

**Adam Smith, *The Wealth of Nations* (1776)
Book One**

**Chapter V
Of the Real and Nominal Price of Commodities,
or their Price in Labour, and their Price in Money**

EVERY man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities.

The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What everything is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people. What is bought with money or with goods is purchased by labour as much as what we acquire by the toil of our own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity. Labour was the first price, the original purchase-money that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command.

Wealth, as Mr. Hobbes says, is power. But the person who either acquires, or succeeds to a great fortune, does not necessarily acquire or succeed to any political power, either civil or military. His fortune may, perhaps, afford him the means of acquiring both, but the mere possession of that fortune does not necessarily convey to him either. The power which that possession immediately and directly conveys to him, is the power of purchasing; a certain command over all the labour, or over all the produce of labour, which is then in the market. His fortune is greater or less, precisely in proportion to the extent of this power; or to the quantity either of other men's labour, or, what is the same thing, of the produce of other men's labour, which it enables him to purchase or command. The exchangeable value of everything must always be precisely equal to the extent of this power which it conveys to its owner.

But though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. It is of difficult to ascertain the proportion between two different quantities of labour. The time spent in two different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in

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an hour's hard work than in two hours' easy business; or in an hour's application to a trade which it cost ten years' labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity. In exchanging, indeed, the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that sort of rough equality which, though not exact, is sufficient for carrying on the business of common life.

Every commodity, besides, is more frequently exchanged for, and thereby compared with, other commodities than with labour. It is more natural, therefore, to estimate its exchangeable value by the quantity of some other commodity than by that of the labour which it can purchase. The greater part of people, too, understand better what is meant by a quantity of a particular commodity than by a quantity of labour. The one is a plain palpable object; the other an abstract notion, which, though it can be made sufficiently intelligible, is not altogether so natural and obvious.

But when barter ceases, and money has become the common instrument of commerce, every particular commodity is more frequently exchanged for money than for any other commodity. The butcher seldom carries his beef or his mutton to the baker, or the brewer, in order to exchange them for bread or for beer; but he carries them to the market, where he exchanges them for money, and afterwards exchanges that money for bread and for beer. The quantity of money which he gets for them regulates, too, the quantity of bread and beer which he can afterwards purchase. It is more natural and obvious to him, therefore, to estimate their value by the quantity of money, the commodity for which he immediately exchanges them, than by that of bread and beer, the commodities for which he can exchange them only by the intervention of another commodity; and rather to say that his butcher's meat is worth threepence or fourpence a pound, than that it is worth three or four pounds of bread, or three or four quarts of small beer. Hence it comes to pass that the exchangeable value of every commodity is more frequently estimated by the quantity of money, than by the quantity either of labour or of any other commodity which can be had in exchange for it.

Gold and silver, however, like every other commodity, vary in their value, are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase. The quantity of labour which any particular quantity of them can purchase or command, or the quantity of other goods which it will exchange for, depends always upon the fertility or barrenness of the mines which happen to be known about the time when such exchanges are made. The discovery of the abundant mines of America reduced, in the sixteenth century, the value of gold and silver in Europe to about a third of what it had been before. As it costs less labour to bring those metals from the mine to the market, so when they were brought thither they could purchase or command less labour; and this revolution in their value, though perhaps the greatest, is by no means the only one of which history gives some account. But as a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things; so a commodity which is itself continually varying in its own value, can never be an accurate measure of the value of other commodities. Equal quantities of labour, at all times and places, may be said to be of equal value to the labourer. In his ordinary state of health, strength and spirits; in the ordinary degree of his skill and dexterity, he must always

lay down the same portion of his ease, his liberty, and his happiness. The price which he pays must always be the same, whatever may be the quantity of goods which he receives in return for it. Of these, indeed, it may sometimes purchase a greater and sometimes a smaller quantity; but it is their value which varies, not that of the labour which purchases them. At all times and places that is dear which it is difficult to come at, or which it costs much labour to acquire; and that cheap which is to be had easily, or with very little labour. Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only.

But though equal quantities of labour are always of equal value to the labourer, yet to the person who employs him they appear sometimes to be of greater and sometimes of smaller value. He purchases them sometimes with a greater and sometimes with a smaller quantity of goods, and to him the price of labour seems to vary like that of all other things. It appears to him dear in the one case, and cheap in the other. In reality, however, it is the goods which are cheap in the one case, and dear in the other.

In this popular sense, therefore, labour, like commodities, may be said to have a real and a nominal price. Its real price may be said to consist in the quantity of the necessaries and conveniences of life which are given for it; its nominal price, in the quantity of money. The labourer is rich or poor, is well or ill rewarded, in proportion to the real, not to the nominal price of his labour.

The distinction between the real and the nominal price of commodities and labour is not a matter of mere speculation, but may sometimes be of considerable use in practice. The same real price is always of the same value; but on account of the variations in the value of gold and silver, the same nominal price is sometimes of very different values. When a landed estate, therefore, is sold with a reservation of a perpetual rent, if it is intended that this rent should always be of the same value, it is of importance to the family in whose favour it is reserved that it should not consist in a particular sum of money. Its value would in this case be liable to variations of two different kinds; first, to those which arise from the different quantities of gold and silver which are contained at different times in coin of the same denomination; and, secondly, to those which arise from the different values of equal quantities of gold and silver at different times.

Princes and sovereign states have frequently fancied that they had a temporary interest to diminish the quantity of pure metal contained in their coins; but they seldom have fancied that they had any to augment it. The quantity of metal contained in the coins, I believe of all nations, has, accordingly, been almost continually diminishing, and hardly ever augmenting. Such variations, therefore, tend almost always to diminish the value of a money rent.

The discovery of the mines of America diminished the value of gold and silver in Europe. This diminution, it is commonly supposed, though I apprehend without any certain proof, is still going on gradually, and is likely to continue to do so for a long time. Upon this supposition, therefore, such variations are more likely to diminish than to augment the value of a money rent, even though it should be stipulated to be paid, not in such a quantity of coined money of such a denomination (in so many pounds sterling, for example), but in so many ounces either of pure silver, or of silver of a certain standard.

The rents which have been reserved in corn have preserved their value much better than those which have been reserved in money, even where the denomination of the coin has not been altered. By the 18th of Elizabeth it was enacted that a third of the rent of all college leases should be reserved in corn, to be paid, either in kind, or according to the current prices at the nearest public market. The money arising from this corn rent, though originally but a third of the whole, is in the present times, according to Dr. Blackstone, commonly near double of what arises from the other two-thirds. The old money rents of colleges must, according to this account, have sunk almost to a fourth part of their ancient value; or are worth little more than a fourth part of the corn which they were formerly worth. But since the reign of Philip and Mary the denomination of the English coin has undergone little or no alteration, and the same number of pounds, shillings and pence have contained very nearly the same quantity of pure silver. This degradation, therefore, in the value of the money rents of colleges, has arisen altogether from the degradation in the value of silver.

When the degradation in the value of silver is combined with the diminution of the quantity of it contained in the coin of the same denomination, the loss is frequently still greater. In Scotland, where the denomination of the coin has undergone much greater alterations than it ever did in England, and in France, where it has undergone still greater than it ever did in Scotland, some ancient rents, originally of considerable value, have in this manner been reduced almost to nothing.

Equal quantities of labour will at distant times be purchased more nearly with equal quantities of corn, the subsistence of the labourer, than with equal quantities of gold and silver, or perhaps of any other commodity. Equal quantities of corn, therefore, will, at distant times, be more nearly of the same real value, or enable the possessor to purchase or command more nearly the same quantity of the labour of other people. They will do this, I say, more nearly than equal quantities of almost any other commodity; for even equal quantities of corn will not do it exactly. The subsistence of the labourer, or the real price of labour, as I shall endeavour to show hereafter, is very different upon different occasions; more liberal in a society advancing to opulence than in one that is standing still; and in one that is standing still than in one that is going backwards. Every other commodity, however, will at any particular time purchase a greater or smaller quantity of labour in proportion to the quantity of subsistence which it can purchase at that time. A rent therefore reserved in corn is liable only to the variations in the quantity of labour which a certain quantity of corn can purchase. But a rent reserved in any other commodity is liable not only to the variations in the quantity of labour which any particular quantity of corn can purchase, but to the variations in the quantity of corn which can be purchased by any particular quantity of that commodity.

Though the real value of a corn rent, it is to be observed, however, varies much less from century to century than that of a money rent, it varies much more from year to year. The money price of labour, as I shall endeavour to show hereafter, does not fluctuate from year to year with the money price of corn, but seems to be everywhere accommodated, not to the temporary or occasional, but to the average or ordinary price of that necessary of life. The average or ordinary price of corn again is regulated, as I shall likewise endeavour to show hereafter, by the value of silver, by the richness or barrenness of the mines which supply the market with that metal, or by the quantity of labour which must be employed, and consequently of corn which must be consumed, in order to bring any particular quantity of silver from the mine to the market. But

the value of silver, though it sometimes varies greatly from century to century, seldom varies much from year to year, but frequently continues the same, or very nearly the same, for half a century or a century together. The ordinary or average money price of corn, therefore, may, during so long a period, continue the same or very nearly the same too, and along with it the money price of labour, provided, at least, the society continues, in other respects, in the same or nearly in the same condition. In the meantime the temporary and occasional price of corn may frequently be double, one year, of what it had been the year before, or fluctuate, for example, from five and twenty to fifty shillings the quarter. But when corn is at the latter price, not only the nominal, but the real value of a corn rent will be double of what it is when at the former, or will command double the quantity either of labour or of the greater part of other commodities; the money price of labour, and along with it that of most other things, continuing the same during all these fluctuations.

Labour, therefore, it appears evidently, is the only universal, as well as the only accurate measure of value, or the only standard by which we can compare the values of different commodities at all times, and at all places. We cannot estimate, it is allowed, the real value of different commodities from century to century by the quantities of silver which were given for them. We cannot estimate it from year to year by the quantities of corn. By the quantities of labour we can, with the greatest accuracy, estimate it both from century to century and from year to year. From century to century, corn is a better measure than silver, because, from century to century, equal quantities of corn will command the same quantity of labour more nearly than equal quantities of silver. From year to year, on the contrary, silver is a better measure than corn, because equal quantities of it will more nearly command the same quantity of labour.

But though in establishing perpetual rents, or even in letting very long leases, it may be of use to distinguish between real and nominal price; it is of none in buying and selling, the more common and ordinary transactions of human life.

At the same time and place the real and the nominal price of all commodities are exactly in proportion to one another. The more or less money you get for any commodity, in the London market for example, the more or less labour it will at that time and place enable you to purchase or command. At the same time and place, therefore, money is the exact measure of the real exchangeable value of all commodities. It is so, however, at the same time and place only.

Though at distant places, there is no regular proportion between the real and the money price of commodities, yet the merchant who carries goods from the one to the other has nothing to consider but their money price, or the difference between the quantity of silver for which he buys them, and that for which he is likely to sell them. Half an ounce of silver at Canton in China may command a greater quantity both of labour and of the necessaries and conveniences of life than an ounce at London. A commodity, therefore, which sells for half an ounce of silver at Canton may there be really dearer, of more real importance to the man who possesses it there, than a commodity which sells for an ounce at London is to the man who possesses it at London. If a London merchant, however, can buy at Canton for half an ounce of silver, a commodity which he can afterwards sell at London for an ounce, he gains a hundred per cent by the bargain, just as much as if an ounce of silver was at London exactly of the same value as at Canton. It is of no importance to him that half an ounce of silver at Canton would have given him the command of more labour and of a greater quantity of the necessaries and conveniences of life than an ounce can

do at London. An ounce at London will always give him the command of double the quantity of all these which half an ounce could have done there, and this is precisely what he wants.

As it is the nominal or money price of goods, therefore, which finally determines the prudence or imprudence of all purchases and sales, and thereby regulates almost the whole business of common life in which price is concerned, we cannot wonder that it should have been so much more attended to than the real price.

In such a work as this, however, it may sometimes be of use to compare the different real values of a particular commodity at different times and places, or the different degrees of power over the labour of other people which it may, upon different occasions, have given to those who possessed it. We must in this case compare, not so much the different quantities of silver for which it was commonly sold, as the different quantities of labour which those different quantities of silver could have purchased. But the current prices of labour at distant times and places can scarce ever be known with any degree of exactness. Those of corn, though they have in few places been regularly recorded, are in general better known and have been more frequently taken notice of by historians and other writers. We must generally, therefore, content ourselves with them, not as being always exactly in the same proportion as the current prices of labour, but as being the nearest approximation which can commonly be had to that proportion. I shall hereafter have occasion to make several comparisons of this kind.

In the progress of industry, commercial nations have found it convenient to coin several different metals into money; gold for larger payments, silver for purchases of moderate value, and copper, or some other coarse metal, for those of still smaller consideration. They have always, however, considered one of those metals as more peculiarly the measure of value than any of the other two; and this preference seems generally to have been given to the metal which they happened first to make use of as the instrument of commerce. Having once begun to use it as their standard, which they must have done when they had no other money, they have generally continued to do so even when the necessity was not the same.

The Romans are said to have had nothing but copper money till within five years before the first Punic war, when they first began to coin silver. Copper, therefore, appears to have continued always the measure of value in that republic. At Rome all accounts appear to have been kept, and the value of all estates to have been computed either in asses or in sestertii. The as was always the denomination of a copper coin. The word sestertius signifies two asses and a half. Though the sestertius, therefore, was originally a silver coin, its value was estimated in copper. At Rome, one who owed a great deal of money was said to have a great deal of other people's copper.

The northern nations who established themselves upon the ruins of the Roman empire, seem to have had silver money from the first beginning of their settlements, and not to have known either gold or copper coins for several ages thereafter. There were silver coins in England in the time of the Saxons; but there was little gold coined till the time of Edward III nor any copper till that of James I of Great Britain. In England, therefore, and for the same reason, I believe, in all other modern nations of Europe, all accounts are kept, and the value of all goods and of all estates is generally computed in silver: and when we mean to express the amount of a person's fortune, we seldom mention the

number of guineas, but the number of pounds sterling which we suppose would be given for it.

Originally, in all countries, I believe, a legal tender of payment could be made only in the coin of that metal, which was peculiarly considered as the standard or measure of value. In England, gold was not considered as a legal tender for a long time after it was coined into money. The proportion between the values of gold and silver money was not fixed by any public law or proclamation; but was left to be settled by the market. If a debtor offered payment in gold, the creditor might either reject such payment altogether, or accept of it at such a valuation of the gold as he and his debtor could agree upon. Copper is not at present a legal tender except in the change of the smaller silver coins. In this state of things the distinction between the metal which was the standard, and that which was not the standard, was something more than a nominal distinction.

In process of time, and as people became gradually more familiar with the use of the different metals in coin, and consequently better acquainted with the proportion between their respective values, it has in most countries, I believe, been found convenient to ascertain this proportion, and to declare by a public law that a guinea, for example, of such a weight and fineness, should exchange for one-and-twenty shillings, or be a legal tender for a debt of that amount. In this state of things, and during the continuance of any one regulated proportion of this kind, the distinction between the metal which is the standard, and that which is not the standard, becomes little more than a nominal distinction.

In consequence of any change, however, in this regulated proportion, this distinction becomes, or at least seems to become, something more than nominal again. If the regulated value of a guinea, for example, was either reduced to twenty, or raised to two-and-twenty shillings, all accounts being kept and almost all obligations for debt being expressed in silver money, the greater part of payments could in either case be made with the same quantity of silver money as before; but would require very different quantities of gold money; a greater in the one case, and a smaller in the other. Silver would appear to be more invariable in its value than gold. Silver would appear to measure the value of gold, and gold would not appear to measure the value of silver. The value of gold would seem to depend upon the quantity of silver which it would exchange for; and the value of silver would not seem to depend upon the quantity of gold which it would exchange for. This difference, however, would be altogether owing to the custom of keeping accounts, and of expressing the amount of all great and small sums rather in silver than in gold money. One of Mr. Drummond's notes for five-and-twenty or fifty guineas would, after an alteration of this kind, be still payable with five-and-twenty or fifty guineas in the same manner as before. It would, after such an alteration, be payable with the same quantity of gold as before, but with very different quantities of silver. In the payment of such a note, gold would appear to be more invariable in its value than silver. Gold would appear to measure the value of silver, and silver would not appear to measure the value of gold. If the custom of keeping accounts, and of expressing promissory notes and other obligations for money in this manner, should ever become general, gold, and not silver, would be considered as the metal which was peculiarly the standard or measure of value.

In reality, during the continuance of any one regulated proportion between the respective values of the different metals in coin, the value of the most precious metal regulates the value of the whole coin. Twelve copper pence contain half

a pound, avoirdupois, of copper, of not the best quality, which, before it is coined, is seldom worth sevenpence in silver. But as by the regulation twelve such pence are ordered to exchange for a shilling, they are in the market considered as worth a shilling, and a shilling can at any time be had for them. Even before the late reformation of the gold coin of Great Britain, the gold, that part of it at least which circulated in London and its neighbourhood, was in general less degraded below its standard weight than the greater part of the silver. One-and-twenty worn and defaced shillings, however, were considered as equivalent to a guinea, which perhaps, indeed, was worn and defaced too, but seldom so much so. The late regulations have brought the gold coin as near perhaps to its standard weight as it is possible to bring the current coin of any nation; and the order, to receive no gold at the public offices but by weight, is likely to preserve it so, as long as that order is enforced. The silver coin still continues in the same worn and degraded state as before the reformation of the gold coin. In the market, however, one-and-twenty shillings of this degraded silver coin are still considered as worth a guinea of this excellent gold coin.

The reformation of the gold coin has evidently raised the value of the silver coin which can be exchanged for it.

In the English mint a pound weight of gold is coined into forty-four guineas and a half, which, at one-and-twenty shillings the guinea, is equal to forty-six pounds fourteen shillings and sixpence. An ounce of such gold coin, therefore, is worth L3 17s. 10 1/2d. in silver. In England no duty or seignorage is paid upon the coinage, and he who carries a pound weight or an ounce weight of standard gold bullion to the mint, gets back a pound weight or an ounce weight of gold in coin, without any deduction. Three pounds seventeen shillings and tenpence halfpenny an ounce, therefore, is said to be the mint price of gold in England, or the quantity of gold coin which the mint gives in return for standard gold bullion.

Before the reformation of the gold coin, the price of standard gold bullion in the market had for many years been upwards of L3 18s. sometimes L3 19s. and very frequently L4 an ounce; that sum, it is probable, in the worn and degraded gold coin, seldom containing more than an ounce of standard gold. Since the reformation of the gold coin, the market price of standard gold bullion seldom exceeds L3 17s. 7d. an ounce. Before the reformation of the gold coin, the market price was always more or less above the mint price. Since that reformation, the market price has been constantly below the mint price. But that market price is the same whether it is paid in gold or in silver coin. The late reformation of the gold coin, therefore, has raised not only the value of the gold coin, but likewise that of the silver coin in proportion to gold bullion, and probably, too, in proportion to all other commodities; through the price of the greater part of other commodities being influenced by so many other causes, the rise in the value either of gold or silver coin in proportion to them may not be so distinct and sensible.

In the English mint a pound weight of standard silver bullion is coined into sixty-two shillings, containing, in the same manner, a pound weight of standard silver. Five shillings and twopence an ounce, therefore, is said to be the mint price of silver in England, or the quantity of silver coin which the mint gives in return for standard silver bullion. Before the reformation of the gold coin, the market price of standard silver bullion was, upon different occasions, five shillings and fourpence, five shillings and fivepence, five shillings and sixpence, five shillings and sevenpence, and very often five shillings and eightpence an ounce. Five shillings and sevenpence, however, seems to have

been the most common price. Since the reformation of the gold coin, the market price of standard silver bullion has fallen occasionally to five shillings and threepence, five shillings and fourpence, and five shillings and fivepence an ounce, which last price it has scarce ever exceeded. Though the market price of silver bullion has fallen considerably since the reformation of the gold coin, it has not fallen so low as the mint price.

In the proportion between the different metals in the English coin, as copper is rated very much above its real value, so silver is rated somewhat below it. In the market of Europe, in the French coin and in the Dutch coin, an ounce of fine gold exchanges for about fourteen ounces of fine silver. In the English coin, it exchanges for about fifteen ounces, that is, for more silver than it is worth according to the common estimation of Europe. But as the price of copper in bars is not, even in England, raised by the high price of copper in English coin, so the price of silver in bullion is not sunk by the low rate of silver in English coin. Silver in bullion still preserves its proper proportion to gold; for the same reason that copper in bars preserves its proper proportion to silver.

Upon the reformation of the silver coin in the reign of William III the price of silver bullion still continued to be somewhat above the mint price. Mr. Locke imputed this high price to the permission of exporting silver bullion, and to the prohibition of exporting silver coin. This permission of exporting, he said, rendered the demand for silver bullion greater than the demand for silver coin. But the number of people who want silver coin for the common uses of buying and selling at home, is surely much greater than that of those who want silver bullion either for the use of exportation or for any other use. There subsists at present a like permission of exporting gold bullion, and a like prohibition of exporting gold coin: and yet the price of gold bullion has fallen below the mint price. But in the English coin silver was then, in the same manner as now, under-rated in proportion to gold, and the gold coin (which at that time too was not supposed to require any reformation) regulated then, as well as now, the real value of the whole coin. As the reformation of the silver coin did not then reduce the price of silver bullion to the mint price, it is not very probable that a like reformation will do so now.

Were the silver coin brought back as near to its standard weight as the gold, a guinea, it is probable, would, according to the present proportion, exchange for more silver in coin than it would purchase in bullion. The silver coin containing its full standard weight, there would in this case be a profit in melting it down, in order, first, to sell the bullion for gold coin, and afterwards to exchange this gold coin for silver coin to be melted down in the same manner. Some alteration in the present proportion seems to be the only method of preventing this inconveniency.

The inconveniency perhaps would be less if silver was rated in the coin as much above its proper proportion to gold as it is at present rated below it; provided it was at the same time enacted that silver should not be a legal tender for more than the change of a guinea, in the same manner as copper is not a legal tender for more than the change of a shilling. No creditor could in this case be cheated in consequence of the high valuation of silver in coin; as no creditor can at present be cheated in consequence of the high valuation of copper. The bankers only would suffer by this regulation. When a run comes upon them they sometimes endeavour to gain time by paying in sixpences, and they would be precluded by this regulation from this discreditable method of evading immediate payment. They would be obliged in consequence to keep at

all times in their coffers a greater quantity of cash than at present; and though this might no doubt be a considerable inconveniency to them, it would at the same time be a considerable security to their creditors.

Three pounds seventeen shillings and tenpence halfpenny (the mint price of gold) certainly does not contain, even in our present excellent gold coin, more than an ounce of standard gold, and it may be thought, therefore, should not purchase more standard bullion. But gold in coin is more convenient than gold in bullion, and though, in England, the coinage is free, yet the gold which is carried in bullion to the mint can seldom be returned in coin to the owner till after a delay of several weeks. In the present hurry of the mint, it could not be returned till after a delay of several months. This delay is equivalent to a small duty, and renders gold in coin somewhat more valuable than an equal quantity of gold in bullion. If in the English coin silver was rated according to its proper proportion to gold, the price of silver bullion would probably fall below the mint price even without any reformation of the silver coin; the value even of the present worn and defaced silver coin being regulated by the value of the excellent gold coin for which it can be changed.

A small seignorage or duty upon the coinage of both gold and silver would probably increase still more the superiority of those metals in coin above an equal quantity of either of them in bullion. The coinage would in this case increase the value of the metal coined in proportion to the extent of this small duty; for the same reason that the fashion increases the value of plate in proportion to the price of that fashion. The superiority of coin above bullion would prevent the melting down of the coin, and would discourage its exportation. If upon any public exigency it should become necessary to export the coin, the greater part of it would soon return again of its own accord. Abroad it could sell only for its weight in bullion. At home it would buy more than that weight. There would be a profit, therefore, in bringing it home again. In France a seignorage of about eight per cent is imposed upon the coinage, and the French coin, when exported, is said to return home again of its own accord.

The occasional fluctuations in the market price of gold and silver bullion arise from the same causes as the like fluctuations in that of all other commodities. The frequent loss of those metals from various accidents by sea and by land, the continual waste of them in gilding and plating, in lace and embroidery, in the wear and tear of coin, and in that of plate; require, in all countries which possess no mines of their own, a continual importation, in order to repair this loss and this waste. The merchant importers, like all other merchants, we may believe, endeavour, as well as they can, to suit their occasional importations to what, they judge, is likely to be the immediate demand. With all their attention, however, they sometimes overdo the business, and sometimes underdo it. When they import more bullion than is wanted, rather than incur the risk and trouble of exporting it again, they are sometimes willing to sell a part of it for something less than the ordinary or average price. When, on the other hand, they import less than is wanted, they get something more than this price. But when, under all those occasional fluctuations, the market price either of gold or silver bullion continues for several years together steadily and constantly, either more or less above, or more or less below the mint price, we may be assured that this steady and constant, either superiority or inferiority of price, is the effect of something in the state of the coin, which, at that time, renders a certain quantity of coin either of more value or of less value than the precise quantity of bullion which it ought to contain. The constancy and steadiness of the effect supposes a proportionable constancy and steadiness in the cause.

The money of any particular country is, at any particular time and place, more or less an accurate measure of value according as the current coin is more or less exactly agreeable to its standard, or contains more or less exactly the precise quantity of pure gold or pure silver which it ought to contain. If in England, for example, forty-four guineas and a half contained exactly a pound weight of standard gold, or eleven ounces of fine gold and one ounce of alloy, the gold coin of England would be as accurate a measure of the actual value of goods at any particular time and place as the nature of the thing would admit. But if, by rubbing and wearing, forty-four guineas and a half generally contain less than a pound weight of standard gold; the diminution, however, being greater in some pieces than in others; the measure of value comes to be liable to the same sort of uncertainty to which all other weights and measures are commonly exposed. As it rarely happens that these are exactly agreeable to their standard, the merchant adjusts the price of his goods, as well as he can, not to what those weights and measures ought to be, but to what, upon an average, he finds by experience they actually are. In consequence of a like disorder in the coin, the price of goods comes, in the same manner, to be adjusted, not to the quantity of pure gold or silver which the coin ought to contain, but to that which, upon an average, it is found by experience, it actually does contain.

By the money-price of goods, it is to be observed, I understand always the quantity of pure gold or silver for which they are sold, without any regard to the denomination of the coin. Six shillings and eightpence, for example, in the time of Edward I, I consider as the same money-price with a pound sterling in the present times; because it contained, as nearly as we can judge, the same quantity of pure silver.