Sketches Of The History Of Man

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Sketch IV. Origin and progress of commerce

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SKETCH IV.

Origin and Progreſs of COMMERCE.

THE few wants of men in the firſt ſtage of ſociety, are ſupplied by barter or permutation in its rudeſt form. In barter, the rational conſideration is, what is wanted by the one, and what can be ſpared by the other. But ſavages are not always ſo clear-ſighted: a ſavage who wants a knife will give for it any thing that is leſs uſeful to him at preſent; without conſidering either the preſent wants of the perſon he is dealing with, or his own future wants. An inhabitant of Guiana will for a fiſh-hook give more at one time, than at another he will give for a hatchet, or for a gun. Kempfer reports, that an inhabitant of Puli Timor, an iſland adjacent to Malacca, will, for a bit of coarſe linen not worth three halfpence, give proviſions worth three or four ſhillings. But people improve by degrees, attending to what is wanted and to what can be ſpared on both ſides; and in that leſſon, the American ſavages in our neighbourhood are not a little expert.

Barter or permutation, in its original form, proved miſerably deficient, when men and their wants multiplied. That ſort of commerce cannot be carried on at a diſtance; and even among neighbours, it does not always happen, that the one can ſpare what the other wants. Barter is ſomewhat enlarged by covenants: a buſhel of wheat is delivered to me, upon my promiſing an equivalent at a future time. But what if I have nothing that

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my neighbour may have occaſion for? or what if my promiſe be not relied on? Thus barter, even with the aid of covenants, proves ſtill inſufficient. The numberleſs wants of men cannot readily be ſupplied without ſome commodity in general eſtimation, that will be gladly accepted in exchange for every other article of commerce. That commodity ought not to be bulky, nor be expenſive in keeping, nor be conſumable by time. Gold and ſilver are metals which poſſeſs theſe properties in an eminent degree. They are at the ſame time perfectly homogeneous in whatever country produced: two maſſes of pure gold or of pure ſilver are always equal in value, provided they be of the ſame weight. Theſe metals are alſo diviſible into ſmall parts, convenient to be given for goods of ſmall value.

Gold and ſilver, when firſt introduced into commerce, were probably bartered, like other commodities, by bulk merely. Rock-ſalt in Ethiopia, white as ſnow and hard as ſtone, is to this day bartered in that manner with other goods. It is dug out of the mountain Lafta, formed into plates of a foot long, and three inches broad and thick; and a portion is broke off equivalent in value to the thing wanted. But more nicety came to be introduced into the commerce of gold and ſilver: inſtead of being given looſely by bulk, every portion was weighed in ſcales: and this method of barter is practiſed in China, in Ethiopia, and in many other countries. Even weight was at length diſcovered to be an imperfect ſtandard. Ethiopian ſalt may be proof againſt adulteration; but weight is no ſecurity againſt mixing gold and ſilver with baſe metals. To prevent that fraud, pieces of gold and ſilver are impreſſed with a public ſtamp, vouching both the purity and quantity; and ſuch pieces are termed *coin*. This was a notable improvement in commerce; and, like other improvements, was probably at firſt thought the utmoſt ſtretch of human invention. It was not foreſeen, that theſe metals wear by much handling in

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the courſe of circulation; and conſequently, that in time the public ſtamp is reduced to be a voucher of the purity only, not of the quantity. Hence proceed manifold inconveniences; for which no other remedy occurs, but to reſtore the former method of weighing, truſting to the ſtamp for the purity only. This proves an embarraſſment in commerce; but it will facilitate paper-money, which is free of that embarraſſment.

When gold or ſilver in bullion is exchanged with other commodities, ſuch commerce paſſes under the common name of *barter* or *permutation:* when current coin is exchanged, ſuch commerce is termed *buying* and *ſelling*; and the money exchanged is termed *the price of the goods.*

As commerce cannot be carried on to any extent without a ſtandard for comparing goods of different kinds, and as every commercial country is poſſeſſed of ſuch a ſtandard, it ſeems difficult to ſay by what means the ſtandard has been eſtabliſhed. It is plainly not founded on nature; for the different kinds of goods have naturally no common meaſure by which they can be valued: two quarters of wheat can be compared with twenty; but what rule have we to compare wheat with broad cloth, or either of them with gold, or gold even with ſilver or copper? Several ingenious writers have endeavoured to account for the comparative value of commodities, by reducing them all to the labour employ'd in raiſing food; which labour is ſaid to be a ſtandard for meaſuring the value of all other labour, and conſequently of all things produced by labour. "If, for example, a buſhel of "wheat and an ounce of ſilver be produced by the ſame quantity "of labour, will they not be equal in value?" This ſtandard is imperfect in many reſpects. I obſerve, firſt, that to give it a rational appearance, there is a neceſſity to maintain, contrary to fact, that all materials on which labour is employ'd are of equal value. It requires as much labour to make a braſs candleſtick as one of ſilver,

ſilver, tho' far from being of the ſame value. A buſhel of wheat may ſometimes equal in value an ounce of ſilver; but an ounce of gold does not always require more labour than a buſhel of wheat; and yet they differ widely in value. The value of labour, it is true, enters into the value of every thing produced by it; but is far from making the whole value. If an ounce of ſilver were of no greater value than the labour of procuring it, that ounce would go for payment of the labour, and nothing be left to the proprietor of the mine: ſuch a doctrine will not reliſh with the King of Spain; and as little with the Kings of Golconda and Portugal, proprietors of diamond mines. Secondly, The ſtandard under review ſuppoſes every ſort of labour to be of equal value, which however will not be maintained. An uſeful art in great requeſt, may not be generally known: the few who are ſkilful may juſtly demand more for their labour than the common rate. An expert huſbandman beſtows no more labour in raiſing a hundred buſhels of wheat, than his ignorant neighbour in raiſing fifty: if labour be the only ſtandard, the two crops ought to afford the ſame price. Was not Raphael intitled to a higher price for one of his fine tablatures, than a dunce is for a tavern-ſign, ſuppoſing the labour to have been equal? Laſtly, As this ſtandard is applicable to things only that require labour, what rule is to be followed with reſpect to natural fruits, and other things that require no labour?

Laying aſide then this attempt to fix a ſtandard, it occurs to me, that the value of a commodity depends chiefly, tho' not ſolely, on the demand. Quantity beyond the demand renders even neceſſaries of no value; of which water is an inſtance. It may be held accordingly as a general rule, That the value of goods in commerce depends on a demand beyond what their quantity can ſatisfy; and riſes in proportion to the exceſs of the demand above the quantity. Even water becomes valuable in countries where

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the demand exceeds the quantity: in arid regions, ſprings of water are highly valued; and in old times were frequently the occaſion of broils and bloodſhed. Comparing next different commodities with reſpect to value, that commodity of which the exceſs of the demand above the quantity is the greater, will be of the greater value. Were utility or intrinſic value only to be conſidered, a pound of iron would be worth ten pounds of gold; but as the exceſs of the demand for gold above its quantity is much greater than that of iron, the latter is of leſs value in the market. A pound of opium or of Jeſuit's bark is, for its ſalutary effects, more valuable than gold; and yet, for the reaſon given, a pound of gold will purchaſe many pounds of theſe drugs. Thus, in general, the exceſs of the demand above the quantity is the ſtandard that chiefly fixes the mercantile value of commodities *.

The cauſes that make a demand, ſeem not ſo eaſily aſcertained. One thing is evident, that the demand for neceſſaries in any country, muſt depend on the number of its inhabitants. This rule holds not ſo ſtrictly in articles of convenience; becauſe ſome people are more greedy of conveniencies than others. As to articles of taſte and luxury, the demand appears ſo arbitrary as ſcarce to be reducible to any rule. A taſte for beauty is general; but ſo different in different perſons, as to make the demand extremely variable: the faint repreſentation of any plant in an agate, is valued by ſome for its rarity; but the demand is far from being univerſal. Savages are deſpiſed for being fond of glaſs beads; but were

* In a voyage to Arabia Fœlix, ann. 1708, by a French ſhip, the King of the territory where the crew landed, gave them an ox weighing a thouſand or twelve hundred pounds for a fuſee, and three ſcore pound-weight of rice for twenty-eight ounces of gun-powder. The goods bartered were eſtimated according to the wants of each party, or, in other words, according to the demand above the quantity.

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ſuch toys equally rare among us, they would be coveted by many: a copper coin of the Emperor Otho is of no intrinſic value; and yet, for its rarity, would draw a great price.

The value of gold and ſilver in commerce, like that of other commodities, was at firſt, we may believe, both arbitrary and fluctuating; and, like other commodities, they found in time their value in the market. With reſpect to value, however, there is a great difference between money and other commodities. Goods that are expenſive in keeping, ſuch as cattle, or that are impaired by time, ſuch as corn, will always be firſt offered in exchange for what is wanted; and when ſuch goods are offered to ſale, the vender muſt be contented with the current price: in making the bargain the purchaſer has the advantage; for he ſuffers not by reſerving his money to a better market. And thus commodities are brought down by money to the loweſt value that can afford any profit. At the ſame time, gold and ſilver ſooner find their value than other commodities. The value of the latter is regulated both by the quantity and by the demand; the value of the former is regulated by the quantity only, the demand being unbounded: and even with reſpect to quantity, theſe precious metals are leſs variable than other commodities.

Gold and ſilver being thus ſooner fixed in their value than other commodities, become a ſtandard for valuing every other commodity, and conſequently for comparative values. A buſhel of wheat, for example, being valued at five ſhillings, a yard of broad cloth at fifteen, their comparative values are as one to three.

A ſtandard of values is eſſential to commerce; and therefore where gold and ſilver are unknown, other ſtandards are eſtabliſhed by practice. The only ſtandard among the ſavages of North America is the ſkin of a beaver. Ten of theſe are given for a gun, two for a pound of gun-powder, one for four pounds of lead, one for ſix knives, one for a hatchet, ſix for a coat of woollen cloth, five for a petticoat, and one for a pound of tobacco. Some nations in Africa employ ſhells, termed *couries*, for a ſtandard.

As my chief view in this ſketch is, to examine how far induſtry and commerce are affected by the quantity of circulating coin, I premiſe, in that view, the following plain propoſitions. Suppoſing, firſt, the quantity of money in circulation, and the quantity of goods in the market, to continue the ſame, the price will riſe and fall with the demand. For when more goods are demanded than the market affords, thoſe who offer the higheſt price will be preferred: as, on the other hand, when the goods brought to market exceed the demand, the venders have no reſource but to entice purchaſers by a low price. The price of fiſh, fleſh, butter, and cheeſe, is much higher than formerly; for theſe being now the daily food even of the loweſt people, the demand for them is greatly increaſed.

Suppoſing now a fluctuation in the quantity of goods only, the price falls as the quantity increaſes, and riſes as the quantity decreaſes. The farmer whoſe quantity of corn is doubled by a favourable ſeaſon, muſt ſell at half the uſual price; becauſe the purchaſer, who ſees a ſuperfluity, will pay no more for it. The contrary happens upon a ſcanty crop: thoſe who want corn muſt ſtarve, or give the market-price, however high. The manufactures of wool, flax, and metals, are much cheaper than formerly; for tho' the demand has increaſed, yet by ſkill and induſtry the quantities produced have increaſed in a greater proportion. More pot-herbs are conſumed than formerly; and yet by ſkilful culture the quantity is ſo much greater in proportion, as to have lowered the price to leſs than one half of what it was eighty years ago.

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It is eafy to combine the quantity and demand, fuppofing a fluctuation in both. Where the quantity exceeds the ufual demand, more people will be tempted to purchafe by the low price; and where the demand rifes confiderably above the quantity, the price will rife in proportion. In mathematical language, thefe propofitions may be thus expreffed, that the price is *directly* as the demand, and *inverfely* as the quantity.

A variation in the quantity of circulating coin is the moft intricate circumftance; becaufe it never happens without making a variation in the demand for goods, and frequently in the quantity. I take the liberty however to fuppofe, that there is no variation but in the quantity of circulating coin; for tho' that cannot happen in reality, yet the refult of the fuppofition will throw light upon what really happens: the fubject is involved, and I wifh to make it plain. I put a fimple cafe, that the half of our current coin is at once fwept away by fome extraordinary accident. This at firft will embarrafs our internal commerce, as the vender will infift for the ufual price, which now cannot be afforded. But the error of fuch demand will foon be difcovered; and the price of commodities, after fome fluctuation, will fettle at the one half of what it was formerly. At the fame time, there is here no downfal in the value of commodities, which cannot happen while the quantity and demand continue unvaried. The purchafing for a fixpence what formerly coft a fhilling, makes no alteration in the value of the things purchafed; becaufe a fixpence is equal in value to what a fhilling was formerly. In a word, when money is fcarce, it muft bear a high value: it muft in particular go far in the purchafe of goods; which we exprefs by faying, that goods are cheap.——Put next the cafe, that by fome accident our fpecie is inftantly doubled. Upon fuppofition that the quantity and demand continue unvaried, the refult muft be, not inftantaneous indeed, to double the price of commodities. Upon the former ſuppoſition, a ſixpence is in effect advanced to be a ſhilling: upon the preſent ſuppoſition, a ſhilling has in effect ſunk down to a ſixpence. And here again it ought to be obſerved, that tho' the price is augmented, there is no real alteration in the value of commodities. A bullock that, ſome years ago, could have been purchaſed for ten pounds, will at preſent yield fifteen. The vulgar ignorantly think, that the value of horned cattle has riſen in that proportion. The advanced price may, in ſome degree, be occaſioned by a greater conſumption; but it is chiefly occaſioned by a greater quantity of money in circulation *.

Combining all the circumſtances, the reſult is, that if the quantity of goods and of money continue the ſame, the price will be in proportion to the demand. If the demand and quantity of goods continue the ſame, the price will be in proportion to the quantity of money. And if the demand and quantity of money continue the ſame, the price will fall as the quantity increaſes, and riſe as the quantity diminiſhes.

Theſe ſpeculative notions will, I hope, enable us with accuracy to examine, how induſtry and commerce are affected by variations in the quantity of circulating coin. It is evident, that arts and manufactures cannot be carried on to any extent, without coin.

* It is commonly thought, that the rate of intereſt depends on the quantity of circulating coin; that intereſt will be high when money is ſcarce, and low when money abounds. But whatever be the cauſe of high or low intereſt, I am certain that the quantity of circulating coin can have no influence. Suppoſing, as above, the half of our money to be withdrawn, a hundred pounds lent ought ſtill to afford but five pounds as intereſt; becauſe if the principal be doubled in value, ſo is alſo the intereſt. If, on the other hand, the quantity of our money be doubled, the five pounds of intereſt will continue to bear the ſame proportion to the principal as formerly.

Hands

Hands totally employ'd in any art or manufacture require wages daily or weekly, becauſe they muſt go to market for every neceſſary of life. The clothier, the tailor, the ſhoemaker, the gardener, the farmer, muſt employ ſervants to prepare their goods for the market, to whom, for that reaſon, wages ought to be regularly paid. In a word, commerce among an endleſs number of individuals who depend on each other even for neceſſaries, would be altogether inextricable without a quantity of circulating coin. Money may be juſtly conceived to be the oil, that lubricates all the ſprings and wheels of a great machine, and preſerves it in motion *. Suppoſing us now to be provided with no more of that precious oil than is barely ſufficient for the eaſy motion of our induſtry and manufactures, a diminution of the neceſſary quantity muſt cramp all of them. Our induſtry and manufactures muſt decay; and if we do not confine the expence of living to our preſent circumſtances, which ſeldom happens, the balance of trade with foreign nations will turn againſt us, and leave us no reſource for making the balance equal, but to export our gold and ſilver. And when we are drained of theſe metals, farewell to arts and manufactures. We ſhall be reduced to the condition of ſavages, which is, that each individual depends entirely on his own labour for procuring every neceſſary of life. The conſequences of a favourable balance are at firſt directly oppoſite: but at the long-run come out to be the ſame: they are ſweet in the mouth, but bitter in the ſtomach. A briſk influx of

* Money cannot be juſtly ſaid to be deficient where there is ſufficiency to purchaſe every commodity, including labour, that is wanted. Any greater quantity is hurtful to commerce, as will be ſeen afterward. But to be forc'd to contract debt even when one deals prudently and profitably, and conſequently to be ſubjected to legal execution, is a proof, by no means ambiguous, of ſcarcity of money; which till of late was remarkably the caſe in Scotland.

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riches by a favourable balance, rouſes our activity. Plenty of money elevates our ſpirits, and inſpires an appetite for pleaſure: we indulge a taſte for ſhow and embelliſhment; become hoſpitable, and refine upon the arts of luxury. Plenty of money is a prevailing motive even with the moſt ſedate, to exert themſelves in building, in huſbandry, in manufactures, and in other ſolid improvements. Such articles require both hands and materials, the prices of which are raiſed by the additional demand. The labourer again whoſe wages are thus raiſed, is not now ſatisfied with mere neceſſaries; but inſiſts for conveniencies, the price of which alſo is raiſed by the new demand. In ſhort, increaſe of money raiſes the price of every commodity; partly from the greater quantity of money, and partly from the additional demand for ſupplying artificial wants. Hitherto a delightful view of proſperous commerce: but behold the remote conſequences. High wages will undoubtedly promote at firſt the ſpirit of induſtry, and double the quantity of labour: but the utmoſt exertion of labour is limited within certain bounds; and conſequently a perpetual influx of gold and ſilver will not for ever be attended with a proportional quantity of work: The price of labour will riſe in proportion to the quantity of money; but the produce will not riſe in the ſame proportion; and for that reaſon our manufactures will be dearer than formerly. Hence a diſmal ſcene. The high price at home of our manufactures will exclude us from foreign markets; for if the merchant cannot draw there for his goods what he paid at home, with ſome profit, he muſt abandon foreign commerce altogether. And what is ſtill more diſmal, we ſhall be deprived even of our own markets; for in ſpite of the utmoſt vigilance, foreign commodities, cheaper than our own, will be poured in upon us. The laſt ſcene is to be deprived of our gold and ſilver, and reduced to the ſame miſerable ſtate as if the balance had been againſt us from the beginning.

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However certain it may appear, that an augmentation in the quantity of money muſt raiſe the price of labour and of manufactures, yet there is a fact that ſeems to contradict the propoſition, which is, that in no other country are labour and manufactures ſo cheap as in the two peninſulas on the right and left of the Ganges, tho' in no other country is there ſuch plenty of money. To account for this ſingular fact, political writers ſay, that money is there amaſſed by the nabobs, and withdrawn from circulation. This is not ſatisfactory: the chief exportation from theſe peninſulas are their manufactures, the price of which comes firſt to the merchant and manufacturer; and how can that happen without raiſing the price of labour? Rice, it is true, is the food of their labouring poor; and an acre of rice yields more food than five acres of wheat: but the cheapneſs of neceſſaries, tho' it hath a conſiderable influence in keeping down the price of labour, cannot have an effect ſo extraordinary as to keep it conſtantly down, in oppoſition to an overflowing current of money. The populouſneſs of theſe two countries is a circumſtance that has been totally overlooked. Every traveller is amazed how ſuch ſwarms of people can find bread, however fertile the ſoil may be. Let us examine that circumſtance. One thing is evident, that were the people fully employ'd, there would not be a demand for the tenth part of their manufactures. Here then is a country where hand-labour is a drug for want of employment. The people at the ſame time, ſober and induſtrious, are glad to be employ'd at any rate; and whatever pittance is gained by labour makes always ſome addition. Hence it is, that in theſe peninſulas, ſuperfluity of hands overbalancing both the quantity of money and the demand for their manufactures, ſerves to keep the price extremely low.

What is now ſaid diſcovers an error in the propoſition above laid down. It holds undoubtedly in Europe, and in every country where there is work for all the people, that an augmentation in the circulating coin raiſes the price of labour and of manufactures: but ſuch augmentation has no ſenſible effect in a country where there is a ſuperfluity of hands, who are always diſpoſed to work when they find employment.

From theſe premiſes it will be evident, that unleſs there be a ſuperfluity of hands, manufactures can never flouriſh in a country abounding with mines of gold and ſilver. This in effect is the caſe of Spain: a conſtant influx of theſe metals, raiſing the price of labour and of manufactures, has deprived the Spaniards of foreign markets, and alſo of their own: they are reduced to purchaſe from ſtrangers even the neceſſaries of life. What a diſmal condition will they be reduced to when their mines come to be exhauſted!

To illuſtrate this obſervation, which indeed is of great importance, I enter more minutely into the condition of Spain. The rough materials of ſilk, wool, and iron, are produced there more perfect than in any other country; and yet flouriſhing manufactures of theſe would be ruinous to it in its preſent ſtate. Let us only ſuppoſe, that Spain itſelf could furniſh all the commodities that are demanded in its American territories; what would be the conſequence? The gold and ſilver produced by that trade would center and circulate in Spain: money would become a drug: labour and manufactures would riſe to a high price; and every neceſſary of life, not excepting manufactures of ſilk, wool, and iron, would be ſmuggled into Spain, the high price there being ſufficient to overbalance every riſk: Spain would be left without induſtry, and without people. Spain was actually in the flouriſhing ſtate here ſuppoſed when America was diſcovered: its gold and ſilver mines enflamed the diſeaſe; and conſequently was the greateſt misfortune that ever befel that once potent kingdom. The exportation of our ſilver coin to the Eaſt Indies, ſo loudly exclaim'd againſt by ſhallow politicians, is to us, on the contrary, a moſt

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ſubſtantial benefit: it keeps up the value of ſilver, and conſequently leſſens the value of labour and of goods, which enables us to maintain our place in foreign markets. Were there no drain for our ſilver, its quantity in our continent would ſink its value ſo much as to render the American mines unprofitable. Notwithſtanding the great flow of money to the Eaſt Indies, many mines in the Weſt Indies are given up, becauſe they afford not the expence of working; and were the value of ſilver in Europe brought much lower, the whole ſilver mines in the Weſt Indies would be neceſſarily abandoned. Thus our Eaſt-India commerce, which is thought ruinous by many, becauſe it is a drain to much of our ſilver, is for that very reaſon profitable to all. The Spaniards profit by importing it into Europe; and other nations profit, by receiving it for their manufactures.

How ignorantly do people ſtruggle againſt the neceſſary connection of cauſes and effects! If money do not overflow, a commerce in which the imports exceed in value the exports, will ſoon drain a nation of its money, and put an end to induſtry. Commercial nations for that reaſon ſtruggle hard for a favourable balance of trade; and they fondly imagine that it cannot be too favourable. If advantageous to them, it muſt be diſadvantageous to thoſe they deal with; which proves equally ruinous to both. They foreſee indeed, but without concern, immediate ruin to thoſe they deal with; but they have no inclination to foreſee, that ultimately it will prove equally ruinous to themſelves. It appears the intention of Providence, that all nations ſhould benefit by commerce as by ſunſhine; and it is ſo ordered, that an unequal balance is prejudicial to the gainers as well as to the loſers: the latter are immediate ſufferers; but not leſs ſo ultimately are the former. This is one remarkable inſtance, among many, of providential wiſdom in conducting human affairs, independent of the will of man, and frequently againſt his will. An ambitious nation, placed advantageoufly for trade, would willingly engrofs all to themfelves, and reduce their neighbours to be hewers of wood and drawers of water. But an invincible bar is oppofed to fuch avarice, making an overgrown commerce the means of its own deftruction. The commercial balance held by the hand of Providence, is never permitted to preponderate much to one fide; and every nation partakes, or may partake, of all the comforts of life. Engroffing is bad policy; and men are prompted, both by intereft and duty, to fecond the plan of Providence, and to preferve, as near as poffible, equality in the balance of trade.

Upon thefe principles, a wife people, having acquired a ftock of money fufficient for an extenfive commerce, will tremble at a balance too advantageous: they will reft fatisfied with an equal balance, which is the golden mean. A difadvantageous balance may always be prevented by induftry and frugality: but by what means is a balance too favourable to be guarded againft? With refpect to that queftion, it is not the quantity fingly of gold and filver in a country that raifes the price of labour and manufactures, but the quantity in circulation; and may not the circulating quantity be regulated by the ftate, permitting no coinage but what is beneficial to its manufactures? Let the regifters of foreign mints be carefully watched, in order that our current coin may not exceed that of our induftrious neighbours. There will always be a demand for the furplus of our bullion, either to be exported as a commodity, or to be purchafed at home for plate: which cannot be too much encouraged, being ready at every crifis to be coined for public fervice. The fenate of Genoa has wifely burdened porcelane with a heavy tax, being a foreign luxury; but it has not lefs wifely left gold and filver plate free; while we moft unwifely have loaded it with a duty.

The accumulating of money in the public treafury, anciently the practice of every prudent monarch, prevents fuperfluity. Lies there

there any good objection againſt that practice, in a trading nation where gold and ſilver flow in with impetuoſity? A great ſum lock'd up by a frugal king, Henry VII. of England for example, leſſens the quantity of money in circulation: profuſion in a ſucceſſor, which was the caſe of Henry VIII. is a ſpur to induſtry, ſimilar to the influx of gold and ſilver from the new world. The canton of Bern, by locking up money in its treaſury, poſſeſſes the miraculous art of reconciling immenſe wealth with frugality and cheap labour. A climate not kindly, and a ſoil not naturally fertile, enured the inhabitants to temperance and to virtue. Patriotiſm is their ruling paſſion: they conſider themſelves as children of the republic; are fond of ſerving their mother; and hold themſelves ſufficiently recompenſed by the privilege of ſerving her; by which means the public revenue greatly exceeds the expence of government. They carefully lock up the ſurplus for purchaſing land when a proper opportunity offers; which is a ſhining proof of their diſintereſtedneſs as well as of their wiſdom. By that politic meaſure, much more than by war, the canton of Bern, from a very ſlender origin, is now far ſuperior to any of the other cantons in extent of territory. But in what other part of the globe are there to be found miniſters of ſtate, moderate and diſintereſted like the citizens of Bern! In the hands of a rapacious miniſtry, the greateſt treaſure would not be long-lived: under the management of a Britiſh miniſtry, it would vaniſh in the twinkling of an eye; and do more miſchief by augmenting our money in circulation above what is ſalutary, than formerly it did good by confining it within moderate bounds. But againſt ſuch a meaſure there lies an objection ſtill more weighty than its being an ineffectual remedy: in the hands of an ambitious prince it would prove dangerous to liberty.

If the foregoing meaſures be not reliſhed, I can diſcover no other means for preſerving our ſtation in foreign markets, but a bounty on exportation. The ſum would be great: but the preſerving our induſtry and manufactures, and the preventing an influx of foreign manufactures, are conſpicuous advantages that cannot be purchaſed too dear. At the ſame time, a bounty on exportation would not be an unſupportable load: on the contrary, ſuperfluity of wealth, procured by a balance conſtantly favourable, would make the load abundantly eaſy. A proper bounty would balance the growing price of labour and materials at home, and keep open the foreign market. By neglecting that ſalutary meaſure, the Dutch have loſt all their manufactures, a neglect that has greatly benefited both England and France. The Dutch indeed act prudently in with-holding that benefit as much as poſſible from their powerful neighbours: to prevent purchaſing from them, they conſume the manufactures of India.

The manufactures of Spain, once extenſive, have been extirpated, partly by their mines of gold and ſilver. Authors aſcribe to the ſame cauſe the decline of their agriculture; but erroneouſly: on the contrary, ſuperfluity of gold and ſilver is favourable to agriculture, by raiſing the price of its productions. It raiſes alſo, it is true, the price of labour; but that additional expence is far from balancing the profit made by high prices of whatever is raiſed out of the ground. Too much wealth indeed is apt to make the farmer preſs into a higher rank: but it is the landlord's fault if that evil be not prevented by a proper heightening of the rent, which will always confine the farmer within his own ſphere.

As gold and ſilver are eſſential to commerce, foreign and domeſtic, ſeveral commercial nations, fond of theſe precious metals, have endeavoured moſt abſurdly to bar the exportation by penal laws; forgetting that gold and ſilver will never be exported while the balance of trade is in their favour, and that they muſt neceſſarily be exported when the balance is againſt them. Neither do they conſider, that if a people continue induſtrious, they cannot be be long afflicted with an unfavourable balance; for the value of money, rising in proportion to its scarcity, will lower the price of their manufactures, and promote exportation: the balance will turn in their favour; and money will flow in, till by plenty its value be reduced to a par with that of neighbouring nations.

It is an important question, Whether a bank be upon the whole beneficial or hurtful to commerce. It is undoubtedly a spur to industry, like a new influx of money: but then, like such influx, it raises the price of labour and of manufactures. Weighing these two facts in a just balance, the result seems to be, that in a country where money is scarce, a bank properly constituted is a great blessing, as it in effect multiplies the specie, and promotes industry and manufactures; but that in a country which possesses money sufficient for an extensive trade, the only bank that will not hurt foreign commerce, is what is erected for supplying the merchant with ready money by discounting bills. At the same time, much caution and circumspection is necessary with respect to banks of both kinds. A bank erected for discounting bills, ought to be confined to bills really granted in the course of commerce; and ought to avoid, as much as possible, the being imposed on by fictitious bills drawn merely in order to procure a loan of money. And with respect to a bank purposely erected for lending money, there is great danger of extending credit too far, not only with respect to the bank itself and to its numerous debtors, but with respect to the country in general, by raising the price of labour and of manufactures, which is the never-failing result of too great plenty of money, whether coin or paper.

The different effects of plenty and scarcity of money, have not escaped that penetrating genius, the sovereign of Prussia. Money is not so plentiful in his dominions as to make it necessary to withdraw a quantity by heaping up treasure. He indeed always retains in his treasury six or seven millions Sterling for answering unforeseen

unforeſeen demands: but being ſenſible that the withdrawing from circulation any larger ſum would be prejudicial to commerce, every farthing ſaved from the neceſſary expence of government, is laid out upon buildings, upon operas, upon any thing rather than cramp circulation. In that kingdom, a bank eſtabliſhed for lending money would promote induſtry and manufactures.

SKETCH