

CHAPTER VI

Of Money.

I have already spoken of the developement of industry, and even of that of commerce; and I have not yet said a word of money. It is because in effect it is not more indispensable to commerce than merchants. Those are its agents, this its instrument. But it can and does exist, to a certain point, before and without these two helps,—although they are very useful to it.

We have seen in the third paragraph of the introduction, and in the third chapter, which treats of *values*, that all useful things have a determinate value. They have even two; but at this moment I speak only of the conventional value, or market price. All these values are measured the one by the other. When, to procure any thing whatsoever, one is disposed to give a double quantity of any other thing whatsoever, it is evident that the first is twice as much esteemed as the second. Thus the relation of their value is fixed; and one can exchange or negotiate these two things at this rate, without recourse to any thing intermediate. We can give hay for corn, or corn for wood; a cartload of potters clay, or of brick earth, for some plates or tiles, &c.; but it is evident that this is very inconvenient, that it occasions removals so troublesome as to render most affairs impracticable; that many of these merchandises are not divisible, so as to correspond well with the others; that many amongst them cannot be indefinitely preserved until the moment of finding employment for them, and that were they preserved we are still greatly embarrassed if, as must continually happen, what we have is not precisely that which suits him who possesses what we desire; or if he wishes but a very small quantity of ours, when we want a large quantity of his. In the midst of all these difficulties commerce then ought to be very languishing, and consequently industry also. It is proper to dwell a little on these inconveniencies, for we are always but little affected by those which we have never experienced. We do

not even imagine them. Having never seen such an order of things, we have no lively idea of it; it appears to us almost chimerical. But it has existed, and probably for a very long time before that of which we still complain; and even with reason, although it is much better.

Happily amongst all useful things there is one kind which is distinguished, that of the precious metals. These like others are a merchandise, inasmuch as they have the necessary value which results from the labour their extraction and transportation have cost, and the market value given them, by the possibility of making them into vases, ornaments, or different conveniencies and instruments. But they have moreover the property of being easily refined; so that we know very exactly what quantity we have of them, and that all their parts are similar,—which renders them very comparable, and leaves no fear of their being of different qualities. Besides they are inalterable, and susceptible of being divided into portions as great or small as we wish. Finally, they are easily transported. These qualities must cause every one to prefer these metals to every other useful thing, whenever we only wish to preserve the value we possess for an indefinite time until the moment of want. For every one who has any merchandise subject to damage, the quality of which may be uncertain or changeable, which is of great encumbrance, or little susceptible of being retailed on occasion, is naturally disposed to exchange it for another which has none of those inconveniencies. From this general disposition, it will naturally result, that the merchandise, which possesses so many advantages in this respect, should become by degrees the common measure of all others. This is also what has happened every where. This appears singular when the reason is unknown, but inevitable when known. It is the same in all cases. So soon as a thing is, be assured there are victorious reasons why it should be, which however does not mean that stronger reasons may not afterwards be discovered why it should no longer be. But here it is not the case. The precious metals once become the common and general measure, the universal type of all exchanges, acquire still an advantage which they had not before. It is first to have a greater market value, as they have acquired a new kind of utility; (but this would not affect the object which now occupies us) and next their market value their price becomes more constant than that of any other merchandise. Being in constant demand in all places, and on every occasion, they are not subject to the variations experienced by a thing sometimes sought sometimes refused: Besides they

do not depend on the inconstancy of the seasons, and very little on that of events. Their total quantity does not change, but from causes slow and rare. They are then every day more confirmed in their character of being the common measure of exchanges. However they are not yet *money*. As yet they are transmitted only in bars and ingots, and at every change of hands they must be assayed and weighed; this is troublesome.

When society is a little more perfected, the competent authority intervenes to give to this mean of exchanges a greater degree of commodiousness. It divides these metals into portions adapted to the most ordinary uses. It impresses on them a mark which indicates the total weight; and in this weight the quantity of foreign matter which it has been convenient to leave therein for the facility of fabrication, but which is not to be counted for real value. This is what is called the weight and standard. In this state the metals have become completely money; and authority has done a benefit in giving them this character. We shall see hereafter that it has but too often done evil by other acts of its power in this way.

This short explanation of the nature of money shows us, first, that there can only be one metal which can really be money, that is to say to the value of which we refer all other values; for in every calculation there can be but one kind of unit which serves as a basis. This metal is silver, because it is this which is best adapted to the greatest number of subdivisions, of which there is need in exchanges. Gold is too rare, the other metals too common.

Gold, however, comes in aid of silver in the payment of very great sums; as would, also, the precious stones if they were divisible without a loss of value. But it is only as a subsidiary that it is employed, and only by referring the value of gold to that of silver. The proportion in Europe is nearly as fifteen or sixteen to one; but it varies, as every other proportion of value according to the demand. In China it is commonly as twelve or thirteen to one; whilst in Indostan, on the contrary, we are told it is about as eighteen or twenty to one. Thus there is a profit in carrying silver to China, because for twelve ounces of silver you have there one ounce of gold, which on return into Europe is worth fifteen ounces of silver, whereby you have gained three ounces; and, on the contrary, there is a profit in carrying gold into Indostan, because for one ounce of gold you there have eighteen of silver, and thus you have gained three ounces of the latter metal. Political authorities may however very

well coin money of gold and fix its proportion with that of silver, that is to say, determine that, whenever there are no stipulations to the contrary, one ounce of gold or fifteen or sixteen ounces of silver shall be received indifferently. It is as in judicial actions, they establish that when there are sums of money that ought to bear an interest which has not been stipulated by the parties, that interest shall be so much per cent. But they cannot, or at least ought not to prevent individuals from regulating between themselves the quantity of gold which they wish to give, or receive, for a certain quantity of silver, any more than from determining by agreement the rate of interest of the sum they lend or borrow. Accordingly, it is thus these two things are always arranged in the great operations of commerce, even in spite of all laws to the contrary; because without it business would not be done at all.

As to copper money, or that of billion,* wherever there is one of silver it is not real money. It is a false one. If it contained a sufficient quantity of copper to be really worth the quantity of silver to which it is made to correspond, it would be five or six times as heavy as it is, which would render it very inconvenient. Still this proportion would vary as that of gold, and more frequently, because of the more numerous uses for which copper is employed. Thus copper money is worth but the quantity of silver agreed to be given in barter for it. Accordingly it ought only to serve for the facilitation of small fractions, in which this exaggeration of its value would be of no importance; because the moment after it is paid away at the same rate, in making it fulfill the same function. But when, as has happened sometimes, the payment of large sums of money with copper is authorized, it greatly wrongs him who receives it; as he can never find an opportunity of realising by agreement such large masses at their nominal value; but only at their real value, which is five or six times less. Let us conclude, then, that there can never be but one metal which may be the common term of comparison, to which may be referred all values; and that this metal is silver.

Since the utility of the impression, which makes of a morsel of metal, a piece of money, consists in the establishment of its standard and weight, we see further that it was very superfluous to invent, for the keeping of accounts, imaginary monies, such as livres, sous, and

*Billion is a mixture of a great deal of copper, and so little silver, that the extraction of the latter would not be worth the expense.

deniers, and others of this kind, which however are called money of account.* It would have been much clearer to say a piece of one ounce, of half an ounce, of a drachm, of a grain of silver; than a piece of six livres, of three livres; of twelve or of fifteen sous: We should have always known the quantity of silver of which we wished to speak. This idea presents itself so naturally, that I am induced to believe it would have prevailed, if all monies had been of the same standard: But, as their degree of purity has always been very different, the wish perhaps has been to have a mean of expressing that such an ounce of silver was worth a sixth more than such another, in saying that the one is worth six livres, and the other five. Perhaps, also, the expression of which I speak has been rejected precisely because it was too clear: For those who have participated in these matters, have always wished that others should understand nothing of them, and they have their good reasons for it. We shall see many proofs of it.

However this may be, these arbitrary denominations being once admitted and employed in all the obligations contracted, we should take great care to make no change of them; for when I have received thirty thousand livres and have promised to repay them at a certain time, if, in the interval, the government says that the quantity of silver which was called three livres shall be called six, or which is the same thing, if it makes crowns of six livres, which do not contain more silver than was contained in the crowns of three, I who pay with these new crowns do not really return but the half of what I had received. This is merely an accommodation of which an indebted legislator wishes to avail himself with his numerous creditors; and it is to veil and disguise it that he gives me such an advantage with mine, and even with himself, if by chance I am his debtor. It is true, he knows well that he has none; but it has an air of generality and reciprocity which resembles equity and dazzles. In spite of this deception, let us speak plainly, this is permitting every one to rob to enable himself to rob; and it is, as we must acknowledge, what almost all governments have so frequently done with so much audacity and so little moderation, that, for example, what is now called in France a livre, and which formerly really was a pound of silver of twelve ounces, is scarcely one out of eighty-one parts thereof at present, when the mark is worth fifty-four livres; government, then at different times has

*Several of these denominations have been originally names of real monies, as Louis, Crowns and Ducats.

stolen eighty parts out of eighty-one which it owed; and if there still exists a perpetual annuity of *one livre*, established in those ancient times in consideration of *twenty livres* received, it is paid at present with one part out of eighty-one of what was originally promised, and of what is honestly due. If at this time none of these annuities remain, it is because they have been successively reimbursed in the same manner as interests are at present. What is more frightful in such legal iniquity, is that it is not merely to permit injustice, it is to enjoin it, to enforce it. For, except in rare circumstances, an individual of the greatest probity is obliged to avail himself of the odious permission given him, since, every one using it against him, he would soon be ruined, and even insolvent. Thus he has but a choice between two bankruptcies, and he ought to decide in favour of that which the law authorises.

We will follow no farther the moral effects of such laws; this is not the place; and, besides, they are sufficiently sensible, their economical effects are these: First, all the creditors, who are reimbursed, are suddenly impoverished; and all the debtors, including the government, are enriched by their losses. Thus it is an extraordinary levy of money on a single class of citizens; which is even very unequally apportioned amongst them, and is further augmented uselessly by the whole portion which goes to the profit of other citizens, who find themselves in a position like that of the government, whose apparent interests are the motives of the measure.

Secondly, all the creditors who are not actually reimbursed their capitals are impoverished in like manner; because their rent is discharged with the same nominal value, but with a less real one. Here the thesis changes for the government. It is of the number of those creditors frustrated in the whole of what it receives in annual imposts; for they are paid with the same quantity of money, but with one-half less of effective silver, if it has diminished the value of money by an half. In truth, as it has the power in its hands, it soon doubles the existing imposts, and thus thinks itself at par; and that it has a clear gain of what it has avoided paying.

However, it is not so; for the third effect of this fine operation is to cause a fear that at every moment it may recommence, and that no further reliance can be had in plighted faith; to excite by this mean inquietude in all relations, and eventually to diminish all industrious and commercial speculations. Thus the public suffers, national riches diminish, and a great part of the imposts become ineffectual; for the

labour which paid them is decreased, and he who gains nothing can contribute nothing. Moreover, the government has always need of being furnished with many supplies and advances; which it cannot exact by force. The price is doubled, if the value of the money is diminished one-half. This is quite plain. But, besides, every thing has become dear and scarce; and, what is more, in bargaining it is made likewise to pay for the fear it has created of its being a second time wanting in good faith. Thus its expenses are augmented in a greater proportion than its revenues, even after it has doubled the imposts.

In last result it has committed a robbery, which has caused to itself much more evil than it has produced good. Yet it is this which for a long time was very generally regarded as a wise operation of finance. It is here, then, we may well wonder how men are the dupes of words. To the shame of the human understanding, it would perhaps have been sufficient to preserve it from such an illusion, that the pieces of money should have been, as we have said, designated solely by their weight, instead of bearing insignificant names. It is very probable that then they would have seen, that half an ounce could never become an ounce.

Yet in truth, this becomes doubtful, when we see illusions, more gross and injurious than these, still succeed with many men, or at least be only imperfectly distinguished. This reflection leads us directly to paper money, with which Europe is inundated at the moment in which we are speaking; (1810) and to which recourse is always had, in spite of the constant experience of its inevitable effects.

To defend an injustice it is always necessary to rest it on an error. This is an universal rule. Those who have wished to defraud their creditors of a part of the money they owed them, by diminishing the quantity of silver contained in the money with which they expected to pay them, have all pretended that silver has no value in itself, as we cannot drink or eat it; that it is but the sign of real values; that it is the impression of the monarch which gives it the quality of a sign, and that it is indifferent whether it be put on a greater or smaller quantity of metal. One might answered them, if silver has no value, why do you retain that which you owe? You have no occasion for it. Give it to us first, then you may put your impression on pieces of wood if you please, and you will see the effect it will produce. It does not seem necessary to be very sharp sighted to devise this overwhelming answer. Yet it has not been made because it was not so easy to prove directly that silver, as all useful things, has a proper and necessary value: indeed, to

demonstrate this incontestably, it was necessary to remount, as we have done, and perhaps as has never been done before, to the first and only cause of all value, labour.

This foolish notion (we must call things by their names) that money is but a *sign* is then maintained, and still repeated every day. Many writers give no other name to money; and persons who think themselves historians and politicians gravely give you an account of the system of law and discuss it at full length, without perceiving, after a hundred years of reflection, that it is solely on this notion it was founded, and that all the rest consists but in accessories, imagined to mask this foundation.* The notable principle, then, of which we are speaking is neither abandoned nor proscribed. If they no longer avail themselves of it to degrade the coins, it is not because they are ashamed of it; it is because they have found a way of making a more complete application of it. For, in fact, in the most false of coins; there remains always a little silver. In that which is now substituted for it there is not any; this is still better. They have not followed the counsel we just now gave, of putting the stamp of the prince on pieces of wood; they put it on paper, and this amounts to the same. The multiplied relations of perfected society have suggested this idea and likewise serve to mask the fraud. Let us explain this.

Paper, like every thing else, has no necessary value, but that which it has cost to fabricate it; and no market value, but its price in the shop as paper. When I hold a note, or an obligation of any kind, of a solvent person, to pay me at sight an hundred ounces of silver, this paper has only the real value of a piece of paper. It has not that of the hundred ounces of silver which it promises me. It is for me only the sign that I shall receive these hundred ounces of silver when I wish; in truth, when this sign is of an indubitable certainty, I am not anxious about realizing it. I may even, without taking this trouble, pass it by agreement to another person, who will be equally tranquil with myself, and who may even prefer the sign to the thing signified; because it is lighter and more portable. We have not yet either the one or the other any real value, (I count for nothing that of the piece of paper) but we are as sure of having it when we wish, as with the money we are sure

*It is for this reason that Law himself, when the Abbey Terrasson proposed to him to reimburse the Catholic Church with his paper, answered—the Roman Clergy are not such fools.

of having a dinner when we shall be hungry. It is this that induces us both to say, that this paper is the same thing as the silver. But this is not exact; for the paper only promises, and the silver alone is the value itself.

Proceeding on this equivoque, the government comes and says, you all agree that the paper of a rich man is equal to silver. Mine, for much stronger reasons, should have the same property, for I am richer than any individual; and moreover, you agree that it is my impression alone which gives to silver the quality of being the sign of all values; my signature communicates to this paper the same virtue. Thus it is in all respects a real money. By a surplus of precaution, they do not want inventions to prove that the paper about to be emitted really represents immense values. It is hypothecated, sometimes on a considerable quantity of national domains, sometimes on the profits of a commercial company, which are to have prodigious success; sometimes on a sinking fund, which cannot fail to produce marvellous effects; sometimes on all these together. Urged by arguments so solid, all who hope that this operation will enable government to grant them gifts, and all its actual creditors, who fear that without this expedient they will not be paid at all,—who hope to have this paper among the first, and to pass it away very soon, before it is discredited; and who moreover, calculating that if they lose something by it, they may amply indemnify themselves by subsequent affairs,—do not fail to say they are fully convinced that the paper is excellent; that it is an admirable invention, which will secure the safety of the state; that they are all ready to take it; that they like it as well as silver; that their only embarrassment would be if they should meet with persons stubborn and distrustful, as there will always be, who would not be willing to receive it; that to prevent this inconvenience it will be necessary to compel every body to do as they do, and that then all difficulties will have vanished. The public itself—prejudiced by so many sophisms, which have such numerous supporters,—at first relishes the measure, then desires it, and persuades itself that one must be absurd or evil intentioned not to approve it. Thus they make a real *paper money*, that is to say a paper which every one has a right to give and is obliged to take as good money; and it is not perceived that it is precisely the force they employ to render this paper better, which radically vitiates it.

In effect the government, which has only created it to liberate itself, makes in the first place enough to extinguish all its debts. It is com-

manded to be received, people are disposed to do it; it circulates with facility, it is in every one's hands concurrently with silver. It appears even at first to increase the activity of commerce, by multiplying capitals. Moreover it is only employed in large payments, and in the placing of funds. Thus the daily service and that infinite multitude of small exchanges which constitute the habitual march of society, continue as usual, and every body is satisfied.

Afterwards the same authority uses the same mean for its ordinary expenses. It observes necessarily less economy, conscious of resources always ready. It embarks in enterprizes, either of war, politics or administration, of which it would not have dared to think, knowing well that without this facility they would surpass its abilities. The paper is then greatly multiplied. The contractors for the government are the first to say that all things have grown very dear, that they must have much higher prices. They are careful not to avow, that it is because a promise is not silver, and that the promise begins to appear doubtful. They attribute this fact, at which they appear surprised, to a momentary encumbrance, which it will be easy to remove by slackening all payments except their own; to the intrigues of a party of mal-contented, which should be suppressed; to the jealousy of foreigners, who will only deal with them for ready money, for the objects they are obliged to draw from them. It is impossible not to yield to such good reasons; and, above all, to necessity. The expenses are therefore augmented considerably, and the paper likewise.

People receive it still because they are forced; but every one demands much more of it for the same thing. Soon an acknowledged and known proportion is established between paper and silver. It becomes so disadvantageous to the paper, that those who live on salaries, annuitants, and the proprietors of leased estates, who are paid with this money are greatly aggrieved. Salaries are augmented particularly those of the officers of government; which is by so much the more burthened; the others suffer horribly. At this epoch, of the depreciation of paper, government already experiences the same loss in its imposts that individuals do on their annuities and rents. This embarrasses it, but this is not the moment to augment the public burthens. It is easy to create paper to supply the deficiency it experiences. It prefers this mean; hence a new cause of emission and depreciation.

The difference between paper and silver increasing progressively, no one ventures to give any credit, or to make any loan; they do not even

venture to buy in order to sell again; because they know not at what price they may be able to resell; all commerce languishes. The proportion or rather the disproportion continually increases; it arrives to that point that the daily transactions for things of the first necessity, and which require only small sums paid in silver, become impossible—for an hundred francs in paper would be given rather than twenty-five in silver; and, for the same reason, if you owe twelve francs nobody will give you the change on a note of an hundred. There is universal outcry and complaint. Disputes are indeterminable, because both parties are right. The evil is supposed to be remedied by making notes for the smallest sums, and they are made,* but nothing is gained by this, for from this moment we no longer see a crown; and so soon as the most usual things are paid for with paper, they rise to a price proportioned to the discredit of the paper, that is to say, to such that nobody can afford them. The public authority is then inevitably forced to rate the necessaries of life.

Then society ceases and universal brigandage begins. All is fraud or punishment. The government lays requisitions every where, and the people plunder; for nothing but force can oblige a sale at loss, or to part with things which they fear soon to want themselves. In fact a general want takes place; for no one makes new provisions, or new fabrications, for fear of suffering new spoliations. All trades are abandoned. There is no longer possibility of living on the produce of regular industry: every one subsists on what he can conceal, or on what he can lay his hands, as in an enemy's country. The poorest die in crowds. We may say in the strictest sense, that society is dissolved; for there is no longer any free exchanges.

There is no longer any necessity for small notes, for the largest hardly suffice for the smallest sums. We have seen three thousand livres paid for a pair of shoes, and been very happy to obtain them in secret at this price; for force may well oblige a thing which exists to be given for nothing, but it cannot oblige it to be made. Having reached this point, the government on the contrary must give a very high nominal value to every piece of its paper,—not merely that it may be of some use, but that, even to itself it may represent a little more real value than its fabrication has cost. This is the reason that in France,

*We have seen them even for five sous. You may judge whether it be possible to superintend them, and if three-fourths of them were not false.

towards the last of the existence of paper money, government thought proper to make mandates, which were nothing but assignats of a new form; but to which was attributed a value an hundred times greater than that of the others, without which they would not have paid the cost of making them. Thus the process reached that pass that a note of a hundred francs in assignats, for example, had not effectively the real value of the piece of paper on which it was written; and it would have been worth more for him who received it if blank, or rather if he had received the price which it had cost.*

Such a fact appears incredible; yet we have all witnessed it, and it clearly proves two important truths: The one, that when we endeavor to go contrary to the nature of things, we are inevitably pushed to the most monstrous extremities; the other, that it is as impossible to give to things a real value which they have not, as to take from them the natural and necessary value which they have, which consists, (we cannot too often repeat it) in the labour which their production has cost.

In vain would it be said that paper money, may be used, without being abused to this excess, constant experience proves the contrary; and, independently of experience, reason demonstrates, that once abused, we are forced to abuse it more; and that it is not made *money*, that is to say having a forced circulation, but on purpose to be abused. For when you leave it to a free course, the moment in which a fear that you cannot fulfill your engagements occasions an unwillingness to receive it, indicates the moment in which effectively you begin to form engagements beyond your resources, that is to say to abuse it; when you give it a forced currency, it is because you are unwilling to be warned of that moment, and are determined to go beyond it, that is to say to enter into engagements which you cannot fulfill. In a word when your paper is good, it is useless to oblige people to receive it; when bad, it is iniquitous and absurd to force it to be received as good. No solid answer can ever be given to this dilemma. Mirabeau had therefore great reason to utter the celebrated phrase, which he too much forgot afterwards: All paper money is a phrensy of despotism run mad.

We have seen that the consequences of the madness are still more

*It is true that these mandats were the end of all; that they lasted but a few days; and that they never had a real currency: for no fear of punishment could determine any one to take them at any price.

fatal than those of the debasement of coins. The reason is simple. This debasement when not repeated, has but a momentary effect, by which many suffer as by a hail storm, and others profit as by a windfall; but all things resume quickly their ordinary course. On the contrary, the gradual depreciation of paper money, during all the time of its existence, produces the effect of an infinite number of successive debasements continued to total annihilation; and during all this time, no one knowing on what to calculate, the progress of society is completely interverted. Add to this, that paper is made to much larger amounts than even bad money is coined. Thus the evil is still much greater.

Let us conclude, that paper money is the most culpable and most fatal of all fraudulent bankruptcies; that the adulteration of *metallic monies* comes next; and that when a government is sufficiently unfortunate to be no longer able to pay its debts, it can do nothing better than declare frankly its insolvency, and compound faithfully with its creditors,—as an imprudent but honest merchant. The evil is much less; reputation remains, and confidence is soon renewed—three inestimable advantages. Wherever there is candour, and probity, there is remedy for misfortune. This is one of the numerous points at which *economy* and *morality* are joined: and which render them but different parts of the same subject, the case of that one of our intellectual faculties which we call the Will.

After having thus spoken of silver, its uses, its real value, of the danger of pretending to replace it by fictitious values, it is proper to turn our thoughts for a moment to what is called the *interest of money*. This subject like many others would be very simple, if endeavours had not often been used to obscure it; and if it had never been treated on, but after the preliminaries with which we have preceded it.

Since we rent horses, coaches, furniture, houses, lands, in a word whatever is useful and has a value, we may well rent money also—which is likewise useful, has a value, and is exchanged every day for all these things. This rent of money is what is called *interest*. It is as legitimate as every other rent. It ought to be equally free. There is no more reason why public authority should determine its rate, than that of the lease of a house or a farm. This principle is so evident, that it ought never to have met with any difficulty.

There is nevertheless what is called legal interest; it is that which tribunals adjudge in judiciary cases, in cases in which the parties have not been able to agree, but in which it is still just that the debtor should

pay some interest. It is very proper that the law should have determined it beforehand. It should neither be too high nor too low; not too high, that the debtor of good faith,—who wished to pay his debts, but has been prevented by circumstances not depending on himself,—should not be aggrieved for having been obliged to detain his money. Not too low, that the debtor of bad faith, who has had recourse to chicanery to defer payment, may not gain by having retained the disposition of his funds. In a word, it should be such that neither the creditor nor the debtor should be injured. For this purpose, the law should fix it as it is to be presumed that the parties would have agreed on, that is to say conformably to the most ordinary rate in analogous circumstances. But once again I repeat it, this *legal interest* should be of no consideration, whenever the parties have themselves been able to make their agreements. The public authority should never intervene in particular transactions, but to ensure their execution, and to lend its support to the fidelity of engagements.

It is true however, that it is the interest of society in general, that the interest of money should be low. First, because all the rents, paid by industrious men to capitalists, are so far funds taken from the laborious class for the profit of the idle. Secondly, because, when these rents are high, they absorb so large a part of the profits of industrious enterprizes that many become impossible. Thirdly, because the higher these rents are, the greater the number of those who live without doing any thing. But all this is not a reason for government to fix the rate of interest; for we have already seen that society has absolutely the same motives for desiring that the rents of land should be at a low rate; * and yet no

* Agriculture is no where so flourishing and advancing as in those countries where the rents of land are as yet nothing; because there are still lands belonging to nobody; for then all the produce of these lands is for him who cultivates them. See the western part of the United States of America.

This should teach us to appreciate the sagacity of those profound politicians, who pretend that it is highly advantageous to a nation that its landed property should sell very high; because, say they, it follows that its soil, which is a large part of its capital, has a great value. They have no doubts on the subject.

However there are two ways of understanding the expression, very dear. Do they wish to say, that it is desirable that land should be sold high, in proportion to the rent which may be drawn from it? that is true; for this proves that the interest of money is low, and that the idle take but little from the laborer.

But do they wish to say that it is good that an acre of land should sell dear in proportion to what it will produce? that is false; for this price is so much taken

one has ever proposed to declare usurious, and illicit the rents of farms which exceed a certain price. Moreover, to fix the rate of interest is not a mean of diminishing it; on the contrary, it is only in some manner to invite to dissimulation: for the lender will always require the most he can get for the enjoyment of his capital; and he will also be indemnified for the risque he runs in eluding an imprudent and even an unjust law. The only mean of diminishing the price of the interest of money is to make the mass of a nation rich, that thus there may be large sums to be lent, and that industrious men nevertheless have little need of borrowing.

Instead of fixing the rate of interest, we might perhaps extend to this kind of convention the principle of damage for more than the half, (*lezion d'outré moitié*) which, in certain cases, authorises the rescission of engagements; but the application of this principle would often be very embarrassing in matters of loan: it would require attention to many circumstances of difficult estimate, and especially to the degree of risk run by the lender in parting with his funds. At least, I would wish in this supposition for still stronger reasons, that the rents of land should be comprised under the same rule; for there is no risk of the funds being carried off. But I would always prefer that individuals should be left entirely free in their conventions.

To finish this chapter on money, and all that has relation to it, it remains for us to say a word on *exchange* and on *banks*. These are two very distinct things which are often confounded; let us examine them separately.

Exchange, or the service of an exchanger, is an operation the most simple. It is to barter money for money when it is required. It is only necessary to know how much pure gold or silver is contained by each of the two to render the same quantity he receives, and to take a stipulated reward for the small service he performs; or it is to barter ingots for money. This is still exactly the same thing. It is only necessary further to take into account the small increase of value which is given to the metal by the quality of money, impressed on it by the effigy or seal of the sovereign. If the standard value of metals were as easy to be established as their weights, the personal interest, the most inventive

from him who is going to work this acre, thus it is to say, that it is advantageous to take from this useful man a part of his means, and often to render his enterprise impossible by augmenting its expenses. Experience and reason declare equally against this mistake.

in fishing in troubled water, could not throw the least obscurity on a similar transaction; and, notwithstanding this small difficulty of the assay, it is still sufficiently clear when nothing else is mingled with it, because the two things to be exchanged are present. It is only requisite to value both and to barter. But the operation of the exchanger is often complicated with that of the banker. Let us now explain this.

The function of the banker is to enable you to receive in another town, the money which you deliver him in this in which you are. In this he renders you a service, for if you have need of your money in that other town, either to pay debts or to expend there, you must send or carry it thither; and this occasions expense and risque. The banker, who has a correspondent there, gives you a note called a *bill of exchange*, in virtue of which the correspondent remits you your amount. On an inverse occasion, the same correspondent gives to another person a like bill of exchange on your banker; thus they are quits, and they have obliged two persons; and, as every service merits a reward, they have retained at each time for their recompense a stipulated portion of the money transported. Such is the service and the profit of a banker.

I have always been astonished that writers, who have given long dissertations on this negotiation, who know its utility, who have exaggerated its importance, have mistaken the increase of value, which a merchandise receives by a change of place; and have refused the quality of producer to the merchant, who transports it: for in this case, which is the most simple, it is very clear that when you, who live in Paris, owe an hundred francs at Marseilles, you would rather give your banker an hundred and one francs, than to carry yourself or send your hundred francs to Marseilles: and, reciprocally, if you had there an hundred francs, you would rather receive ninety-nine of them at Paris of the same banker, than go to Marseilles and receive the whole amount. Merchandise delivered at its destination has then really a value which it had not before; it is this which engages you to give your banker a recompense, although it costs him nothing to render you this service.

To this first profit he commonly adds another. You give him your money to day, the bill which he gives you in return will only be payable in fifteen or twenty days, more or less; time must be allowed for its arrival; the correspondent must be apprized; he might not have the funds; pretexts are never wanting to lengthen the delay. However it is not till the day of payment that the banker credits the sum to his associate. Thus, during all the interval, he enjoys your money gratuitously and

can put it to use; and as money bears an interest it is a profit sufficiently considerable: for it is plain, that if he has successively eighteen or twenty similar commissions; he has gained the interest of the sum for a whole year.

To these calculations must be added a third. When many Marseillaise are indebted to the Parisians, they all demand bills payable at Paris. These become scarce; the bankers may be embarrassed in furnishing them, their correspondents being already in advance with them. They take occasion hence to demand of you, independent of their commission, an hundred and two or three ounces of silver for procuring an hundred to your order at Paris; and you, who are under a necessity of acquitting yourself, will give it, not being able to do it for less. For a contrary reason, if Parisians have at the same time need of bills on Marseilles, the bankers of Paris might for an hundred ounces of silver give them a bill for an hundred and two or three ounces, since this is the price put on them at Marseilles. But as they alone are well acquainted with these fluctuations, they always combine to prevent the individuals from the whole profit, and to throw on them more than a necessary loss; and this is a new source of profit for them.

This is what is called—not very properly, in my opinion,—the course of exchange; and what ought rather, as I think, to be called the course of banking: for these two cities being in the same country, and employing the same money, there is no exchange, but merely a transportation of specie, which is the proper office of the bank. This course is said to be at par, when an hundred ounces of silver in one place are paid with an hundred in another; and that it is high or low, when it requires more or less,* always independently of the banker's

*When less than a hundred francs are sufficient to pay an hundred elsewhere, it is said that the exchange is *low*. This is the case with the city which, compensation being made, still remains creditor, because apparently it has sent to the other more merchandise than it has received. This low exchange gives it an advantage in importation, for it can pay for the same things with less silver. But for the same reason it is disadvantageous if it continues to export, for it will require more money to pay them for the same quantity of merchandise. This is equivalent to a rise of price, and diminishes the demand.

This sole consideration, independently of many others, shows how ridiculous it is to believe that a country can always and constantly export more than it imports. It would be quickly arrested merely by the course of exchange. But we are not yet come to the examination of the reveries on the pretended balance of commerce; it suffices to have made this observation.

commission.

The operation of exchange, on the contrary, mingles itself with that of banking, and complicates it when funds are to be transported from one country to another: for the sum which is received at Paris, and for which a bill is given on London, has been deposited in French money and will be paid in English money. We must ascertain then the concordance of these two monies, and determine how much pure metal is contained in each, according to the known laws of their fabrication. We must estimate too, at least approximately, what the pieces of money in the two countries may have lost since they have been in circulation. Hence it is that all other things being equal, less is demanded to pay the same sum in any country, when the money is ancient, and has consequently suffered much waste by use, and by the fraud of clippers, than when it is quite new and untouched: for in the latter case it contains really more metal, and the bearer of the bill will receive more for the same sum. This exchange is yet another source of profit for the bankers.

To this all the operations of exchange and banking are reduced, which as we see are very simple, and would be very clear if all coins bore the name of their weight and the mark of their standard value; and if pedantry and charlatanism had not concealed and disguised notions so common, under a multitude of barbarous names and cant terms, such as the initiated alone can understand.

Bankers render yet another kind of service. When the bearer of a bill of exchange, not yet due, has need of money, they advance it to him; retaining the interest of the sum for the time remaining before the day of payment. This is called *discount*. Sometimes they receive from an individual effects not demandable other than bills of exchange; as bills of credit of long terms, title papers of property, and hypothecations on land; and guaranteed by these securities they advance money to him, making him pay an interest higher or lower. At other times, knowing a man to be solvent, they give him for a retribution a credit on them for a determinate sum; and they make themselves the agents of all his business, undertake to collect all his credits and to pay all his debts. These are so many ways of being useful; but in all these cases they are essentially *lenders* and *agents* for business, and not properly *bankers*, although bank services are mingled with these operations. All this, nevertheless, is ordinarily comprehended under the names of banks of discount, accommodation, credit, circulation, &c.

All these bankers, exchangers, agents, lenders, discounters, at least the richest and most accredited amongst them, have a strong tendency to unite themselves into large companies. Their ordinary pretext is, that transacting thus much more business they may be content with a smaller profit on each, and perform all the services on much better terms; but this pretext is illusory—for if they transact more business they employ more funds, and surely it is not their intention that every part of their funds should yield them a smaller profit. The truth is, that, on the contrary, they wish, by getting almost all the business into their own hands, to avoid competition, and make greater profits without any obstacle. Government, on their part, are much disposed to favor the establishment of these large companies, and to give them privileges to the detriment of their rivals, and of the public, with the expectation of receiving from them loans, either gratuitous or at a low rate which these never refuse. It is thus that the one sells its protection and the other buys it; and this is already a very great evil.

But these companies are of a much greater inconvenience. They emit bills payable at sight, bearing no interest, which they give for ready money. All those who depend on them, or are connected with them, (and they are very numerous) take their notes with eagerness and offer them to others. The public even which has great confidence in their solvency receives them willingly as very convenient. Thus they spread with facility, and are multiplied extremely. The company reaps in this an enormous gain, because the whole sum represented by these bills has cost it nothing but the fabrication of its paper, and yield it a profit as ready money. However this is not yet an inconvenience, because these bills are always realized the moment they are demanded.

But soon the government, which has created it but for this purpose, asks of this company enormous loans; it dares not and cannot refuse them, because it depends on government to overthrow it by withdrawing its support for a moment. To satisfy this demand, it is obliged to create an excessive quantity of new notes; it delivers them to the government, which employs them very quickly; the circulation is overdone with them; inquietude follows, every one wishes to realise them. It is evidently impossible, unless government repays that which it has borrowed; and this it does not do. The company can then but invoke its support. It asks to be authorized not to pay its notes, and to give them a forced circulation. It obtains its request, and society finds itself in the full state of *paper money*, of which we have seen the conse-

quences. It is thus that the *caisse d'escompte** produced the assignats in France. It is thus that the bank of London has brought England to the same state in which it is at this moment. It is thus all privileged companies end: they are radically vicious; and every thing essentially bad always terminates badly, notwithstanding its transient successes; all things hang together, and necessity is invincible. It would be easy to show that were these great machines so sophisticated not to produce the horrible danger which we have just described, the advantages promised by them would be illusory or very inconsiderable, and could add but very little to the mass of national industry and wealth. But it is not necessary to enter now into details; it suffices for us to have seen in a general manner the progression of affairs. Before going further, let us look back on the road over which we have travelled,—it is the mean of not going wrong as we advance.

* A bank existing at Paris at the commencement of the revolution.