that a nation which never grew a blade of grass or an ear of corn, might be in a richer and more prosperous condition than any of the countries by which it was surrounded. It might exhibit on the part of its inhabitants generally, so much skill and ingenuity in mechanics, in manufactures, in art, and in taste—in manipulating, in short

the raw material sent to it by others, that these others might be willing to pour into it large quantities of their own special produce, receiving back in exchange, a small portion in its improved condition, and leaving the remainder as a remuneration for the augmented value of that which was returned to them.

The rough block of marble which contained within it the statue of the Venus de Medici would be of little importance in itself, when sent from Paros to Athens; but after the figure's surroundings had been chiselled away from it by the genius and talent of the artist, it became of priceless worth. What would the canvas and paint of a picture by Raphael be estimated at, before the master had converted them into a thing of beauty that has enthralled the senses of successive generations of men? Genius, invention, and ability, employed in these and other ways by any one nation, might command a much larger quantity of necessaries from the rest, than would be sufficient to supply with food its entire population. Our country has been sometimes called the workshop of the world; others might well be termed the world's granaries; and where there was universal freedom of trade, both must profit by the interchange of those commodities that each had a special aptitude for producing.

Great Britain being thus situated, with her re-productive powers lessened, but with great hoarded-up wealth, there are other countries in a reversed position. They have great internal resources, but they have no funds to develop them, and unless some other nation stepped in to their assistance, to the advantage of course of both, their hidden treasures and unused capabilities would be lost to the world. They are naturally willing to pay a large price for the accommodation rendered to them, and this is the bait that attracts some of the superfluous capital of Englishmen to their territories, and unless so employed it might perhaps never be applied to the maintenance of labour here, as we shall presently see. Take the case, for instance, of a man who possesses a gallery of pictures worth a hundred thousand pounds. The pictures are pleasant to look at, and form a great ornament to his establishment. They constitute realized capital, and are valuable as exchangeable property; but they contribute nothing to production nor to the support of toil. Now assume that for the purpose of assisting the development of wealth in a distant country, where capital was needed, he were to part with these paintings, and invest the proceeds in the furtherance of this object, with the assurance that

the speculation would return him ten per cent. dividend. It would be useless sending the pictures to the scene of projected operations; it would be like sending jewellery and trinkets to a population that was dying for want of food. He might, for instance, sell his collection in France or elsewhere. As we have seen, the payment would not be likely to be made in money, but in goods, sent to this country, sold here, and with the sum realized he might purchase machinery, tools, and implements for the purpose of carrying out the foreign improvements. Now to stop, for a moment, to answer some captious objector who might urge that the process I have described would involve the very injustice I have all along admitted, of the employment of foreign labour to the exclusion of that of our own countrymen, as to the merchandise imported here for the payment of the pictures. If the gallery of paintings remained here, simply to bedeck the establishment of the owner, no such merchandise (clearly forming an accession to our aggregate wealth), would ever have reached us at all. We should not have manufactured it ourselves, because, the capital which would have furnished the means of so doing, would have been locked up in a totally valueless and unproductive condition. I suppose the staunchest Fair

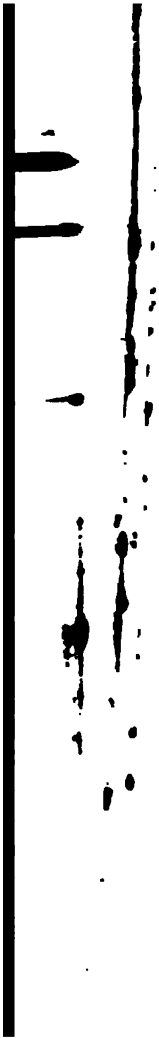
Trader would scarcely contend, that, if the Frenchmen were to send us over a large quantity of goods for nothing, it would be right to reject the boon, because the goods were of foreign make, and so deprived our own artificers of the opportunity of earning money by manufacturing them. Yet virtually, in the case I have put, the transaction would be equivalent to their presenting them to us gratuitously. The owner of the pictures, without the temptation of large and unwonted interest, would probably never have drawn his property from its listless, profitless seclusion. The gallery would have remained in its former position, and labour would not have been called into requisition.

Now if it would be wrong to refuse a gift of merchandise from a foreign country, were it kind enough to present us with it, surely I may ask, why should we not buy goods at a cheaper rate rather than make them ourselves at a dearer one, and that irrespective of the market in which the purchase was made? The two cases are the same in principle, though no doubt they differ in degree. For instance, if for a certain sum we can procure twice the quantity of goods from abroad that we can make them for by the same expenditure at home, it is much the same thing as if we obtained the half

of them for nothing. We should save the necessities that would be expended in making the larger quantity, thus reserving it for use in various profitable ways.

At all events, the sale of these hitherto unproductive pictures would, on my assumption, bring into this country 10,000*l.* a year in the shape of interest where nothing came into it before. Now, I have laboured to little purpose, if I have not clearly established that this income could never be enjoyed by its possessor, dispose of it how he might, without being made subservient to the nourishment, the maintenance, and comfort of a large number of persons besides himself. It might be made productive in an agricultural sense, and by profuse expenditure in draining and manuring at the outset, acres of ground might be made to produce crops that it had never yielded before. It might be used in breeding herds of cattle; it might be employed in trade, thus giving a stimulus to production in an indirect way. Even if it were spent by its owner in the mere gratification of his whims and pleasures, many people must be employed in ministering to them, and thus gaining their livelihood.

But it may be fair to assume that, inasmuch as



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gain was his object in parting with his pictures, he would endeavour to make the most of the interest resulting from the speculation. Remember that with this 10,000*l.* a year he might employ 200 workmen continuously, at 50*l.* a year each, by their toil and labour, to manufacture for him what would be of sufficient value to replace the whole sum expended upon them. Two hundred families might thus be supplied with at least mere necessaries, and what they had consumed and destroyed would be restored as property in some other shape, thus affording the means of repeating the same process from year to year. Then again, these very families must resort to butchers and bakers, to tailors and shoemakers, and other artificers, to satisfy their requirements, who would all seek some share of the gross profit that this 10,000*l.*, judiciously laid out, had produced. This would be the result of profitably employing hitherto unused wealth, and this, in spite of its being devoted in the first instance to that much-decried object of employing foreign labour.

But even the advantages I have described might not be the full extent of the benefit accruing to us; for the country to whom the capital was originally lent might become so prosperous, by means of the use to which such loan, together with similar ones,


had been put, that it might in course of time furnish additional markets for our manufactures, and so open up new sources of encouragement to our native industry.

Having thus shown how stored-up wealth may be called into active service when a sudden demand for it arrives, and an unusually large profit from it is to be made, I need simply refer to the converse proposition when competition slackens, markets become dull, and capital therefore is little in request, consequent on the slender remuneration its employment would afford. Its possessors would then lay it up in ordinary, as it were, by investing it in works of art—pictures and sculptures, for instance (to resort to the same examples as I have before adopted). When so spent, and these articles were newly created, it would have made its last effort at reproduction; for although what was thus made would always command a certain price, it must be recollected that this would only represent the large amount of necessaries absolutely lost to the country in producing them.

Pictures or sculpture will neither multiply nor grow; they will not produce, nor assist in producing, anything beyond themselves, as seeds, machinery, and tools would necessarily do. And although

their value might be at any time realized by a sale here, there would even then be a mere substitution of one owner for another without any increase in the things exchanged. But it might happen that, for the moment, the community was so well stocked with commodities that were susceptible of reproduction, that there appeared to be no advantage in increasing them; then would come the period (or even, as I have explained before, the necessity) for resorting to investment in luxuries, and those just referred to, would at all events preserve to their owner something of an exchangeable value, that would be permanent and enduring. Contrast this mode of dealing with superfluous wealth with that of employing it in the manufacture of expensive wines, which would be destroyed in their momentary enjoyment, and the distinction will be at once apparent.

Now this is only carrying out the principles I have all along sought to enforce, that necessaries are the first species of produce of which in an early stage of society a supply must be secured. Then come the conveniences and comforts of life, and when all these have been sufficiently and amply provided for, the introduction of luxuries becomes inevitable, if men are to continue to exercise the



faculties Providence has bestowed upon them. And further, that luxuries differ materially among themselves, in respect of the way in which capital is absorbed by them.

Some are created simply to be destroyed in carrying out the intention which gave them birth, without leaving a vestige of result behind. Others, though henceforth utterly unproductive, still endure and last, having always, for the most part, an exchangeable value which may be turned to account when a favourable opportunity occurs.

I am conscious that there is much repetition in what I have lately said, and if this is urged against me, I fear I only strengthen the accusation when I repeat what I said at the beginning, that I would rather incur the charge of redundancy, than that of not having rendered myself thoroughly intelligible. The relations between capital and labour, prices and profits, the necessaries of life and those objects that simply tend to its enjoyment, are not readily appreciated on a first contemplation. But I believe that any difficulty that may exist, arises rather from the fact that men's minds are in general not directed to these subjects, than from any intrinsic obscurity in the subjects themselves. Few persons unacquainted with mathematics would on a first perusal thoroughly

comprehend the demonstration of the forty-seventh problem of Euclid. Many would be apt to forget the first part of the proof when they got further on, and would perhaps have to recur to it more than once before they could cordially assent to the truth of the conclusion. I am very far from assuming for the views I have put forth, any claim to a demonstration of their correctness; I only wish to explain my practice of availing myself of perhaps an oft repeated phrase where I think it appropriate in illustrating a new position.

At all events I shall think myself amply repaid for any labour I have taken, if I have counteracted the impression often entertained, or at least sought to be instilled into the minds of the working classes, that the rich man gets all the enjoyment that is to be derived from wealth, and that those whom he employs, do nothing but toil, in order to contribute to his ease and pleasure. If they toil, they do so for their own peculiar emolument and enjoyment as well as for his. But for him, they would in vain seek for the comfort or even sustenance by which they live, in that particular station that is marked out for them, and they can hardly expect that a special dispensation should be provided in their favour, for the purpose of bettering their condition.

They are dazzled by the glare and glamour that surround wealth and high station, and which render them blind to the fact, that a thing which they believe would be a blessing to *them*, may be nothing of the kind to him who is in possession of it. We know that habit and necessity will reconcile us to what formerly we regarded as a most unpleasant and irksome duty. Just in the same way use and custom considerably reduce the value of attractions that once appeared lasting and supreme.

The poor only see the bright side of the picture ; they are not aware of the cares, the anxieties, and the responsibilities that are depicted on the other.

After all, happiness is the professed object of every man's desires, and it is quite immaterial by what means (always assuming they are honourable ones) it is achieved. A beneficent Providence has certainly ordained that it shall not depend upon the adventitious attributes of rank or riches, but upon the peculiar condition of each individual mind.

Health and contentment, which may fall quite as much to the lot of the poor as of the rich, are the main ingredients that constitute man's felicity ; and if he is fairly endowed with these, there is not on the face of the earth one of his fellow-creatures,

whose position he need envy. But a desire to improve his worldly status, so far from acting as a check on the calm serenity of his career through life, is the very stimulus that induces him profitably and pleasurable to employ his energies and his time in attaining that end. Certainly he will never further it by looking with jealousy and ill-will upon those who appear to be more favoured by fortune than himself, and in treating as his enemies those who, perhaps unconsciously to themselves, are his most sterling and substantial friends.

Before I conclude this somewhat desultory and discursive essay, I wish to say a few words on the present aspect of the Free Trade Question.

For upwards of thirty years from the passing of the Corn Law Bill the subject was allowed to rest in peace, and not a symptom of clamour or agitation appears to have been manifested against the new system that had been inaugurated.

This was to be fairly expected when it was once finally established, considering the nature of the opposition that had in a great measure vigorously resisted the change. Very many of those who denounced it were thoroughly imbued with the conviction that Free Trade would ultimately prove highly beneficial to the country. But they

honestly believed that suddenly to reverse a policy that had so long been maintained, would be not only infinitely injurious to what were (almost in derision) termed vested interests, but would involve a direct breach of equity and fair dealing. Men had directed their capital into various channels, on the faith that they would not be interfered with by any abrupt onslaught upon their property. Agriculturists would of course be the chief victims, and considering the enormous amount of money that was invested in the land, and the vast number of labourers dependent upon it, the prospective ruin of so extensive a body of the population was not to be lightly disregarded.

But there was a still stronger reason, perhaps, that operated on the minds of many—who were far from being unfavourable to the principle of free importation—in opposing the repeal of the Corn Laws.

The most violent and clamorous advocates of this repeal were the mill and factory owners, with whom trade had not been flourishing of late. They were suddenly seized with a spasmodic fit of patriotism, and a deep feeling of sympathy for what they called the starving labouring classes. Their sensibilities were awakened by seeing so many

operatives out of employ, and they displayed their humanity and public spirit by urging and inciting the mobs in the various manufacturing towns blindly to clamour for cheap bread, and to demand with threats, the abolition of the law that prevented the free introduction of foreign corn into this country. The disturbances—the riots, almost amounting to insurrection, that resulted from this beneficent teaching, have become matters of history.

The Abolition Bill passed, and the manufacturing hierarchy reaped their reward, which was by no means a light one, though not quite in the direction they had openly professed to anticipate. They had, of course, predicted that a vast quantity of foreign corn would pour into this country, but they did not so outwardly proclaim, that if this were so, a large quantity of their manufactured goods must necessarily go out of it, by way of payment; for they had diligently studied political economy, and knew that the corn could not be paid for in money. Much of the distress in the factory districts had been caused by over-production, and a large amount of cotton, woollen, and other goods remained on their hands without either home or distant markets to absorb them, even at a sacrifice. These would now be easily disposed of, and their

mills and machinery which were a dead loss to them while unused, would be again called into requisition to produce more. These benevolent capitalists were wise in their generation. But the large increase in their trade was not the only source of pecuniary profit they looked to from the change. They had held up landlords and agriculturists to general execration, and compared them to the tax-gatherers and publicans of old, who restricted the food of the people, and batted on the miseries of the poorer classes; but they quite ignored the existence of any other labourers or workmen than their own. It was, however, pretty obvious that if the population was to be fed by foreign corn, large tracts of land which could not compete with foreign produce, must be thrown out of cultivation, and of course it followed that the worst species of soil would be the first to be abandoned, and these were just the farms that demanded the greatest quantity of labour. All those men who had been engaged on them would be thrown out of employ. The land which still remained in tillage, being already well stocked with hands, would require no more. But the discharged men not liking the prospect of starvation, and finding it difficult to accommodate themselves to other occupations, for

which their habits had unfitted them, would be willing to work on the only terms on which they could obtain employment, namely, by underbidding their more fortunate brethren who still remained cultivators of the soil.

A general competition takes place, and the wages of agricultural labour inevitably fall. A large multitude still remain to be provided for, and who must exert their industry elsewhere. Their only refuge is the manufacturing towns, there to compete for work with the pet operatives, for whose welfare the mill-owners had all along shown so much amiable solicitude.

Unused to the noxious atmosphere, and bewildered amidst the buzzing of machinery, some lucky individuals among the bucolic emigrants would be soon carried off by disease, or by, to them, the novel eccentricities of cranks, cog-wheels, and other such gear. But the survivors would soon begin to enter into competition with the trained artisans. The same process takes place as previously reduced wages in the country, and the same result assuredly follows. Wages of labour therefore almost universally fall.

Now what effect would this result have on the position of the master? Let us see. I have before

referred to the undeniable axiom that the price of goods depends in general upon the quantity of labour employed in their production, and not on the casual rise or fall of the wage that is paid for it. Even McCulloch, the great champion of Corn Law abolition, lays it down broadly, that a diminution in wages will not compel the manufacturer to sell his articles at a cheaper rate, but that the difference finds its way absolutely into his pocket. In exact proportion therefore as the labourer suffers, are the profits of the master enhanced. So that while the factory capitalist gets all the advantage of the increased trade, he obtains in addition, the benefit from each individual sale, by engaging labour at a lower cost.

Now I must not be supposed to lay down these results as permanent ones; that would be to assail every principle that I have sought to maintain throughout these pages. Things would right themselves in time, and an additional impetus would be eventually afforded to trade and commerce. But the immediate consequences would be such as I have described. It frequently happens at first that these violent revulsions have the effect of making the rich richer, and the poor poorer; and the simple reason is, that capital accommodates itself to such

changes much more readily than labour possibly can do.

Again, I am far from suggesting that when a great benefit is conferred upon society, the men who have promoted it are to be deprived of all credit, merely because the result accords with their own private interests. But when we see them constantly posing before the world as great public benefactors, and seeking to extort a show of gratitude, where credit for a lucky inspiration is all they are entitled to, and which would be cheerfully conceded to them, it may not be unfair to inquire whether their motives were quite as pure and disinterested as they would seek to represent them. In what I have thus said, I have only been anxious to show that a great part of the resistance given to the abolition of the Corn Laws arose from honest indignation on the part of many who were at heart free traders, to the illicit and unscrupulous means resorted to by these pseudo-philanthropists to bring the scheme to a successful issue. At all events, we of the present generation, possess the advantage of a largely increased system of Free Trade. A long period of time separates us from the injustice and the ruin to many by which the original measure was consummated. A welcome result has been achieved,

and I trust and believe we shall continue to retain it. Those who have just started an agitation for a recurrence to the old system, under the plausible and seductive titles of Fair Trade and Protection to Native Industry, mainly consist of a few free lances who are fond of skirmishing on the outskirts of political life. The movement is adopted by neither of the two great parties in the State, nor is it encouraged by any appreciable display of popular feeling.

But if this project is still to be upheld, at least it behoves those who honestly, however mistakenly, advocate it, to state in very specific terms on what ground their hostility to Free Trade is based, because the proposition may be so put, that the most inveterate Free Trader might hesitate to give a categorical opinion on the subject. We are entitled to ask for openness and candour, inasmuch as they are not very conspicuous among public men of the present day. There is a tendency on the part of many to appear to address an assembly in one sense, when they know perfectly well they will be understood by a large portion of their audience in a totally different one; and no doubt great encouragement has been given to the practice, by the example of some in very high places. The art of

introducing ambiguity into political speeches is well worth cultivating, by those who are not overburdened with conscientious scruples as to the means by which they attain their ends. It enables them so to frame a statement, that though at first sight it bears one simple and obvious meaning, it may by microscopical search, and by the aid of a little casuistry by way of explanation, be made susceptible of several different and even discordant ones ; and it has this great advantage, that the speaker may, on an emergency, adopt that particular construction that is most convenient to him at the moment. The design usually succeeds, when skilfully and carefully executed, because the courtesies of political warfare compel us to admit that a man must himself be the very best exponent of what were his intentions ; and we, outwardly at least, give him credit for sincerity, however persuaded we may be of its utter absence. It would be rude to express a doubt where we cannot demonstratively refute. It has, however, a debilitating effect on a man's reputation, if he make these drafts upon public credulity too frequent.

These remarks I conceive are peculiarly applicable to the question of Free Trade, because there is no political topic that affects a larger variety of people in more various ways. By judiciously selecting his

audience, and adapting his discourse to its peculiar and well-known wishes, an orator might secure a favourable hearing from twenty different sections of the community, all of which differed essentially among themselves, each supposing that what might be advantageous to itself must necessarily be advantageous to the whole community.

In this selfish age every one wants protection with respect to his own individual trade, but strongly insists on free trade with regard to every other. The motive is quite transparent and not unnatural; they want to secure to themselves a monopoly that they may sell their wares at a high rate, but they are equally anxious to buy everything they require at a low one. Farmers would ask for a duty on foreign corn, that they might obtain an exclusive market for their own produce, but they would resist a prohibition of French silks, lest they should have to pay more for the article than was necessary; but the silk manufacturer, on the other hand, would be in favour of it, while he would clamour against a duty on foreign corn, because he thought the welfare of the country depended on cheap bread. This is precisely in accordance with the popular doctrine of liberty, as its principle is now in general understood; its

formula as propounded and acted upon in many quarters being this—"I have a perfect right to interfere with everybody, but let everybody beware how he interferes with me."

To impose a tax upon all foreign commodities would be to partially reduce the nation to the primitive condition of producing for itself everything it required for use and enjoyment, whatever cost it might entail. Whereas to make a selection, and tax only a portion of them for the ostensible benefit of the makers and their workmen, would be to compel the rest of the community to pay an extravagant price for the productions of the favoured few. Even this last expression is scarcely a correct one, for I hope I have satisfactorily proved that the very men for whose supposed protection the duties were imposed, would find that they had gained no boon at all, since competition would soon reduce their profits to the ordinary and normal standard.

It is sometimes confidently asserted, as though the statement must carry conviction to every rational mind, that the staple trades of our country should be maintained at all risks, since they necessarily give employment to so large a body of our countrymen. But it must be remembered that the

staple trades of our country cease to be such, at all events in the sense in which the term is used, when we can be undersold by other nations in the subject-matter of such trades. It might just as well be asserted, that we are bound to support in his particular business some large employer of labour in London, for fear of throwing out of occupation, the great number of persons he had engaged in his service; and this, notwithstanding we could obtain articles of his manufacture at a much less price in a neighbouring county than he could afford to make them at. The community generally can have no interest in especially fostering any particular branch of trade or commerce more than any other. The whole nation is composed of individuals, and if it is to the advantage of one man to buy what he may require as cheaply as he can, which it manifestly is, it is equally clear that it is advantageous to all. We need not shed a tear over the annihilation of a class of industry that cannot successfully sustain a competition with other people who embark in it.

I must not omit to recur here (and I wish to do so specifically) to an argument sometimes used in favour of imposing duties upon foreign produce, and which appears to me to be the only one which has a shadow of reason to support it. It is thought

by many—as well Free Traders as Fair Traders—that it might be expedient at this juncture to prohibit to some extent the importation of commodities from those nations that levy foreign duties upon ours, on the ground that it might be a means of coercing them into a withdrawal of the restrictions that they have so wantonly and so foolishly prescribed. Now, if this is recommended with that single object, and with the idea that by making a considerable pecuniary sacrifice at the present moment, we might secure great advantages hereafter, the scheme is at least intelligible, and might afford fair matter for discussion. I fear, however, that in the present temper of European and other countries, it would be altogether hopeless. It would involve many hazardous changes in the distribution of capital now, and many indefinite and dangerous ones in future. This would necessarily be so, even though it should eventually turn out to be successful; while the very uncertainty of the result would produce great derangement in commercial affairs for a long time to come.

But I am content to have barely alluded to the subject, and shall say no more respecting it, and for this simple reason, that it is quite beyond the scope of my views as expressed throughout these pages.

The suggestion admits that there would be a sacrifice of substantial wealth by enforcing duties on foreign productions, though it might be desirable to submit to it for some ulterior purpose. This I have no interest nor motive here in opposing, however visionary I may deem the expectation of any benefit to be derived from the experiment. All I contend against is the fallacy put forth by Protectionists and others, that the course they suggest would give valuable encouragement to native industry, and tend to the immediate pecuniary advantage of the whole community.

It is to be feared as much as it is to be deprecated that the movement is taken up as a mere political weapon well calculated to provoke agitation amongst those who are assiduously taught to believe that they would be vast gainers by the change.

The cry is an alluring one, and might perhaps catch some few votes at the hustings; but it is scarcely creditable to the intellect or patriotism of those who resort to it for such a purpose.

It may be considered to be a strong expression of partisanship—perhaps it may be taken to be a sign of dotage on the part of one who has passed through many years of life,—but I nevertheless have always had a strong conviction that a large section

of the Liberal party affect to patronize the working classes, whilst they play upon their weaknesses. The Conservatives really seek to protect them, by awakening them—rather roughly perhaps at times—to a sense of their true interests. But, if the movement in favour of Protection had gone further than it has done, I should have begun to think—considering the quarter whence it emanates—that the principles, or at least, the tactics of the Whigs and the Conservatives were, in point of morality, much upon a level.

THE END.

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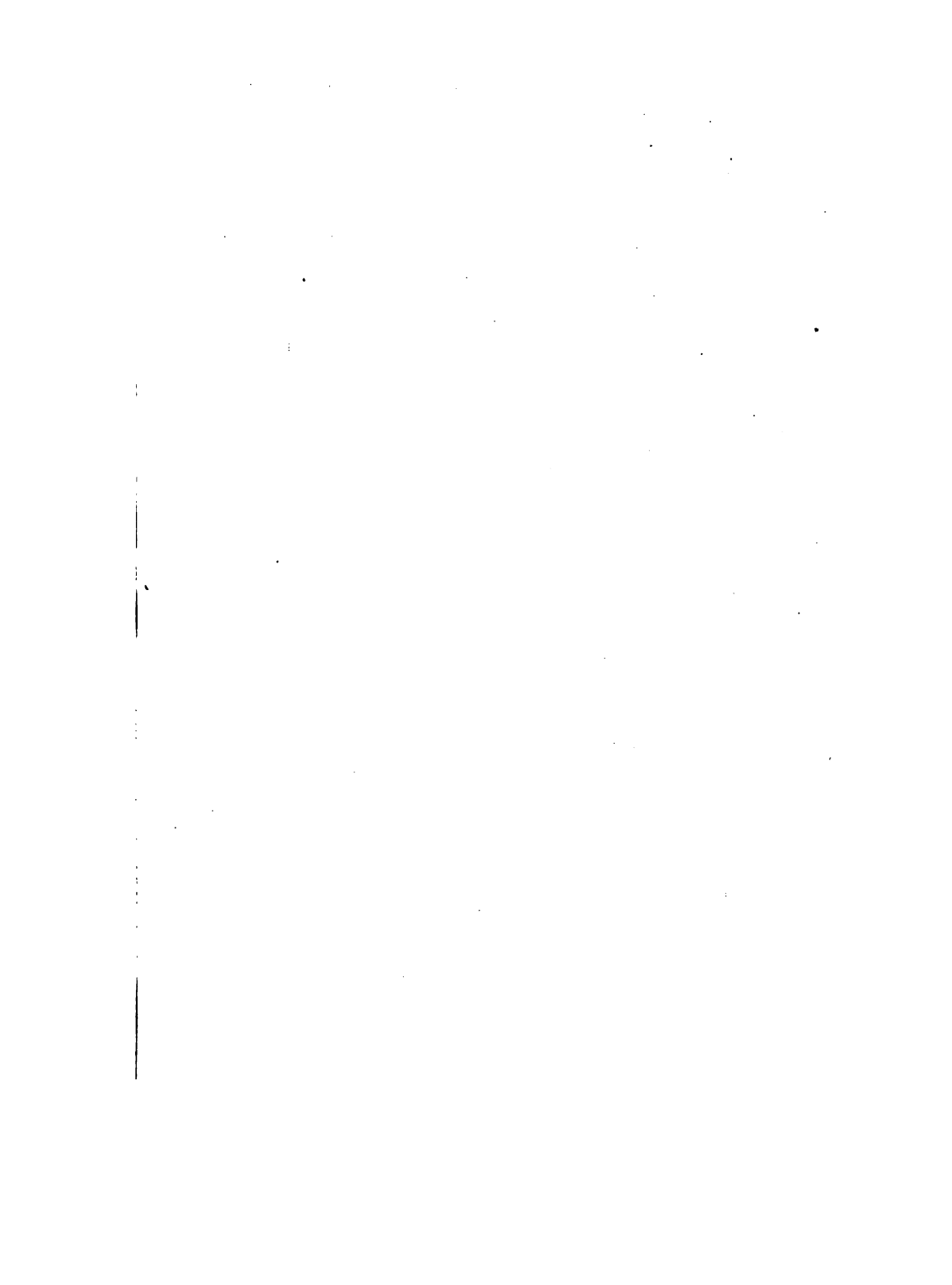
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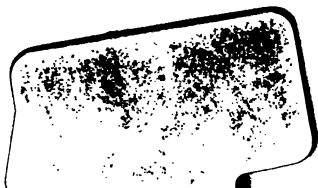
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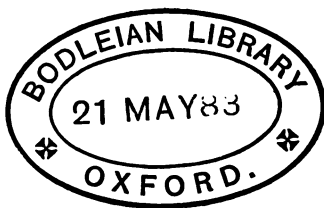
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P R E F A C E .

THE present publication had its origin in a desire on the part of Col. Smith's family, that a memoir should be drawn up showing his labours in connection with currency, the depreciation of silver, and the Indian Exchanges. The present writer was asked to prepare such a paper; and though conscious of his inability to do full justice to the subject, he consented to undertake the task, as no other friend was found to do so.

The idea at first was that the paper should be offered for insertion in the Journal of some one of the Societies with which Col. Smith was connected. But it has grown far beyond the limits then contemplated; and it is now thought best to publish it separately, in the hope that it may be useful as a kind of summary of the views and arguments and proposals put forward so perseveringly and with such sincerity of conviction by Col. Smith on a deeply important subject, which are now scattered through a number of papers.

The object has been to present a complete exhibition of those views, omitting nothing material either in statement or reasoning. This has led to repetition in some places; but that has been considered a less fault than defect in completeness or clearness.

J.D.B.

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TION OF THE INDIAN EXCHANGES,
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ING IN SUPPORT OF HIS PLAN.

COLONEL SMITH had paid much attention during many years to the subject of currency and the exchanges, especially as connected with India. He held for a long period the post of Mint Master at Madras, and originated and introduced there many improvements in the machinery and the management. Afterwards for a few years he held the same post in the much larger Mint at Calcutta. In both positions it came within the course of his duty to study the exchanges, and the incidents of coinage and currency, and the character of his mind eminently fitted him for such investigations. He examined and thought out both subjects from their first principles. He was not content to adopt the opinions of others, however respectably supported, but worked out conclusions for himself, always testing them by facts and experience.

The occasion of his bringing forward the views and proposals now to be detailed arose in 1876, when from causes unconnected with India, the gold value of silver had experienced a very heavy fall. ७२ २

1870 its value in the London market had varied extremely little from its English standard value of $61\frac{1}{4}$ d. per oz. But two or three years after this the price began to decline, and in 1876 it was at 48d., or about 20 per cent below par. The effect was disastrous to various interests.

1st. English residents in India having to remit money to this country, lost heavily on every such transaction.

2nd. The Government of India itself was a heavy loser. The service of the State requires the remittance of a large portion of the Indian revenue to England, partly to pay for supplies and stores of all kinds required for the public service; partly to pay pensions and salaries of Indian public servants civil and military, and the other charges of the Home administration. These remittances amount to about 17 millions sterling yearly, and are effected by means of Bills of Exchange, drawn on the Government of India by the Secretary of State, for sums of rupees payable in India. Prior to 1876, the rate of exchange for these bills was a little above or below the par value of ten rupees to the pound sterling; so that the amount of bills just stated was met by payments of about 170 millions of rupees. But with the heavy fall in the gold value of silver, the cost rose suddenly to about 215 millions of rupees, being a loss of 45 millions solely due to difference in the exchange.

3rd. A third branch of the loss was even larger; it was that which fell on merchants who had been in the habit of exporting English manufactures to India.

Such transactions instantly became a source of ruinous loss, the trade was nearly paralyzed, and many very heavy failures took place.

The loss and ruin were so serious as imperatively to draw the attention of the authorities to the consideration of the means of arresting them if possible. Col. Smith was asked for his opinion, and he drew up a paper on the subject for the information of the Secretary of State for India, and with the sole object (as he himself says), of assisting the Indian Authorities in dealing with the difficulty.

The remedy which he advised was to change the standard of the Indian currency from silver to gold, so as to be in agreement with that of England; and he pointed out how this could be effected with the utmost ease, without any disturbance to trade, and without any cost to the Government.

He called attention in the first place to proposals which had been made by high authority in India, so far back as 1864, for the introduction of a gold currency in that country; and also to a paper on the subject which he had laid before the Secretary of State more than eight years before, viz., in January, 1868, advocating the adoption of a gold standard and gold currency; and remarked that if a gold standard had been substituted for silver at either of those periods, the present very serious loss and embarrassment would have been prevented.

In again advocating that course, he urged that in addition to the arguments in its favour formerly stated by various able writers, there were important

reasons for it, and such as tended to the belief that sooner or later it must be inevitable. These were not merely the confusion and detriment then already experienced, but also the inherent mischief of an arrangement which subjected the enormous and daily increasing commerce between England and India to constant fluctuations in the inter-relation of the two metals constituting their respective standards of value, with the consequent embarrassment in all contracts. He pointed out that with one and the same metal as the standard in both countries, the utmost limit of variation in the exchange would be the cost of transmitting bullion from the one country to the other, which, if that metal were gold, would not exceed about two per cent. But that with the two different standards, it might easily range as far as 16 per cent; a limit which has in fact been considerably exceeded since. Great as the fall had been in the value of silver, he held that there was good ground for believing that it was still not too late to restore the exchange to the par value of 2s. the Rupee, and that without any shock or disturbance, provided that decided measures were adopted.

His remedy consisted of two parts. The first was the entire stoppage of the coinage of rupees for private persons. Under the Mint law of India it is permitted to any one to take silver bullion to the Mint, and receive in exchange Rupees to the same weight, less a tax or seignorage of two per cent. Col. Smith's proposal was to take away this privilege, once perhaps suited to India and harmless, but now a

source of great evil and loss, which he pointed out does not exist in France and other European countries ; and at the same time, to open the Mint for the receipt of gold bullion for coinage.

In order to prevent any derangement to trade, his plan included also another part, which must now be described. Reference has been made to the bills drawn on the Indian Government by the Secretary of State in London, "Council Bills" as they are commonly termed. The practice is that the Secretary of State gives notice when he has occasion to draw such bills, and invites tenders for them, and issues them to those who make the highest tender. The Council Bills in fact form the chief means for making such remittances ; but they are not sufficient by several millions sterling a year to cover all the funds seeking remittance ; and the surplus goes by other means, viz., the actual transmission of gold or silver bullion, chiefly the latter. The amount seeking remittance being so much larger than that of the Bills offered, the rate obtainable for them really depends on the gold price of silver at the time in London. It cannot exceed that price, *plus* the cost of transmitting silver bullion to India. In 1876, the rate had in fact come to be very low indeed, by reason of the heavy fall which had taken place, as already said, in the value of silver compared with gold.

But Col. Smith had satisfied himself by full examination, that though the value of silver as thus estimated was so low, yet for all the internal transactions of India,

the purchasing power of the rupee still remained unchanged. The instrument of exchange in all the multifarious transactions of the vast populations of that country, was still the rupee currency; no other medium had taken or could take its place. And its bulk being so vast, about 2000 million pieces, the annual additions made to it, very large though they had been in recent years, and amounting to as much as ten millions sterling in some years, had not perceptibly affected its exchangeable value as compared with commodities, in the face of the rapidly expanding trade of the country.

For Col. Smith pointed out that the internal commerce of India, which had only recently begun to be developed, was even now quite in its infancy. The Indian Railways, of which only a first instalment was completed, together with the Telegraph, had then (1876) been acting for but a short time on the dormant energies of the population. Yet he quoted official returns to show that comparing the average of the seven years ending in 1847, with that of the seven years ending in 1874, the foreign trade of the country had grown from £27,708,375 to £99,608,798, being not far less than a four-fold increase in 27 years. And on the certain truth that the internal and external trade of a country must rise and fall together, the former being also by far the larger and more important of the two, he argued how large and rapid the continuous growth of the internal trade of India must be. And he noticed the fact that, whatever the cause, that trade had during

the last thirty-eight years required constant and steady additions to the currency, averaging throughout that time above five millions sterling per annum, and amounting to much larger sums in the later years; and all this besides a nett inflow of gold bullion, exceeding four millions yearly on the average of the last twenty years.

He argued then that the "Council Bills" gave the Secretary of State the means of fully controlling the exchange; and that by the use of that, combined with the withdrawal of the right of private persons to use the mints, the exchange might be brought up to par and maintained there, without either disturbance to trade or cost to the State. And thus those grievous losses and evils which have been above referred to might be completely and for ever put an end to.

In addressing the Society of Arts in 1878, Col. Smith dwelt emphatically on the inherent evils of the currency arrangements existing between India and England: viz, a silver currency in the former country, and a gold one in the latter, with an open coinage in both, including free permission to any one who pleases to take silver to the Indian Mints. Trade between any two countries, he observed, is the interchange of commodities, which are measured against one another by means of the tariff of prices existing in each country and founded on its currency. These tariffs of price can only be altered gradually, because the dearer or cheaper cost of additions made to the currency from time to time, affects the whole only very slightly, like a bucket of water poured into a lake. But as

to the rate of exchange, viz., the immediate expense of obtaining a portion of one currency by means of a portion of the other, it is evident that the cost instantly follows alterations in the cost of the material on which the former currency is based; for the rate of exchange only expresses the cost of procuring the one currency in terms of the other. Hence, in the present case, no sooner is there a fall in the English or gold price of silver, than it establishes a fall also in the purchase price in London of the Indian Rupee Currency, *i.e.*, in the rate of exchange between the two countries. And it does so, because the Indian currency law enables anyone having silver to convert it into rupees. Silver, however much degraded in value below its former price, is permitted to be coined, and is so enabled to take its place in the Indian currency, and command the same purchasing power as the rest of the circulating medium.

A metal liable to much fluctuation is not suited to form a standard of value, especially for a country like India, having now a vast commerce with countries of a different standard; and silver has become exceedingly subject to fluctuation. Slight variations, though occasioning loss to individuals, are of little general importance; but the effects of a heavy fall can only be met by stopping the free use of the Mints, and providing for the wants of commerce in some other way. This is the course which has been adopted by France and other States composing the Latin Union. Had silver, when it fell so low in price, been denied admission to the Indian Mints, it would

have commanded in the markets of that country only the same value in commodities and gold, that it does elsewhere: but when it was coined into rupees, it was thereby raised to an equality with the existing currency, and commanded an exchange for commodities according to the Indian tariff of prices.

Thus in addition to the fall in the value of silver, the two facts of the gold standard in England and of the free coinage of silver in India, bringing about a corresponding and immediate fall in the exchange with England, were essential factors in producing the disorders which have been experienced. So long as that state of things continues, there must be fluctuations in the exchange between the two countries, with all the evils attending such fluctuations.

When the price of silver fell so heavily, the Indian Merchants were early led to see the evil of a free coinage; and in August, 1876, they petitioned the Government of India to close the Mints. But they did not complete their proposal, by showing how the wants of commerce and the expansion and contraction of the currency were to be provided for. Consequently their prayer was rejected; chiefly (though other reasons also were given) from the belief that it involved a fall in prices, or in other words, a contraction of the currency.

The assimilation of the standards of England and India, would at once have put an end to the ruinous fluctuations in the exchange; and in dealing with the Petition, the Government indicated a preference for a gold standard for India, and acknow-

ledged the inconveniences of the existing state of things. But they were deterred from sanctioning the change, by fears as to the cost of introducing a gold currency; for which fears, however, under Col. Smith's plan there would be no place, as will be shown below.

It may be noted here, that not only had all the commercial classes in India, both natives and Europeans, been long desirous to have a gold currency; but the same had been pressed on the Government, and recommended on grounds quite independent of the exigencies of the present time, by almost every Financial Minister of India for many years. And a commission of enquiry, of which Lord Sandhurst was president, after an elaborate enquiry, and the collection of much evidence from all parts of India, advocated the same measure. While bearing testimony "that the demand for a gold currency was unanimous throughout the country," they expressed their own opinion in the following terms: "The Commission cannot hesitate to express a hope that the Government of India will persevere in the policy which was recommended for the approval of the Secretary of State two years ago, viz., to cause a legal tender of gold to be a part of the currency arrangements of India." (Report, October, 1866.)

Again, when Mr. James Wilson was Financial Minister at Calcutta, he recorded his opinion that a "gold standard with silver token coins," would be the best for India; but he added, "I know of no conceivable regulations by which such an object

“could be honestly attained.” The difficulty was that at that time, the whole of the silver coins would have had to be reduced to an intrinsic value below their currency value; which with so vast a currency would have been practically impossible. But that difficulty has now disappeared. The coins still pass at their former rate, but have been reduced in intrinsic value by the course of events, *viz.*: by the general fall in the gold value of silver, without any action by the State. If a gold standard and eventually a gold currency were now introduced, the system would be silently established without obstacle or inconvenience of any kind.

REMEDY PROPOSED.

Col. Smith's proposal, then, was that after due notice, the coinage of silver for private persons at the Indian Mints should cease, as well as advances on silver bullion; that gold bullion should be received and coined for private persons on payment of a very trifling cost for coinage, amounting to about one-sixth per cent. The coins, being sovereigns and half-sovereigns, or ten rupee and five rupee pieces of the same metallic contents, to be legal tender, but not in the first instance demandable; the silver rupees remaining still legal tender as before for any amount. Eventually, when the proper time had come, this legal tender character of the silver rupee to be limited in amount, and the gold coins to be made the full legal tender currency of the country.

The currency system of India would then stand

on the same basis as that of England. There would be the full value gold coins ; and there would also be a subsidiary silver currency, rated as coin above its intrinsic value, but yet circulating (like the silver coinage of England) at its full rated value, because supported by the full value gold coins, and because additions to it could not be made except at the full rated value.

The operation of the proposed measure, Col. Smith argued, would be as follows. The coinage of silver in India being suspended, the only means of obtaining the currency would be either Council Bills, or the transfer of gold. But the latter method would not be adopted so long as Council Bills could be obtained at a rate ever so little below two shillings to the rupee ; and thus practically those bills would be for some time at least the only means of obtaining the Indian currency. At present the amount of bills issued yearly is about fifteen millions sterling ; while the total amount seeking remittance, is not less than twenty millions ; and the amount not obtaining bills is remitted in bullion, mostly silver. As soon therefore as the coining of rupees should be stopped, there would be increased competition for the Council Bills, and the rate would rise. If the Secretary of State then limited his issue of bills as before to his own requirements, there would be a serious deficiency in the means of remittance and trade would be disturbed. But it was a part of Col. Smith's proposal, in order to prevent such ill effect, that bills should be issued to all applicants to any amount, but at a fixed rate of ex-

change ; that rate to rise at fixed intervals and by certain steps, till it reached the par rate of two shillings to the rupee.

Assuming that at the time of the change of system, the current rate for Council Bills, was 1s. 9d. to the Rupee, Col. Smith suggested that notice should be given that at the end of six months it would be raised to 1s. 9 $\frac{1}{4}$ d.; and that it should continue to be raised $\frac{1}{4}$ d. every six weeks until it should reach the rate of 2s., the Secretary of State undertaking to grant Bills and Telegraphic Transfers at the rates and times so fixed to all applicants. When the rate of 2s. should thus be reached, the Secretary of State would undertake to issue Bills at that rate to all applicants and to any amount; and then nothing more would be necessary than that he should purchase silver with the money received for Bills issued in excess of his own wants, and send it out to the Indian Mints. The change of standard would then be accomplished, for silver would be brought into the Indian currency at its gold value, and there would be an absolute end to all the uncertainties and losses heretofore experienced.

So long as the rate for the Bills should be 2s. the rupee or less, it would not pay to send out gold ; and exactly the same amount of silver bullion would be sent out and added to the currency as would be sent under the now existing arrangements with the Bills at the same rate. The only difference would be that it would be sent by the Secretary of State instead of by the Merchants (who would take Bills

instead), and would be coined for the Government of India. The quantity sent would be regulated strictly, as at present, by the balance of trade and the amount of funds required for the Indian home expenses. Trade and commerce would be carried on precisely in the same way as at present, with the very great and important advantage of a permanently fixed and reliable rate of exchange.

It was no part of Col. Smith's plan, as he distinctly explained, to put a stop to the coinage of rupees, but only to their unlimited coinage on the demand of private persons. Instead of that, his proposal was that the coinage in India should be controlled by the Government, as it is in France and other European countries. That instead of the public being permitted to coin the currency at every accidental shade of value, the Government should do it for them and on their requisition; but at one uniform and invariable standard, as compared with the currencies of England and Europe, and at one nearly uniform rate of exchange.*

Col. Smith explained also again and again, that

* This rate of exchange, Col. Smith remarks, might if thought expedient, be kept for a time at 1s. 11 $\frac{1}{2}$ d. to the rupee or less, so as to exclude gold, and advanced at a later period to 2s., so as to permit its introduction. But if, as he thought would be best, the rate were at once brought up gradually to 2s., gold would be brought into the currency as might be found by commerce to be expedient. For every one would be permitted to obtain gold coins in return for bullion taken to the mint, or he might purchase Bills in London, and obtain silver rupees for them from the Indian Treasury.

he did not propose as necessary any alteration whatever of the Indian currency, but only of the standard and the exchange. And that it would not be necessary for the Government to buy a single ounce of gold or sell a single ounce of silver.

Such was Col. Smith's plan as put forward in 1876, and re-stated subsequently, in 1878, in a paper read before the Society of Arts. The views propounded were novel and opposed in various points to received opinions, and the action proposed was regarded as in conflict with some influential interests. It is no wonder then, that it met with doubt and opposition from various quarters. At the India Office the proposals received much careful consideration, but there, as well as among professors of political science, their reception in general was adverse, though not without some notable exceptions. While public writers came forward to oppose them, for the most part connected with commerce and finance in the City; and newspapers in various Departments both in England and in India took up the cudgels on the same side. Not all were equally competent or equally courteous, and the points of attack were numerous and various, some more broad and general, some more narrow and partial.

Col. Smith's bearing under it all was very simple. He had come forward only to uphold truth, and to advocate certain economical principles and action which he was deeply convinced were of vital importance to

Imperial interests. And now he made it his endeavour, as he told the Society of Arts, to discover every objection which could be fairly brought against his proposals. "But," he added, "none have been adduced which appear to be of real importance." Innumerable doubts had been suggested, he said, on a variety of topics connected with them; but they were for the most part the misgivings of persons imperfectly acquainted with the principles of monetary science, or with the peculiarities of the Indian currency and exchange.

Still he took pains to answer all the more material of these objections. Between the publication of his first essay in 1876, and his appearance before the Society of Arts in March, 1878, he had issued four more essays, in answer to many objections, and especially to some strictures in the *Economist* newspaper. And after that period also he continued to examine and combat the numerous criticisms and objections which his proposals met with, and published further essays from time to time, making the whole number fourteen, besides some shorter papers styled "Memos." Most of these were not, strictly speaking, *published*, but only laid before the Secretary of State for India, and put in private circulation.*

* Among those not made public was the 13th Essay, which was a carefully prepared paper intended to be read before the Statistical Society, but eventually not so read, and which contained a clear and concise summary of his views and arguments on certain points.

And besides these more or less public papers, he carried on a private correspondence with many men of high standing and character in financial and political circles, who sought and received from him explanations of his views, and expressed their own opinions upon them.

His attitude was the same throughout. It was that of a man secure in his own position, firm in the conviction of the truth of his principles, and earnest in the endeavour to bring home the same conviction to others. He was always patient, fair, and courteous, never dogmatic, never personal, and never provoked to retort rudeness or contempt.

The following extract from the preface to the fourteenth Essay well illustrates his motive and temper in the controversy. "My object has been "to elicit objections, and to furnish an answer to "every suggested doubt, in the hope of eventually "obtaining a searching investigation of my proposal. "I cannot witness a weekly sacrifice of £50,000, "which has already wasted the resources of India "to the extent of 10 millions sterling, and will "do so with greater rapidity hereafter, eventually "settling down at the same or a much greater "weekly loss, with a constantly fluctuating exchange, "without earnestly beseeching attention to so easy a "remedy; and stating my readiness to demonstrate "its entire freedom from any real objection, and "its necessity for the commercial progress of the "Empire, irrespective of the large saving which it "would effect in remittance."

The remainder of this paper will be devoted to a statement of Col. Smith's answers to the most important of the objections urged against his proposals ; being those to quote his own words, "likely to occur "to gentlemen not unacquainted with economic science." This is adopted as a convenient way of showing very much in his own style and language, his opinions and the arguments by which he supported them. The objections thus to be noticed are the following :—

OBJECTIONS.

First.—The doubts expressed as to the expediency, and even as to the possibility of the rupee being made to circulate at what has been styled an "artificial value," *i.e.*, a value in the currency above its metallic value. Precedence is given to this objection, not only because (as Col. Smith observes), it is a deep-rooted feeling entertained by many persons otherwise well informed, but because the study of principles necessary for its elucidation, will be useful in the consideration of other objections. It will be shown that, under the measures proposed, the value of the rupee in the home market of India will be as unquestioned and as real as it now is and always has been, and that in fact the measures proposed are the only means of preventing its value from becoming degraded.

Second.—It will be made clear that there will be no injustice or breach of faith in the proposed measures ; but that, on the contrary, the real injustice

consists in allowing the present state of things to continue.

Third.—In answer to objections as to the costliness of a gold currency, it will be shown that though a currency of gold coins is by no means an indispensable accompaniment of a gold standard, yet that by the proposed measures India would be sufficiently supplied spontaneously and without any cost to the State.

Fourth.—It will be proved that this will be effected without producing any alteration in the distribution of the precious metals throughout the world.

Fifth.—The reasons will be stated, necessitating the adjustment of the rate of exchange to 2s. the rupee.

Sixth.—Some remarks will be offered respecting the alleged danger from forgery and unlawful coinage.

Seventh.—The alleged danger from the proposed measures to the Indian Opium Revenue will be considered.

THE LOCAL VALUE OF A CURRENCY.

The first objection to be dealt with is the alleged impossibility of maintaining a currency at a value above that of the metal composing it. The theory on which this objection is based was stated in the following terms. “The metal of every legal currency “does its work as a commodity, by means of its value “in the metal market. A sale for metallic money is “an exchange by pure barter of two commodities of “supposed equal value.”

In considering this question, it is necessary to distinguish between the cosmopolitan and the local value of coins. Where the introduction and withdrawal of coins into and from circulation are absolutely free, and where therefore the currency has no special privilege, there the theory above stated is sound; coining is useful only as ascertaining the weight and fineness of the metal, and the pieces pass for their bullion value, and they pass for that value alike in any country, abroad or at home.

But it is equally true that when the supply of coins is duly limited, they may thereby be made (being legal tender) to have a higher local value. This is now seen actually occurring in the case of the silver five-franc pieces in France, which are rated $11\frac{1}{2}$ per cent. above their bullion value, and are legal tender to any amount, and yet circulate freely at that artificial value, because the quantity in circulation is strictly limited. But such special and local value is strictly confined to the country within which the legal tender privilege exists. Elsewhere the coins will exchange for their bullion value only.

But it is necessary to examine the terms of the objection more closely: and first of all to consider what is the meaning of the statement that the coins circulate and pass for their simple metallic value. What constitutes the value of the metal? Is it not the aggregate of all the expenses unavoidably to be incurred in bringing it to the market? It has been well explained with regard to gold, that "If the miner
" fails to obtain for his gold ore a quantity of goods

“sufficient to replace what the “ mining has cost him, “ with a fair profit to himself, he gives up the busi-
 “ness and abandons the mine.”* And the same
 basis of value applies also to coins, as coins. They
 must exchange in the market for a sufficiency of goods
 to replace *all* the expenses unavoidably incurred in
 bringing them there, or they will not be brought.
 Fewer coins will then be produced, “ the demand for
 “ them continues, they rise in value, and exchange for
 “ a larger quantity of other commodities, that is, the
 “ price of everything sold falls,”* till the equilibrium
 is gained.

We may now go further, and say that if by some
 great change of values, the metal in the coins, or in
 other words, the coins themselves, should come to cost
 the merchant (*i.e.*, not any individual merchant, but
 all merchants) double the present expense, then the
 coins would exchange for double the quantity of goods;
 and this would be true, whether the increased cost
 was laid on the metal at the mine’s mouth, or on the
 coin at the Mint. If it was absolutely impossible by
 any means whatever to procure a sovereign weighing
 123·274 grains of standard gold without surrendering
 246·548 grains of the same gold, the possession of
 the sovereign being still necessary to trade, then the
 sovereign so obtained, would exchange for double the
 quantity of goods now commanded by it.

Thus we see that a tax such as a Seignorage, if
 it is quite unavoidable, necessarily adds to the market

* BONAMY PRICE : “ Currency and Banking,” p. 20 & 21.

value of the coin ; and that it is possible for a coin under certain circumstances, and within the territories where such circumstances exist, to command goods in exchange to a much greater extent than the mere metallic value of its contents.

A second case in which the same phenomenon may occur is that already noticed, of a currency restricted in quantity. When the currency consists of full weight untaxed metallic coins, such as the gold coinage of England,* the quantity of the currency regulates itself by a self-acting process through its operation on prices. If the coins are in excess, and exchange for less value than in other countries, they are sent abroad ; when they are deficient and exchange for more value than in other countries, they (or bullion) are brought in from abroad and the equilibrium is restored. The variation in value between the coins of any two countries, when of full weight and of the same metal, can never exceed the cost of transmitting and transferring the coins from the one currency to the other.

The case of a currency consisting of inconvertible notes is very different. With them there is no self-acting power of regulation. It would be possible, no doubt, so to regulate the issue and withdrawal of notes that their current value within the country, should be uniformly kept equal to full weight metallic coins of the same denomination ; and this was actually done in the case of Bank of

* Strictly speaking, even that coinage is not full weight, as it is subject to a small charge for coining.

England notes, for many years after the suspension of cash payments. But from one motive or another this exact regulation may be neglected, and the notes be issued in excess, *i.e.*, beyond the requirements of the trade of the community; and then their value falls. Even though they still have the privilege of legal tender, their value in exchange for commodities varies in inverse proportion to the amount of the excessive issue.

And the converse of this is also true; that when an inconvertible paper currency has been issued in excess, and has partially lost its power to exchange for commodities, the gradual withdrawal of a part of it has the effect of restoring its exchangeable value, so that by due limitation it may be brought to the full value of standard metallic money. An example of this is found in the American Greenback currency. In the year 1865, that currency was so much in excess of the requirements of trade, that 100 dollars were only exchangeable for 50 dollars in gold: yet by no other means than the gradual withdrawal of the excessive issue, the premium was reduced from 100 per cent. in 1865, to 13 per cent. in 1875.

The same rise in exchangeable value attends the contraction of every kind of currency; and this would be easily recognised if we could get rid of the prejudice that coins being composed of metal, must follow the fortunes of the metal. They do so only when they can be brought into and taken out of the currency freely. But an important condition of the measures now proposed would be, that the currency require-

ments of trade could only be supplied, or the currency obtained, by means of bills or gold, and at a cost above the market price of the depreciated silver. The rupees, therefore, though continuing to perform all their duties just as formerly, would be really "tokens" passing in the currency at a value above their mere value as metal. It may be added, indeed, that they are so already. For not only has the rupee for nearly 50 years past been subject to a seignorage of two per cent., and so been rated in the coinage so much above its value as metal; but at the present time (as will be shown below), although the price of silver has fallen so heavily, yet from the vast bulk of the Indian currency, it still retains its old exchangeable value against commodities, and is thus actually about 24 to 26 per cent. above its worth as metal.

It is hardly necessary to insist that if an inconvertible paper currency, in itself utterly worthless, can be made by due regulation of its quantity, to circulate at its nominal value or even near it, much more a metallic token currency may be made by the same means to circulate in local exchange to the extent of 15 or 20 per cent. above its value as metal.

A third case, in which coins may circulate and exchange freely for commodities in a greater ratio than that of their metallic value, is when they are subsidiary to another superior currency by which the exports and imports and consequently the prices in a country are regulated, and in subordination to which smaller payments are made. Of this character is the silver currency of England.

When therefore it is stated that a sale for metallic money is an exchange by pure barter of two things of equal supposed value, and also that it is impossible by limitation of coinage, to bring up a rupee containing silver worth 1s. 6d. to the value of 2s. as coin, an exception must be made in respect of the three cases above mentioned, viz.,

1st.—Where the local value of coins has been increased by a seignorage.

2nd.—Where a restricted currency has been raised by limitation of quantity to a higher local value than that of the material composing it. And

3rd.—When it is established in a position of subordination to a superior currency, by which latter the value of all commodities are regulated.

Col. Smith proceeded to point out that his proposal for restoring the Indian currency came within every one of these exceptions. For

First.—Indian rupees are now in the same position as if they had been coined under a seignorage of $24\frac{1}{2}$ per cent.

Second.—The issue of silver coins would under his plan be under control, and further, the trade of India has increased and is increasing so rapidly, (and with it the need for circulating medium), that even if the rupees were now depreciated, which they are not, they would in a few years recover their normal local value.

Third.—If his proposals were carried into effect, the silver rupees would eventually come into the position of subordinate tokens of a gold standard currency.

But this question of the value of money as money may be examined from another side. Referring back to the theory of that value already quoted, what is wanted is an explanation of the process by which the two commodities are "supposed" to be of equal value; in other words, of the way in which gold acts as a measure of the value of other commodities. In England, for example, the Legislature has fixed a certain exact quantity of gold as the unit of our monetary system, viz., the pound sterling containing 123·274 grains of standard fineness. But how is the equilibrium arrived at between the coins on the one hand, and commodities of all kinds on the other. How is the price of each article fixed? or in other words, how is the market value of the currency adjusted to the value of other commodities? The answer is, that there is a constant struggle between buyers and sellers of commodities, the one to sell as dear, the other to buy as cheap as he can; and the value or price depends on the proportion of the supply to the effective demand.

With all freely produced commodities for which there is an effective demand, the competition of sellers, constantly increasing the supply, lowers the price to the cost of production plus a fair profit. And the value of the instruments of exchange or circulating medium is fixed in like manner. There is a constant and universal demand for them and a continuous supply. But it is a supply leading to accumulation; consequently the bulk of the currency increases till it is so large in proportion to the demand, and its value compared with commodities so small, that it fails to

afford the necessary profit ; and then it ceases to be supplied, the gold on which it is based being carried elsewhere. Thus in England the value of the currency depends upon the expense of procuring the gold necessary to obtain the sovereign. It is a self-acting operation systematically regulating prices, or in other words the value of the currency.

But it is important to notice that it is not really essential to the local value that the gold should be put into the sovereigns. They would be worth the same, and settle down with the same tariff of prices, so long as it required the sacrifice of the same quantity of gold to procure the pound sterling, whether the sovereign contained it or not. If they were merely inimitable tokens made of inferior metal, provided they could not *by any possibility* be procured at a cheaper rate than by the sacrifice of the full quantity of gold, they would establish the same prices and be of the same value in exchange, *within the country where they are legal tender*, as the present true sovereigns.*

The point here insisted on, is that a legal tender currency entering the home market with commodities, has the same basis of local value in exchange that the commodities have, viz., the cost of production, irrespective of the value of the materials of which it may be composed ; of which, indeed, the public know little or nothing. In other words, a legal tender currency has a value not at all necessarily identical

* The risk of forgery and fraudulent coinage, as affecting this position will be dealt with below.

with the value of the material composing it; but based on the necessity, in the present day, for the use of money, and the amount of sacrifice necessary to procure it.

To recur to the method of comparing the value of the currency with that of goods, it is true that in making a purchase for money we do virtually barter gold or a legal claim to gold for the article bought. But in a civilized country such as England or India, it is not in accord with fact to say that when a man engages to pay so many pounds sterling, he "barters" so much gold as a commodity against goods. Not one man in a hundred knows how many grains of gold constitute a pound sterling, or what is the cost of gold per ounce, or what is the value of the ounce as compared with commodities. It seems manifestly absurd to say that a lady, for example, purchasing a dress, "barters" the gold contained in her sovereigns against the article she buys, when neither she nor the shopkeeper has any knowledge of the value of the gold or of the sovereign, except as being the "pound sterling" of the currency, whose relation to the tariff of prices they are both familiar with. It may be urged perhaps that in England most people know the value of gold, viz., that it has a precise value of £3 17s. 9d. per standard ounce. But this is a mistake, that amount is not the *value* but the *price* of gold. It indicates not the value of gold, but the value of our currency, as stated in gold. When persons speak of "artificial value," they confound the value of the currency with the value of the material of which it is composed, and when they scout

the idea of using token coins as the currency of a country, they have in their minds the well known danger of notes issued in excess, and forget the essential difference of a currency based on gold, and issued only in exchange for it.

The value of a currency in the Home market is regulated like that of all other articles by the demand and supply ; and the quantity of it is limited and fixed by the cost of production of the commodity given for the currency, whether the latter perform its functions in the shape of full weight coins or of more or less weighty tokens.

To sum up what has been said, even mere tokens, if founded on a specific basis of gold, and not redundant, are as valuable locally as notes payable on demand based on the same gold. The hypothesis is that the tokens are procurable only by the surrender of the full value of gold, and are not redundant, and obviously they will be supplied only so long as it pays to supply them ; in other words, so long as they will purchase in the market the full equivalent of the cost paid for them. And if this is true of paper notes issued on deposit of gold, much more it is true of rupees issued only for full value in gold, and containing nineteen-twentieths of that value in silver.

The foregoing remarks are designed to meet objections against using tokens as the sole currency of a country, without assistance from a dominant gold coinage ; but it will be shown below that there would be no want under the proposed plan, of a sufficient gold currency for India ; and that without any cost

to the State, as well as without any disturbance of the present or future distribution of the precious metals throughout the world.

Col. Smith felt that the objection now under consideration was of vital importance; for if it was true that money could not be made to exchange for more than its value as metal, his plan would necessarily fail. He therefore replied to it very fully in more than one of his essays, especially in Nos. 2 and 6; and again in No. 13 he summarized his arguments on the point, and the substance of that summary will be briefly given here.

He alludes first to the diffidence with which he brings the matter forward, being conscious of the apparent presumption of suggesting a new principle; but adds that long experience and an attentive study of the phenomena of the past few years, have forced the conclusion upon him. He goes on to say, the point which he wishes to bring under consideration is, whether there is any necessary connection between the local or domestic value of a metallic or other legal tender currency, and the intrinsic value of the materials of which it is composed. It is generally held, he proceeds, that current coins are mere commodities or bits of metal and nothing more; and consequently that any arrangements whereby coins are intended to circulate at a higher rate must be unsound. Instead of this he states his belief that there is not necessarily any direct connection between the

local value of a legal tender currency, and what is termed the intrinsic value of its component materials. He argues that the natural exchangeable value of a currency, as of all commodities, depends on the ratio of the supply to the demand, and is governed eventually by the cost of production; the cost, that is, of "procuring" the coin, "token," or other instrument of exchange, whether that cost be made up of only the prime cost of the material composing it, or include a charge large or small for fabrication, or other charges.

In the case of "standard" coins freely issued, the supply will be limited by the difficulty and expense of procuring them; in other words, the cost of the metal and expenses of manufacture. In regard to "tokens" or to notes issued on delivery of a "standard," the supply will be limited by the cost of procuring the standard to be deposited for them. In either case, whether the instruments of exchange, being legal tender, be standard coins or tokens, their local or domestic value depends *not* on the recognised value of the material, but on the limitation arising from the expense of bringing it into use as coin. Thus an instrument of exchange representing a pound sterling, and procurable *only* by the delivery of gold at the rate of one ounce for £3 17s. 9d., is of one and the same local value whether it be made of gold or of paper.

The reasons given in support of the view thus set forth, are the two following :

1st.—The *de facto* ignorance of the public of the

cost or independent value of the precious metals.
And

2nd.—The actual existence, in many cases, of currencies possessing substantial value in local exchange, though composed of worthless materials.

As to the former, very few persons are acquainted with the actual cost of gold ; though, by the help of the currency and of prices, everyone has an intimate knowledge of its value in relation to other things. Many people know, for example, that £3 17s. 9d. of our currency is equal to an ounce of standard gold ; but what the latter actually is, the public generally have no means of discovering, except by the relation of the coin to prices. While, therefore, the public can compare the values of different weights of gold bullion or coin, they are powerless to discover independently, the ratio between them and commodities in general. That ratio is fixed by the automatic adjustment of demand and supply ; the supply of money again being insensibly regulated by all the unknown conditions which constitute the difficulties and cost of its continuous delivery in the market.

Thus it seems to be a mistake to say that the value of a currency, even a metallic one, is fixed by a knowledge on the part of the public, of the intrinsic value of the coins ; because as a matter of fact, such knowledge does not exist.

Secondly, currencies actually exist, having a substantial local value in exchange, while the material composing them is worthless. It is sufficient to mention the inconvertible paper of Russia, Austria, Italy, and

other States. The explanation is sometimes offered, that the instruments of exchange referred to are promises to pay. But this is not always the case ; and a substantial local value holds good in cases where there is no promise, or at least no early or certain prospect of payment.

And not only is it true that currencies exist of no real intrinsic value ; but probably there is not a single currency in existence which circulates at the exact value of its material contents and no more. The nearest approach to such a circulating medium, may be taken to be the English sovereigns : but even they do not exchange for the mere value of the metal contained in them. If the pound sterling was only worth the metal that the sovereign contains, the price of standard gold bullion would be £3 18s. 3d. per ounce, instead of only £3 17s. 9d.

It may be remarked lastly, that coins and other instruments of exchange for home use, need not be international ; and that in fact it is much better that they should not be so. It is not denied that the presence of precious metal is indispensable for international coins ; *i.e.* for those used in foreign trade. But for the home trade it is much better that the instruments of exchange should be intrinsically of much less than their currency value, (like our English silver coinage) as they are thus secure from being swept off at times of monetary need in other countries, to the great inconvenience of the home trade.

ALLEGED BREACH OF FAITH AND IN- JUSTICE TO THE PEOPLE OF INDIA.

Another objection of great weight, and which like that just treated of, would have been fatal if it could have been made good, was based on the assertion that silver being the long established standard in India, in which liabilities to a large amount had been contracted, in the shape of public debt, besides private obligations of vast amount and of varied character ; to alter that standard and adopt another metal would be simply fraudulent, as enabling the debtor to break faith with his creditor.

On the validity of this objection, Col. Smith joined direct issue ; and maintained that it was so far from being true, that in fact, the very converse of it was true : viz., that the established standard has now been very widely departed from, and that his proposed measure would bring it right.

In the first place he quoted several authorities to uphold the view that such a change is not in itself inadmissible. The first was Sir W. Mansfield, (afterwards Lord Sandhurst), who wrote as follows, as a member of the Bombay Council, when arguing in favour of introducing a gold currency in India. “ If on the “ contrary the convenience of the community be “ increased by a change in the currency machinery, as “ caused by superior portability and economy, it is “ indeed idle to maintain that there is even a semblance “ of breach of faith with the public creditor.”

Again the late Mr. G. Arbuthnot, of Her Majesty's Treasury, being consulted on this very point, wrote as follows: "It would be a pedantic subserviency to regulation, to maintain that a debt contracted for a payment in silver should never at any time be discharged by its equivalent in gold."

And Dr. Nassau Lees, in his "Drain of Silver to the East" writes as follows: "It would be absurd and ridiculous to lay it down as a maxim that Governments who considered it wise to maintain a single standard, could not, however beneficial it might be to the country and the people, change that standard, without being accused of an intention to defraud their creditors and break faith with the public."

Thus these very respectable authorities fully support Col. Smith in viewing a change of standard as perfectly lawful and honest, when made for sufficient reasons and in a right manner.

Col. Smith then goes on to argue the general question. And first he points to his contention already noticed, that the currency does not measure value in the way commonly supposed, viz., by a comparison of the intrinsic worth of the individual coins, if they are legal tender, but in a totally different way, viz., by their abundance or scarcity in comparison with the demand; the supply being limited by the cost of production, and the value of the currency being shown by the scale of prices which it insensibly establishes. Hence the circulating medium may be maintained at a uniform value depending on the cost necessary to

procure it as indicated by the scale of prices, even though the individual pieces are really defective in metallic value. And if the cost of procuring the currency be kept uniform, the value of the currency and the scale of prices will be uniform too; and consequently the mere material composing the currency is comparatively of no importance, and there need not be any breach of faith in changing it. The truth being that if the cost of procuring the currency be kept unchanged, no injury or breach of faith is committed.

Those who make the objection now under notice, sometimes put it that the Government of India has fixed the rupee to contain 165 grains of pure silver, and 15 grains of alloy, and that to change this standard and declare that the rupee shall consist of any given quantity of gold, would be to inflict a wrong. The mistake here lies in supposing that to change the standard from silver to gold, would make it necessary that payments should thenceforth be made in gold. That would not at all be necessary; the only difference would be that the currency in which the payments were made, being the very same currency as before, would be regulated in value by gold.

The objectors forget that under the proposed change, the rupee would still be constituted precisely as at present; there would not be the slightest change in it, and a creditor claiming a debt of 10,000 rupees, would receive precisely as many grains of silver as he would under existing arrangements. And these rupees too would be of their full present value in exchange, instead of depreciated rupees such as creditors will be

compelled to accept hereafter, if the proposed plan be not adopted.

But, it is urged, one man has contracted to pay, and another to receive so many grains of silver; and in so contracting, both of them virtually agreed to take their chance of a rise or fall in the value of the metal; and now that it has decidedly changed in favour of one of the two, Government would act unjustly in stepping in to prevent his profiting by the change.

This is founded on a misconception; it is a mistake of fact to say that when a man bargains for a certain sum in rupees, he bargains to receive so many times 165 grains of pure silver. Not one man in a hundred knows how many grains of silver go to a rupee. "I maintain," Col. Smith says, "that in 99 cases out of a 100, parties contracting in rupees do so estimating them not by their weight and value as metal, but as factors in the scale of prices, and in the expectation that they will hold the same place in the scale at the end of the contract as at the beginning; and if that is so, then I would ask is it right that Government, the only power competent to prevent the wrong, should stand by and see one of the parties make a profit which he has not earned, and the other incur a loss which he has not deserved, to the ruin and confusion of all legitimate trade, from a punctilious unwillingness to interfere."

But even admitting the truth of the statement that a bargain for rupees is a bargain to pay or receive so many pieces of silver of certain weight and fineness;

the answer is, first, that the objection does not apply, because (as just stated) the proposed measure would make no change whatever in the contents of the rupee. And, secondly, it is further to be stated that even if true it is only half the truth, and as such, is apt to mislead. Coins are representatives and vehicles of value, intermediary instruments for selling or buying property at certain rates. When a bargain is made for rupees, it is the intention of both parties, tacit and unexpressed indeed, and perhaps hardly realized, but still the intention, that the receiver of the coins shall with them receive the power to acquire commodities equal in value to those he sells. If before the debt comes to be paid, the value of the coin should materially decline, the intention of both parties would be frustrated by the coins failing in their duty. If, for example, and to put an extreme case, silver were to come as abundant as copper, and Indian prices rose a hundred fold, no one would maintain that a debtor's bargain was discharged justly and equitably by payment of the depreciated coins, though it might be so legally. We ought therefore to amend the above incomplete statement by adding that in the payment of debts, currency is not like mere metal bought as a mercantile speculation and subject to change of value, but just the opposite. The coins are legal claims for the acquisition of property, and their very essence is a fixed value; and when they fail to convey that value, they fail in their purpose and a remedy ought to be applied.

It is sometimes put that it would be improper for

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the Government to prevent the Ryot from obtaining the larger price for his products, which, it is alleged, he can now get by their export to Europe. But this view too is founded in pure mistake and want of accurate information. The reports of both the Bengal and Bombay Chambers of Commerce show that up to March, 1877,* there was no material rise in prices to producers. They stated that the abnormal state of the exchange did indeed give very large profits to the exporting merchant: but those gains, however legal under the existing state of the law, were yet similar in nature to those of persons issuing debased coins. The present law enables any one to take cheap silver to the Mint, and then pour into the currency rupees cheaper than those already in circulation. To sanction this process by non-interference is to sanction the degradation of the currency. If unchecked, it will go on till the whole mass is depreciated to the lower level; involving loss to the holders of the currency to the amount of many millions sterling. After it is so degraded the Ryot will, indeed, receive more rupees for his produce; but the higher price will then give no greater purchasing power than the smaller sum which he receives now.

On this point Col. Smith quotes the following remarks from the *Calcutta Review*, for July, 1878,—
“For this loss to the country the Government is
“responsible, which gives *carte blanche* to the ex-
“porter to have his silver stamped with what has

*The latest report when this was written by Col. Smith.

“become an artificial value without exacting from him
 “any equivalent for the addition.

“Now it must strike most persons as a very
 “serious question whether on grounds of public justice
 “the Government is not thus guilty of a grave wrong.
 “The rupee having by accident been rendered much
 “more valuable than the silver contained in it would
 “be without the Government Stamp, that Government
 “Stamp becomes *ipso facto* a trust held by the
 “Government on behalf of the people, which trust it
 “is virtually robbery of the people to betray. It has
 “become in effect an order for the surrender of a
 “certain amount of produce without any equivalent
 “return; and to give away such an order to any one
 “for the asking is simply to give him a license to
 “plunder the public to whom the order is addressed.”

Again in Essay No. 8, in answer to the accusation that his plan would disturb prices, Col. Smith says the main object of his plan is to fix prices as they are, by preventing a glut of the currency. The only alteration of prices which could follow the present adoption of a gold standard for India, would be that in those cases (if any) wherein a rise has been established owing to the fall of silver, they would be brought back to their former scale; that is, to that which prevailed during the many years prior to 1870, when the rate of exchange varied but a trifle on one side or the other from the par rate of 2s. to the rupee; and they would never afterwards vary. He adds that, though he had taken pains to compare more than a hundred items of export and import in the price

currents of January, 1869 and 1878, he had discovered no evidence that there was yet any change to rectify in the scale of prices.

And again in Essay 9, (Par. 25, note) he says that he has made a further careful examination, by comparing the prices of 174 different articles of import and 76 of export (being all of those in the list in which comparison was possible) in the Calcutta Price Lists of August, 1873, and August, 1878, with the same results; that taking a fair average of the whole, there was no evidence of any decline in the value of money, prices in 1878 being lower in regard to imports and unchanged in regard to exports.

Thus his position on this point seems to have been fully established. And if this is so, if it is indeed true that the large additions to the currency had not yet depreciated the enormous bulk of it, or produced any rise in the general scale of prices throughout the country; then it follows that the objection to his scheme now under consideration is groundless, and that the introduction of it would either leave prices exactly as they were, or that the alterations would be quite insignificant, and would be adjusted long before the exchange reached 2s. to the rupee. And the alteration would be final. Whereas the let-alone policy must lead eventually to an extensive rise and revolution of prices; the misfortune being aggravated by the fact that it would never be final, but would be liable to constant repetition with every change in the price of silver.

In the same Essay, No. 9, dealing with the

alleged injurious effect that his plan would have on the export trade of India, Col. Smith denies that that trade is dependent on the exaggerated profits of the Middlemen caused by the low exchange. "No doubt," he says, "that excessive profit is a powerful stimulus to the export trade, but it is quite an unnecessary one. Long before that stimulus existed, viz.: for the seven years 1866-7 to 1872-3, the balance of trade in favour of India was on the average very nearly twenty millions sterling per annum; having increased to that amount from an average of less than eight millions for the seven years 1849-50 to 1855-6, although the average rate of exchange during the whole period thus covered was 2s. the rupee." He pointed out, further, the established truth that a settled permanent tribute from one country to another necessarily causes a balance of trade in favour of the tributary state; this being an additional proof that the excessive profits realised in late years by exporters are not required to keep up the Indian export trade, or to enable the landowner to find a market for his produce.

But he goes on to show that the present state of things has done and is doing much harm. To the same extent that exports from India are outrageously stimulated, to that extent imports into that country are robbed of their fair profit. "When we reflect," he says, "on the millions who are dependent on the cheapness of Manchester goods, the large dimensions of that trade, and the distress and misery which have been caused by the unforeseen and crushing

“tax upon it ; remembering too that this heavy burden
“may be easily removed, but that it is in effect
“approved and allowed to continue in order to stimu-
“late an export trade which is far from needing such
“artificial help, it is hard to say that the present state
“of things can be justified.”

“If,” he adds, “my proposals are carried out, the
“value of the rupee, and with it the scale of prices,
“will remain for ever what they are now ; and the
“landowner will obtain the same return for his produce
“that he always has done, and the land assessment
“he pays to Government will remain of the same real
“value. On the other hand if they are not adopted,
“prices will rise, the landowner selling his produce
“for say 20 per cent. more money, will find his 120
“rupees only able to purchase as much as the 100
“rupees did formerly. The Government alone,
“receiving the same money assessment as before,
“will find the purchasing power of their 100
“millions only equal to that of 80 millions now.
“Again, if nothing is done, the European creditor
“who has already lost one-fifth of his capital, may
“eventually lose one half and be cut off from all
“remedy ; the Indian creditor who hitherto has
“suffered in regard to his remittances but not locally,
“will by the rise in price suffer locally also to the
“same extent. Debtors will neither lose nor gain
“locally ; but the Government will suffer heavily by
“the rise of prices. Such would be the effect of a
“let alone policy.”

Col. Smith went on to say, “the stumbling-

“block which hinders many minds from appreciating
“the value of the proposal which I have ventured to
“make, lies in the difficulty they find in believing
“that coins can possess, in exchange for commodities,
“a real value above that of the metal composing
“them ; and this difficulty can be overcome only by
“an apprehension of the fundamental truth (not
“usually noticed or perhaps even recognised in our
“economic schools), that within a country the ex-
“changeable value of a legal tender currency, except
“there be a redundancy of it (which is most un-
“likely in India, and could easily be prevented)
“depends altogether on the cost of procuring it, not
“at all necessarily on the value of the metal composing
“its several pieces.” This economic truth has already
been insisted on above,* but a few remarks may be
added here.

Every article is worth what it will fetch, and if in effective demand it will fetch the full cost of bringing it to market ; and legal tender coins are thus worth in exchange on the spot what it costs to procure them. The term “artificial value” as applied to the increased value of metal in a currency is a solicism. We do not talk of the artificial value of alcohol or tobacco, because a tax of several hundred per cent. has been levied on them ; and the term is no more properly applicable to coin, merely because its value may have been raised, by a Seignorage or otherwise, above that of its component material. In both cases the articles possess

a market value regulated by the relation of the demand and the supply, and controlled ultimately by the cost of production, including all unavoidable expenses.

The difficulty found in apprehending the truth now insisted on is the more remarkable from the fact that we have an instance of it before our eyes in the Indian currency itself; which for several years past has maintained in exchange the full value of its cost, viz., 2s. to the rupee, notwithstanding the heavy fall that has taken place in the price of silver.* And we see an instance of the same also in France, where the five-franc pieces circulate at the value they originally cost and now represent, which is $11\frac{1}{2}$ per cent. above their bullion value.

In fact, in any market whatever, the minimum exchangeable value of an article must depend on the quantity of labour and capital necessary to produce it for sale; and hence, token rupees, if they cannot be had in any way except by the delivery of a certain quantity of gold, must, so long as they are in demand, be worth the gold so paid for them.

The only true meaning of the objection to "artificial value," is that it is not effective outside the country, not that it has no existence within it. But Col. Smith's contention was only that, within the country, it is as real and substantial as any other value.

What is now proposed in stopping the coinage of silver for private persons, is only the same thing that has been done in France and other European countries. And the suggestion for the concurrent circulation of

* See Page 44.

gold coins, and silver tokens costing as much as the gold, is the same in principle as that which has been recently introduced in the United States of America; viz., a silver token currency of unlimited legal tender, circulating concurrently with gold, designed to supersede the greenbacks, and no doubt hereafter to be more or less restricted in quantity.

OBJECTIONS AS TO THE COSTLINESS OF A GOLD CURRENCY.

Another objection to Col. Smith's plan, was based on the costliness of a gold currency, and it was asked where the gold would come from. Col. Smith replied in the first place that a gold standard does not necessarily imply a gold currency, and that it is quite conceivable that there should be a gold currency, and yet no gold at all in circulation; and that the standard may be changed from gold to silver and from silver to copper or tin, and still the actual currency remain precisely the same. This statement he explains as follows. "The standard of a currency is that commodity, by surrendering a fixed quantity of which "a certain amount of the current legal tender money "of the country is obtainable; and the value of which "quantity, therefore, that amount conveys and exchanges for. If the currency of a country consisted "of £1 legal tender notes, and such notes were "obtainable only by the deposit of standard gold "bullion at the rate of 123.274 grains for each note, "and could not possibly be procured in any other way,

“ then they would constitute a gold standard currency,
 “ without a single gold coin belonging to it. It is
 “ thus possible that a gold standard currency might
 “ be established in a country without any gold coin at
 “ all. If £1 notes could be obtained in the way just
 “ stated, and in no other way, then they would com-
 “ mand in the market the same purchasing power as
 “ the English sovereign. And they would do this
 “ even though not payable on demand, provided that,
 “ and so long as, after the currency had been stocked
 “ with them, the demand of the country for circulating
 “ medium should remain undiminished.”

And just as the business of a rapidly prosperous
 country could be thus transacted by means of paper
 tokens, so it could be managed by means of metallic
 tokens; and all the more readily if the tokens were
 already in the hands of the people, and were habitually
 accepted by them in exchange for the full value that
 they originally cost, and at which only they could be
 increased in number as the daily growing wants of
 commerce should require. Such is the position of
 India at this time. Its inhabitants are in possession
 of a currency which, as above explained, is still circula-
 ting at the value of its original cost.* And if
 measures are now promptly taken to ensure that the
 cost of procuring rupees shall not be less hereafter than
 it was before the depreciation of silver, there will be
 no difficulty in maintaining their original value, and
 causing them to take their place in the currency, in

subordination to a superior gold currency to be afterwards gradually supplied.

And the Government would not be called upon to provide any part of the gold for that gold currency. Those to whom the provision of the metal seems a difficulty, are probably unaware that the Government of India, as a rule, have nothing to do with providing the metal for coinage. Persons engaged in commerce, and indeed the public at large, have the privilege of having bullion coined, and it is thus by the public that bullion always has been and still will be supplied for coins required by them.

And in answer to any doubt that might be felt as to whether gold would be forthcoming, Col. Smith points out that the quantity of gold bullion now in India (1878), was known to be to the value of 150 to 160 millions sterling, and still increasing at the rate of fully four millions sterling a year, and this not including jewels and ornaments, but only fine gold bars. He quotes Gen. Ballard, late Mint Master at Bombay, to support his opinion that this bullion would be freely brought to the Mints to be coined. Not, perhaps, for immediate use as money; in its new and more convenient form of coin, it might return to the former hoard; but this coin would be available as money in time of need. Speaking of the large quantity of gold bullion in the country, Gen. Ballard wrote as follows: "This gold should at least form a resource in a monetary crisis; but it is just at such a time that it becomes useless, because it is neither money nor convertible into money at the mint. Sovereigns and

“gold bars are used in many districts for circulation
 “and to adjust accounts. This answers well in easy
 “times ; if the owner wants money he can sell it for
 “rupees. But at a time of monetary crisis, every one
 “desires to sell his gold, and finds there are no buyers.
 “In almost all other countries the gold could be
 “readily turned into money at the mint. In India
 “this resource is not available.”

Col. Smith adds : “With so large an amount of
 “gold already in India, and comparatively unem-
 “ployed and useless, it cannot be an exaggerated
 “expectation that some 30 or 40 millions of it would
 “certainly be coined ; especially with the charge for
 “coining reduced as proposed, from £1 to 3s. 4d. per
 “hundred pieces. And in the present circumstances
 “of India, and seeing how large a proportion of the
 “transactions are on a very small scale, it is probable
 “that a gold currency of 30 or 40 millions of ten-
 “rupee pieces, would be quite as much as would be
 “required for the convenience of trade.”

DERANGEMENT OF THE DISTRIBUTION OF GOLD THROUGHOUT THE WORLD.

The foregoing facts and considerations meet also
 another somewhat kindred objection. Alarm has been
 expressed lest the introduction of a gold currency in
 India should demand so much of that metal as seriously
 to disturb its distribution throughout the world ; or
 expressing the same fear in more definite terms, that

it would diminish the supply in London. In meeting that objection Col. Smith says it might not be beyond the possibility of doubt to assert that the measure in question would have no effect whatever on the London money market; but that it would probably be not more true to say that it would have any sensible effect at all.

He then proceeds to argue out the question very carefully. "Gold production at the mines," he says "has no effect on the money market of any country unless the metal be taken into the currency; and its introduction into the currency depends on the alteration it produces in the value of the whole stock of gold in the world."

The value of gold bullion, like the level of the ocean, is uniform throughout the world; there is a constant tendency to equilibrium in its value, as compared with commodities. If in any country gold coins are in excess, they will cease to be supplied, and commodities will be supplied till they in turn begin to be in excess. When gold, as conveyed in currency exchanges for more goods in one country than in another, the bullion stream from the mines sets into that country, and as that becomes saturated turns elsewhere. Thus the currencies of the different countries are continually adjusting themselves and one another by the stream of gold, recording to the effective purchasing power which that metal has in those countries respectively.

Any sudden new production of gold, therefore, say of five millions value, would not go into the currency of

any particular country, but would be divided among all the bullion markets of the world, and would diminish the rateable value of the whole of the world's stock of gold in proportion to the increase in the total bulk.

During the last thirty years, the fresh production of gold has amounted to fully 600 millions sterling, and yet it has recently been still matter of debate whether prices have been materially affected. Hence we may judge as to the effect on the general transactions of the world, of any small addition to the general bulk of gold, or of any small fresh drain upon it.

If India were to begin to produce five millions of gold annually, that amount would not be absorbed into the British currency, so as to affect the London money market, it would be distributed over all the markets of the world. And in like manner if India were to begin to take three or four millions of gold annually, in addition to the quantity which she now habitually takes, the effect would be the same as of an equally small diminution of the production at the goldfields. So much less would be annually distributed; but the effect in any given country would be insignificant and inappreciable.

British India now, as a fact, already absorbs more than four millions of gold annually, and if the Mints were allowed (as now proposed), to coin it at a moderate charge, there can be no doubt, that a part of this, as well as of the large stocks already in India, would be brought into use as coin, and so help to the gradual establishment of a gold currency.

Thus the new requirements from abroad of the material for such a currency would really be extremely small. And it is to be noticed that for any supply that might be required, the natural source would be not England or Europe, but Australia; by reason of the saving of interest by the transport from that country to India rather than to England.

THE PROPER RATE OF EXCHANGE FOR THE RUPEE.

Some objections were taken to the rate of 2s. assumed by Col. Smith for the rupee, on the ground that it was too high. In 1870, Col. Smith had made a very careful analysis of the latest information on the point, including the prices of silver and gold and consequent value of the sovereign in rupees for fifteen years to 1867 inclusive; the result of which gave the true average value of the rupee as nearly as possible at 2s.

In his fourth Essay he detailed further investigations which he had made into the same question. He examined a number of documents of various dates beginning with the Bengal Military Orphan Society, in 1783, and extending down to 1857. He also examined the rate of Mint certificates for gold bullion, and the rates paid for the Hon. E.I. Company's Bills from 1853 to 1873. The result was that from 1832 to 1873 the rate in all the periods taken was a small fraction under 2s.; while prior to the former year it was mostly from 2 to 3 pence above that amount. In particular, the average rate of the council bills for the

twenty years ending in 1873, allowing for 60 days discount in India, was a fraction above 2s. to the rupee.

He goes on to observe, 1st.—That in so far as commerce is concerned it is unimportant what rate is fixed; after due notice commerce could accommodate itself to any rate, provided it is settled and not liable to sudden fluctuations.

2nd.—But that in order to rectify the great disturbance that has taken place in the currency, it would be indispensable to restore it to what it was before the disturbance began, *i.e.*, before 1873. We have then, he observes, in favour of the 2s. rate, not only the incalculable convenience and advantage of arranging the Indian currency in a simple and easy relation to our own monetary system in England: but also the inexorable claims of justice to be attended to in making reparation for the damage done by the accidental events of the last few years: and the further obligation to guard the interests of the native tax payers of India, by keeping up in the markets of the world the full exchangeable value of the contributions levied from them.

Col. Smith further pointed out that the rate of the Indian exchange is not necessarily identical with the value of the rupee. It depends for the moment on the balance of indebtedness between the two countries, and if permanently high or permanently low, might indicate that one of the two currencies was overcharged and depreciated compared with the other; but its indications appear and disappear both ways, oscillating about the mean rate which ought to be the rate of

value established between the currencies. Thus the Indian exchange has oscillated since the present rupee was established, viz: from 1835 to 1875, between 1s. 10d. the lowest rate, and 2s. 2d. the highest, the mean being 1s. 11 $\frac{3}{4}$ d.; and the mean for the 20 years immediately preceding 1875, being exactly 2s., allowing for the usance of the bills. Thus, as the rupee currency was originally established as worth 2s. the rupee; as it has varied but little above and below that rate since its establishment; as the rate for 20 years preceding the late collapse was on the average precisely that, as for two whole years in 1864 and 1865 it exchanged with gold at above that rate; and as the Indian tariff of prices is unchanged since; it seems clear that the normal value of the rupee currency in India as represented by the tariff of Indian prices is substantially the same as it was when it was originally established. And considering the constant fluctuation in the price of silver at present, and the dangerous uncertainty as to the future, which unite in making it almost a necessity to substitute a more suitable standard of value for India, it is proper as a matter of justice as well of expediency, that it should be fixed at the ratio of 2s. to the rupee.

THE DANGER OF FORGERY.

Another objection made was that the high artificial value given to the rupee would lead to the fraudulent coining of rupees, not of base metal as usual in forging, but of standard silver. The objection was ingenious

rather than even plausible, and Col. Smith had no difficulty in refuting it. He pointed out that the same kind of danger, if danger it can be called, has existed for the last half century in England, where the silver coinage is rated 22 per cent. above its intrinsic value; as well as in France, where the silver five-franc piece is similarly over-rated $11\frac{1}{2}$ per cent.; and that in neither country have the apprehended frauds ever been found or even suspected to exist.

And he pointed out further, that in fact, a much greater temptation to false coining has existed in India itself ever since 1835. For a successful coiner from base metal now gains the whole value of the coins he produces, less a small fraction for time and material, and yet there has been no false coinage to any extent worth consideration. The present supposition is that rupees would be coined from standard silver, for the sake of the difference of, say 20 or 25 per cent. in the value. In other words, that the same risk as at present would be incurred, for the sake of only a fourth or a fifth of the now possible gain. Though the coining in silver, being much more difficult than in soft metal, would not only require a far higher degree of skill; but if in quantity at all to affect the value of the currency, would need to be carried on upon a very large scale, with an establishment and machinery which could not possibly escape detection.

It was further urged that the false coin might be imported from abroad. But, in the first place, why more than during the last half century, when the gain would have been five or six fold what it would in th

case supposed ; and again, no small importation would be sufficient to affect a currency of not less than 2000 million pieces.

No one considering the matter can think it would be an easy thing to smuggle into India even so small a quantity as a million of rupees ; but even if that quantity were introduced every year, the effect on the currency would be only the same as if private bills to the amount of £100,000 were drawn in India on England. The transaction would *pro tanto* diminish a balance of trade favourable to India, and would do no more. It would in fact injure no one but the Government ; and the Government only by depriving it of the profit of coining the like sum. Just as smuggling salt or opium would *pro tanto* lessen the revenue from those commodities.

Thus it is seen on examination that there is absolutely nothing in the objection raised. That the supposed new danger would be far less than has always existed of the same kind without serious injury. That home forging is not in the least to be expected ; that the smuggling in of false coin from abroad is not at all more likely ; and that even if either took place to any amount at all probable, it would do no material harm.

This refutation was in substance put forward by Col. Smith anticipatively in his very first essay, and was repeated again and again with enlargement in several subsequent publications. Yet the same futile and unreal objection, having a kind of plausible appearance to catch the unreflecting, continued to be

advanced time after time in different quarters, up to the close of the controversy, just as if it was quite new, and had never been met and refuted at all.

ALLEGED DANGER TO THE INDIAN OPIUM REVENUE.

Apprehensions were suggested that the proposed measure might endanger the Indian Opium Revenue. Two different and even opposite methods were suggested in which it was said this might happen; but Col. Smith had no difficulty in disposing of both these objections.

First, it was urged that one effect of stopping the indiscriminate coinage of silver in India, would be to lower the exchange between that country and China. But Col. Smith showed that the real effect would be exactly the opposite. The Indian currency being kept up to its original and proper value of 2s. to the rupee, would evidently be worth more than other currencies based on silver at its metallic value. If 100 Chinese taels had formerly been worth 300 rupees, and if the latter retained their full value in goods or gold, while the taels had lost 25 per cent. of theirs through the depreciation of silver; then the 300 rupees would be worth $133\frac{1}{3}$ taels instead of 100, and the exchange would be greatly improved instead of falling off.

It may be argued perhaps that the rupees would not retain their currency value if sent to China. This is true, but they would not be sent to China. In India,

they would exchange for commodities at their full value, or would purchase gold bullion at par, *i.e.* at Rs. 38 : As. 14 : the standard ounce. Thus they would command gold at all times for export.

It may be added, that even when a gold currency is fully provided, it is not usually the gold coins which are exported, but gold bullion purchased with them. This is the case even with the English gold coinage, except to those countries which use our sovereigns as currency.

Another doubt was suggested as respects the Opium Revenue, based on exactly the opposite ground; viz., that in consequence of the depreciation of silver and the undiminished value of the rupee, the opium would need to sell at a higher price in China in order to pay the Indian exporter, and that this would restrict the sale. But it is only necessary to explain that the depreciation of silver in China would merely mean the rise in price of all commodities and labour; and that in exact proportion to the increase of the price paid for the opium, would be the increased price obtained for the articles given for the silver with which to pay for it. In other words, that the real power of China to purchase opium, as represented by the commodities of commerce, would be exactly the same after the change as before it.

THAT THE PROPOSED MEASURE WOULD FURTHER DEPRECIATE SILVER.

In the following remarks, found among his papers, Col. Smith deals with a further assumed objection.

“There is another objection which has never
 “been stated, but which I think biasses the mind of
 “many who are too well acquainted with the subject
 “to be misled by the other doubts and fallacies;
 “and that is that, were my proposals carried out,
 “India would be withdrawn from the silver valuing
 “countries, and would cease to take her fair share of
 “that metal from the markets of the world. Con-
 “sequently that there would be a great fall in the
 “value of silver, which would be chiefly caused by
 “the closure of the Indian Mints and the action of
 “the Latin Union and Continental States.

“In answer to this it must be admitted that if
 “gold were allowed to enter and take the lead in the
 “Indian currency, there would probably be some
 “diminution of her demand for silver *for a time*; that
 “is, until she had acquired a stock of gold sufficient
 “for her usual wants. But it must be remembered
 “that there is a very large stock of gold already in
 “India, part of which would very probably be coined;
 “and that while on the one hand not a single rupee
 “can leave India, it is certain that the very large
 “demand for silver referred to by the Committee of
 “the House of Commons, Page 37, in substitution for
 “barter and for ornaments, must continue, for gold
 “could not be used in such poor localities.

“And if we turn our attention to the state of
 “Indian Society and habits, it will be manifest that
 “for very many years if not decades to come, the
 “principal business of the country will be transacted
 “with the silver currency; and that if the natives be

“ afforded the opportunity, they will absorb, indeed, as
“ they do at present the gold required for hoarding and
“ ornaments besides a few coins for the larger
“ transactions of trade and making presents ; but that
“ the main bulk of the currency and of the annual
“ addition to it, will be of silver as it has hitherto been.

“ India requires on the average of late years four-
“ fifths as much gold as she does of silver for these
“ purposes ; and it is an injury and grievance to the
“ natives that they are obliged to use it under con-
“ ditions which alter its value so often and so con-
“ siderably. It is a grievance that for their dealings
“ with the Central Asian States and inland traders they
“ cannot use the currency of the country without a
“ loss of two to three per cent. ; and that gold which
“ would be specially suitable for such payments out of
“ the country, is held subject to such fluctuation.”

CONCLUSION.

The foregoing are all the objections which it seems necessary to notice in detail ; and it is now time to close this paper. This will be appropriately done by quoting two passages from the Essays.

In essay No. 13, prepared as already said to be read before the Statistical Society, Col. Smith thus notices two of the defects of the present currency system of India.

“ Instead of having all the essential requisites of
“ good money, the Indian money is wanting in one of

“ the most important requisites, viz., the power of
 “ automatic adjustment with the currencies of countries
 “ having a gold standard. This is owing to circum-
 “ stances peculiar to India, viz., her heavy tribute and
 “ council bills, &c. For her dealings with England
 “ and most of Europe, with Australia, Japan, New
 “ Zealand, and all our British Colonies, silver is quite
 “ unsuited, and gives rise to grievous perplexities,
 “ disappointments, and losses. Silver is well fitted
 “ for India’s domestic use, in the great bulk of her
 “ ordinary petty dealings ; but she needs gold for her
 “ larger payments, and for international transactions.

“ When silver was unfortunately chosen as the
 “ standard of value, India had comparatively no foreign
 “ trade. Since then that trade has increased five-fold ;
 “ and at the same rate of progress will surpass the
 “ present trade of Great Britain in fifty years more.
 “ For the wholesale dealings connected therewith,
 “ silver is quite unsuitable as it would be in England.

“ The use of silver is, further, a greivous burden
 “ on the trade carried on by land with foreign
 “ countries, such as that with Central Asia and Russia
 “ by caravan. It must also be a very serious impedi-
 “ ment to trade with Afghanistan, Kashmir, Nepaul,
 “ Thibet, China, Burma, indeed with all countries
 “ where land transport of coin is unavoidable.

“It may be said that gold is plentiful in India and is
 “ doubtless used in such trade. True, it most probably
 “ is, and if so the fact discloses another phase of the evil.
 “ If gold had a steady value in India there would be

“ no difficulty in using it ; but as elsewhere explained,
“ its price varies with the rate of the English exchange;
“ so that the inland trade too, is subjected to all the
“ fluctuations and risks which oppress and obstruct the
“ commerce of India with Europe. If by the adoption
“ of a gold standard the price of gold in India was
“ fixed, the inland as well as the maritime trade of the
“ Empire would be released from this very serious
“ burden.

Again, Essay No. 12, drawn up for the Secretary
of State's committee, concludes as follows :—

“ Finally, gentlemen, I very respectfully beg to
“ bring to your notice the fact that the scheme which
“ I have called my proposal has now been under
“ discussion for three years ; and having been circulated
“ privately to more than three hundreds persons, has
“ been subjected to attacks and objections on every
“ conceivable point ; to which I have replied, with
“ what success you will be able to judge. I have per-
“ severed because, in spite of the severe condemnation to
“ which my views have been occasionally exposed, I have
“ a firm conviction founded on an elaborate study of the
“ many branches of this intricate subject, that they
“ are based on truth and will stand investigation.
“ And as long as I have the privilege of being allowed
“ to express an opinion, I cannot refrain from en-
“ deavouring to draw attention to the mistake of
“ allowing the Indian currency to run the risks it must
“ encounter if nothing be done. My plan, I would
“ add, is in strict accordance with true currency

“principles ; and in fact will bring the Indian
“currency into conformity with that of England.”

“ It will give rise to no alterations in prices, but
“will prevent them. It will, in fact, make no
“alteration in anything whatever, except the exchange ;
“and it will accomplish the rectification of the currency,
“and establish it on the footing approved by the late
“Mr. James Wilson, and desired by the Indian
“Government ever since, without the slightest disturb-
“ance or excitement, almost without even the know-
“ledge of the people. It will obviate fresh taxation,
“by putting an end to the losses now threatening to
“call for it ; and by the gradual introduction of gold
“will dominate prices and regulate them ; preventing
“for the future all but the most trifling fluctuations
“of the exchange, and putting an end to the incalcu-
“able losses and miseries caused by the many fluctua-
“tions which have prevailed.”

More than three years have passed since those words were penned ; and still nothing has been done. The heavy sacrifice of Indian Revenue, and the losses and inconveniences to private persons still continue unchecked ; while the general desire in India for a gold currency remains unsatisfied.

For the present the subject seems to have been quite lost sight of in official circles. But it may be confidently expected that a time will come when it

will again attract attention ; and it is hoped that the present publication may be in some degree useful in bringing into narrower compass and more concise form, Col. Smith's proposals and the arguments by which he supported them, previously somewhat scattered through many controversial papers, and so render them more easily accessible to persons desirous to study the subject.

APPENDIX.

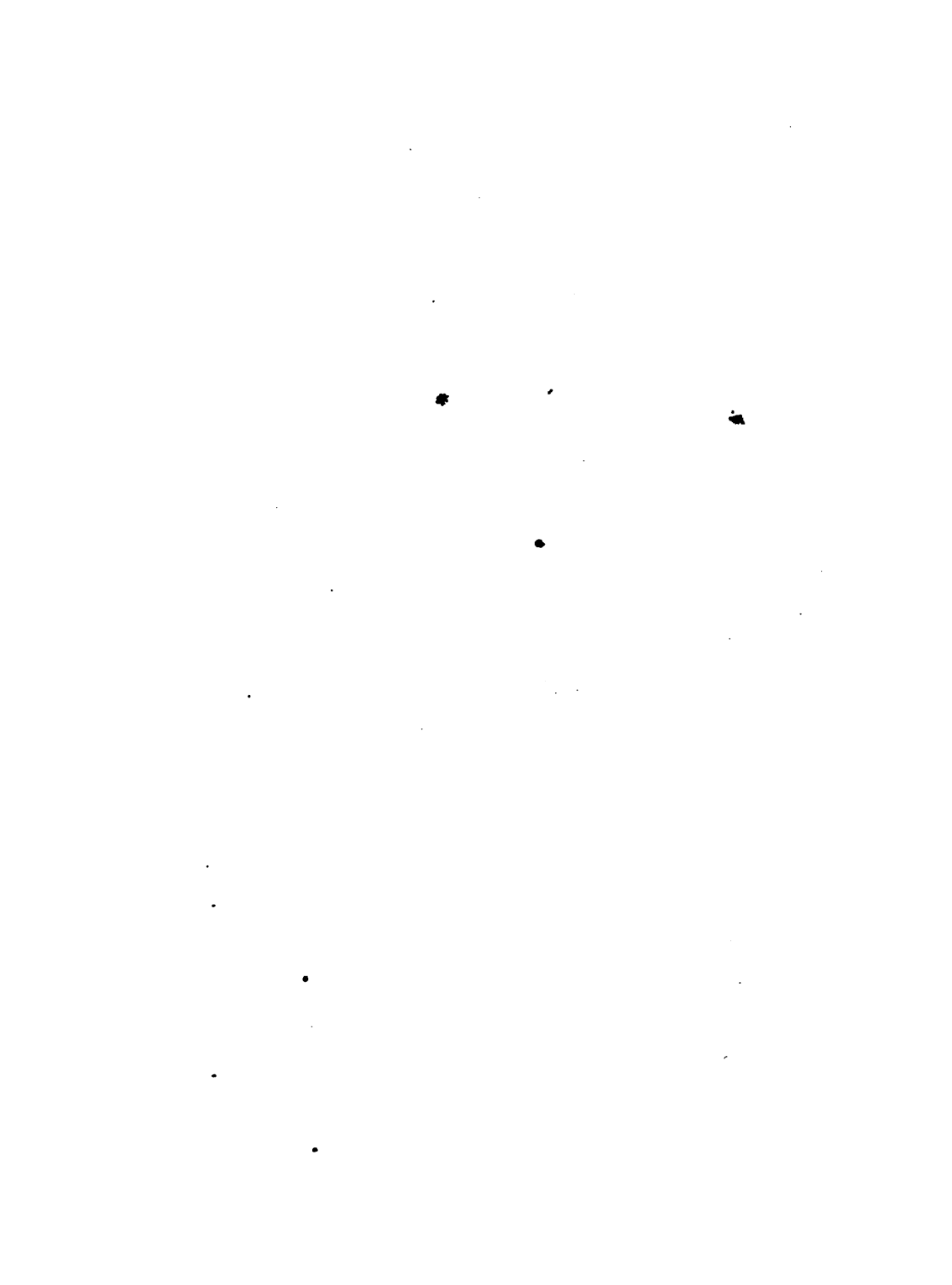
LIST OF PAPERS BY THE LATE COL. J. T. SMITH, R.E., ON THE INDIAN CURRENCY AND EXCHANGES.

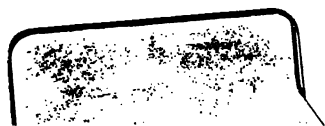
- ESSAY** No. 1.—On the means of restoring the Indian currency to the value it possessed previous to 1870, and fixing the same by introducing a gold coinage.—*May 1st, 1876.*
- ESSAY** No. 2.—Containing answers to some objections, and further explanations of the proposals contained in the essay of May.—*Aug. 1st, 1876.*
- ESSAY** No. 3.—Containing answers to some further objections.—*Sept. 1st, 1876.*
- ESSAY** No. 4.—Remarks on the resolution of the Government of India, and the comments thereon by the “Times,” on the difficulty caused by unlawful coinage; and other objections.—*November 1st, 1876.*
- ESSAY** No. 5.—Reply to the objections contained in a leading article in the “Economist” of November 11th, 1876.—*Feb. 15th, 1877.*
- NOTE** 1.—Brief explanation on certain points.—*October 22nd, 1877.*
- NOTE** 2.—Explanation in reply to some further doubts concerning the value of the rupee: as to the alleged difficulty of raising the rate of exchange with India: as to the effect of a gold currency in India on the London Money Market, and as to the Opium Revenue.—*November 2nd, 1877.*
- ESSAY** No. 6.—On the depreciation of the value of silver, with special reference to the exchange between India and England. Read before the Society of Arts on the 29th March, 1878.

- ESSAY** No. 7.—On the late Mr. James Wilson's argument as to a breach of faith and injustice to the natives of India, by introducing a gold currency. Including also a reply to opinions expressed by the Editor of the "Economist."—*June 20th, 1878.*
- ESSAY** No. 8.—Correspondence with the "Times," and further explanations not published.—*October 1st, 1878.*
- ESSAY** No. 9.—Reply to a memo containing objections to the measures proposed for the rectification of the Indian Exchange.—*November 1st, 1878.*
- ESSAY** No. 10.—Answer to some objections by Mr. Ernest Seyd, in a work on the wealth and commerce of nations.—*Jan. 10th, 1879.*
- ESSAY** No. 11.—On a change of standard for India. Paper read before the Committee appointed by the Secretary of State for India, on the 19th April, 1879.
- ESSAY** No. 12.—On a gold standard and silver currency. Paper prepared for the Committee appointed by the Secretary of State for India.—*May 10th, 1879.*
- ESSAY** No. 13.—On the local value of a Legal Tender Currency, with special reference to an improvement of the Indian Exchange. Intended to be read before the Statistical Society; but eventually not so read.—*Feb. 10th, 1880.*
- ESSAY** No. 14.—Silver and the Indian Exchanges, discussed in question and answer, with a few words on Bimetallism.









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