

By the same law, too, the exportation of wheat is prohibited so soon as the price rises to forty-four shillings the quarter; that of rye so soon as it rises to twenty-eight shillings; that of barley so soon as it rises to twenty-two shillings; and that of oats so soon as they rise to fourteen shillings. Those several prices seem all of them a good deal too low; and there seems to be an impropriety, besides, in prohibiting exportation altogether at those precise prices at which that bounty, which was given in order to force it, is withdrawn. The bounty ought certainly either to have been withdrawn at a much lower price, or exportation ought to have been allowed at a much higher.

So far, therefore, this law seems to be inferior to the ancient system. With all its imperfections, however, we may perhaps say of it what was said of the laws of Solon, that though not the best in itself, it is the best which the interest, prejudices, and temper of the times, would admit of. It may perhaps in due time prepare the way for a better.

CHAPTER VI OF TREATIES OF COMMERCE

WHEN A NATION BINDS ITSELF by treaty, either to permit the entry of certain goods from one foreign country which it prohibits from all others, or to exempt the goods of one country from duties to which it subjects those of all others, the country, or at least the merchants and manufacturers of the country, whose commerce is so favoured, must necessarily derive great advantage from the treaty. Those merchants and manufacturers enjoy a sort of monopoly in the country which is so indulgent to them. That country becomes a market, both more extensive and more advantageous for their goods: more extensive, because the goods of other nations being either excluded or subjected to heavier duties, it takes off a greater quantity of theirs; more advantageous, because the merchants of the favoured country, enjoying a sort of monopoly there, will often sell their goods for a better price than if exposed to the free competition of all other nations.

Such treaties, however, though they may be advantageous to the merchants and manufacturers of the favoured, are necessarily disadvantageous to those of the favouring country. A monopoly is thus granted against them to a foreign nation; and they must fre-

quently buy the foreign goods they have occasion for, dearer than if the free competition of other nations was admitted. That part of its own produce with which such a nation purchases foreign goods, must consequently be sold cheaper; because, when two things are exchanged for one another, the cheapness of the one is a necessary consequence, or rather is the same thing, with the dearness of the other. The exchangeable value of its annual produce, therefore, is likely to be diminished by every such treaty. This diminution, however, can scarce amount to any positive loss, but only to a lessening of the gain which it might otherwise make. Though it sells its goods cheaper than it otherwise might do, it will not probably sell them for less than they cost; nor, as in the case of bounties, for a price which will not replace the capital employed in bringing them to market, together with the ordinary profits of stock. The trade could not go on long if it did. Even the favouring country, therefore, may still gain by the trade, though less than if there was a free competition.

Some treaties of commerce, however, have been supposed advantageous, upon principles very different from these; and a commercial country has sometimes granted a monopoly of this kind, against itself, to certain goods of a foreign nation, because it expected, that in the whole commerce between them, it would annually sell more than it would buy, and that a balance in gold and

silver would be annually returned to it. It is upon this principle that the treaty of commerce between England and Portugal, concluded in 1703 by Mr Methuen, has been so much commended. The following is a literal translation of that treaty, which consists of three articles only.

ART. I.

His sacred royal majesty of Portugal promises, both in his own name and that of his successors, to admit for ever hereafter, into Portugal, the woollen cloths, and the rest of the woollen manufactures of the British, as was accustomed, till they were prohibited by the law; nevertheless upon this condition:

ART. II.

That is to say, that her sacred royal majesty of Great Britain shall, in her own name, and that of her successors, be obliged, for ever hereafter, to admit the wines of the growth of Portugal into Britain; so that at no time, whether there shall be peace or war between the kingdoms of Britain and France, any thing more shall be demanded for these wines by the name of custom or duty, or by whatsoever other title, directly or indirectly, whether they shall

be imported into Great Britain in pipes or hogsheads, or other casks, than what shall be demanded for the like quantity or measure of French wine, deducting or abating a third part of the custom or duty. But if, at any time, this deduction or abatement of customs, which is to be made as aforesaid, shall in any manner be attempted and prejudiced, it shall be just and lawful for his sacred royal majesty of Portugal, again to prohibit the woollen cloths, and the rest of the British woollen manufactures.

ART. III.

The most excellent lords the plenipotentiaries promise and take upon themselves, that their above named masters shall ratify this treaty; and within the space of two months the ratification shall be exchanged.

By this treaty, the crown of Portugal becomes bound to admit the English woollens upon the same footing as before the prohibition; that is, not to raise the duties which had been paid before that time. But it does not become bound to admit them upon any better terms than those of any other nation, of France or Holland, for example. The crown of Great Britain, on the contrary, becomes bound to admit the wines of Portugal, upon paying only two-thirds of the duty which is paid for those of France, the wines

most likely to come into competition with them. So far this treaty, therefore, is evidently advantageous to Portugal, and disadvantageous to Great Britain.

It has been celebrated, however, as a masterpiece of the commercial policy of England. Portugal receives annually from the Brazils a greater quantity of gold than can be employed in its domestic commerce, whether in the shape of coin or of plate. The surplus is too valuable to be allowed to lie idle and locked up in coffers; and as it can find no advantageous market at home, it must, notwithstanding any prohibition, be sent abroad, and exchanged for something for which there is a more advantageous market at home. A large share of it comes annually to England, in return either for English goods, or for those of other European nations that receive their returns through England. Mr Barretti was informed, that the weekly packet-boat from Lisbon brings, one week with another, more than £50,000 in gold to England. The sum had probably been exaggerated. It would amount to more than £2,600,000 a year, which is more than the Brazils are supposed to afford.

Our merchants were, some years ago, out of humour with the crown of Portugal. Some privileges which had been granted them, not by treaty, but by the free grace of that crown, at the solicitation, indeed, it is probable, and in return for much greater favours,

defence and protection from the crown of Great Britain, had been either infringed or revoked. The people, therefore, usually most interested in celebrating the Portugal trade, were then rather disposed to represent it as less advantageous than it had commonly been imagined. The far greater part, almost the whole, they pretended, of this annual importation of gold, was not on account of Great Britain, but of other European nations; the fruits and wines of Portugal annually imported into Great Britain nearly compensating the value of the British goods sent thither.

Let us suppose, however, that the whole was on account of Great Britain, and that it amounted to a still greater sum than Mr Barretti seems to imagine; this trade would not, upon that account, be more advantageous than any other, in which, for the same value sent out, we received an equal value of consumable goods in return.

It is but a very small part of this importation which, it can be supposed, is employed as an annual addition, either to the plate or to the coin of the kingdom. The rest must all be sent abroad, and exchanged for consumable goods of some kind or other. But if those consumable goods were purchased directly with the produce of English industry, it would be more for the advantage of England, than first to purchase with that produce the gold of Portugal, and afterwards to purchase with that gold those consumable goods. A direct foreign trade of consumption is always more

advantageous than a round-about one; and to bring the same value of foreign goods to the home market requires a much smaller capital in the one way than in the other. If a smaller share of its industry, therefore, had been employed in producing goods fit for the Portugal market, and a greater in producing those fit for the other markets, where those consumable goods for which there is a demand in Great Britain are to be had, it would have been more for the advantage of England. To procure both the gold which it wants for its own use, and the consumable goods, would, in this way, employ a much smaller capital than at present. There would be a spare capital, therefore, to be employed for other purposes, in exciting an additional quantity of industry, and in raising a greater annual produce.

Though Britain were entirely excluded from the Portugal trade, it could find very little difficulty in procuring all the annual supplies of gold which it wants, either for the purposes of plate, or of coin, or of foreign trade. Gold, like every other commodity, is always somewhere or another to be got for its value by those who have that value to give for it. The annual surplus of gold in Portugal, besides, would still be sent abroad, and though not carried away by Great Britain, would be carried away by some other nation, which would be glad to sell it again for its price, in the same manner as Great Britain does at present. In buying gold of Portu-

gal, indeed, we buy it at the first hand; whereas, in buying it of any other nation, except Spain, we should buy it at the second, and might pay somewhat dearer. This difference, however, would surely be too insignificant to deserve the public attention.

Almost all our gold, it is said, comes from Portugal. With other nations, the balance of trade is either against us, or not much in our favour. But we should remember, that the more gold we import from one country, the less we must necessarily import from all others. The effectual demand for gold, like that for every other commodity, is in every country limited to a certain quantity. If nine-tenths of this quantity are imported from one country, there remains a tenth only to be imported from all others. The more gold, besides, that is annually imported from some particular countries, over and above what is requisite for plate and for coin, the more must necessarily be exported to some others: and the more that most insignificant object of modern policy, the balance of trade, appears to be in our favour with some particular countries, the more it must necessarily appear to be against us with many others.

It was upon this silly notion, however, that England could not subsist without the Portugal trade, that, towards the end of the late war, France and Spain, without pretending either offence or provocation, required the king of Portugal to exclude all British ships from his ports, and, for the security of this exclusion, to

receive into them French or Spanish garrisons. Had the king of Portugal submitted to those ignominious terms which his brother-in-law the king of Spain proposed to him, Britain would have been freed from a much greater inconveniency than the loss of the Portugal trade, the burden of supporting a very weak ally, so unprovided of every thing for his own defence, that the whole power of England, had it been directed to that single purpose, could scarce, perhaps, have defended him for another campaign. The loss of the Portugal trade would, no doubt, have occasioned a considerable embarrassment to the merchants at that time engaged in it, who might not, perhaps, have found out, for a year or two, any other equally advantageous method of employing their capitals; and in this would probably have consisted all the inconveniency which England could have suffered from this notable piece of commercial policy.

The great annual importation of gold and silver is neither for the purpose of plate nor of coin, but of foreign trade. A round-about foreign trade of consumption can be carried on more advantageously by means of these metals than of almost any other goods. As they are the universal instruments of commerce, they are more readily received in return for all commodities than any other goods; and, on account of their small bulk and great value, it costs less to transport them backward and forward from one

place to another than almost any other sort of merchandize, and they lose less of their value by being so transported. Of all the commodities, therefore, which are bought in one foreign country, for no other purpose but to be sold or exchanged again for some other goods in another, there are none so convenient as gold and silver. In facilitating all the different round-about foreign trades of consumption which are carried on in Great Britain, consists the principal advantage of the Portugal trade; and though it is not a capital advantage, it is, no doubt, a considerable one.

That any annual addition which, it can reasonably be supposed, is made either to the plate or to the coin of the kingdom, could require but a very small annual importation of gold and silver, seems evident enough; and though we had no direct trade with Portugal, this small quantity could always, somewhere or another, be very easily got.

Though the goldsmiths trade be very considerable in Great Britain, the far greater part of the new plate which they annually sell, is made from other old plate melted down; so that the addition annually made to the whole plate of the kingdom cannot be very great, and could require but a very small annual importation.

It is the same case with the coin. Nobody imagines, I believe, that even the greater part of the annual coinage, amounting, for ten years together, before the late reformation of the gold coin, to

upwards of £800,000 a-year in gold, was an annual addition to the money before current in the kingdom. In a country where the expense of the coinage is defrayed by the government, the value of the coin, even when it contains its full standard weight of gold and silver, can never be much greater than that of an equal quantity of those metals uncoined, because it requires only the trouble of going to the mint, and the delay, perhaps, of a few weeks, to procure for any quantity of uncoined gold and silver an equal quantity of those metals in coin; but in every country the greater part of the current coin is almost always more or less worn, or otherwise degenerated from its standard. In Great Britain it was, before the late reformation, a good deal so, the gold being more than two per cent., and the silver more than eight per cent. below its standard weight. But if forty-four guineas and a-half, containing their full standard weight, a pound weight of gold, could purchase very little more than a pound weight of uncoined gold; forty-four guineas and a-half, wanting a part of their weight, could not purchase a pound weight, and something was to be added, in order to make up the deficiency. The current price of gold bullion at market, therefore, instead of being the same with the mint price, or £46:14:6, was then about £47:14s., and sometimes about £48. When the greater part of the coin, however, was in this degenerate condition, forty four guineas and a-half, fresh from the mint, would

purchase no more goods in the market than any other ordinary guineas; because, when they came into the coffers of the merchant, being confounded with other money, they could not afterwards be distinguished without more trouble than the difference was worth. Like other guineas, they were worth no more than £46:14:6. If thrown into the melting pot, however, they produced, without any sensible loss, a pound weight of standard gold, which could be sold at any time for between £47:14s. and £48, either in gold or silver, as fit for all the purposes of coin as that which had been melted down. There was an evident profit, therefore, in melting down new-coined money; and it was done so instantaneously, that no precaution of government could prevent it. The operations of the mint were, upon this account, somewhat like the web of Penelope; the work that was done in the day was undone in the night. The mint was employed, not so much in making daily additions to the coin, as in replacing the very best part of it, which was daily melted down.

Were the private people who carry their gold and silver to the mint to pay themselves for the coinage, it would add to the value of those metals, in the same manner as the fashion does to that of plate. Coined gold and silver would be more valuable than uncoined. The seignorage, if it was not exorbitant, would add to the bullion the whole value of the duty; because, the government

having everywhere the exclusive privilege of coining, no coin can come to market cheaper than they think proper to afford it. If the duty was exorbitant, indeed, that is, if it was very much above the real value of the labour and expense requisite for coinage, false coiners, both at home and abroad, might be encouraged, by the great difference between the value of bullion and that of coin, to pour in so great a quantity of counterfeit money as might reduce the value of the government money. In France, however, though the seignorage is eight per cent., no sensible inconveniency of this kind is found to arise from it. The dangers to which a false coiner is everywhere exposed, if he lives in the country of which he counterfeits the coin, and to which his agents or correspondents are exposed, if he lives in a foreign country, are by far too great to be incurred for the sake of a profit of six or seven per cent.

The seignorage in France raises the value of the coin higher than in proportion to the quantity of pure gold which it contains. Thus, by the edict of January 1726, the mint price of fine gold of twenty-four carats was fixed at seven hundred and forty livres nine sous and one denier one-eleventh the mark of eight Paris ounces. {See *Dictionnaire des Monnoies*, tom. ii. article *Seigneurage*, p. 439, par 81. Abbot de Bazinthen, *Conseiller-Commissaire en la Cour des Monnoies à Paris*.} The gold coin of France, making an allowance for the remedy of the mint, contains twenty-one carats and

three-fourths of fine gold, and two carats one-fourth of alloy. The mark of standard gold, therefore, is worth no more than about six hundred and seventy-one livres ten deniers. But in France this mark of standard gold is coined into thirty louis d'ors of twenty-four livres each, or into seven hundred and twenty livres. The coinage, therefore, increases the value of a mark of standard gold bullion, by the difference between six hundred and seventy-one livres ten deniers and seven hundred and twenty livres, or by forty-eight livres nineteen sous and two deniers.

A seignorage will, in many cases, take away altogether, and will in all cases diminish, the profit of melting down the new coin. This profit always arises from the difference between the quantity of bullion which the common currency ought to contain and that which it actually does contain. If this difference is less than the seignorage, there will be loss instead of profit. If it is equal to the seignorage, there will be neither profit nor loss. If it is greater than the seignorage, there will, indeed, be some profit, but less than if there was no seignorage. If, before the late reformation of the gold coin, for example, there had been a seignorage of five per cent. upon the coinage, there would have been a loss of three per cent. upon the melting down of the gold coin. If the seignorage had been two per cent., there would have been neither profit nor loss. If the seignorage had been one per cent., there would have been a

profit but of one per cent. only, instead of two per cent. Wherever money is received by tale, therefore, and not by weight, a seignorage is the most effectual preventive of the melting down of the coin, and, for the same reason, of its exportation. It is the best and heaviest pieces that are commonly either melted down or exported, because it is upon such that the largest profits are made.

The law for the encouragement of the coinage, by rendering it duty-free, was first enacted during the reign of Charles II. for a limited time, and afterwards continued, by different prolongations, till 1769, when it was rendered perpetual. The bank of England, in order to replenish their coffers with money, are frequently obliged to carry bullion to the mint; and it was more for their interest, they probably imagined, that the coinage should be at the expense of the government than at their own. It was probably out of complaisance to this great company, that the government agreed to render this law perpetual. Should the custom of weighing gold, however, come to be disused, as it is very likely to be on account of its inconveniency; should the gold coin of England come to be received by tale, as it was before the late recoinage this great company may, perhaps, find that they have, upon this, as upon some other occasions, mistaken their own interest not a little.

Before the late recoinage, when the gold currency of England was two per cent. below its standard weight, as there was no sei-

gnorage, it was two per cent. below the value of that quantity of standard gold bullion which it ought to have contained. When this great company, therefore, bought gold bullion in order to have it coined, they were obliged to pay for it two per cent. more than it was worth after the coinage. But if there had been a seignorage of two per cent. upon the coinage, the common gold currency, though two per cent. below its standard weight, would, notwithstanding, have been equal in value to the quantity of standard gold which it ought to have contained; the value of the fashion compensating in this case the diminution of the weight. They would, indeed, have had the seignorage to pay, which being two per cent., their loss upon the whole transaction would have been two per cent., exactly the same, but no greater than it actually was.

If the seignorage had been five per cent. and the gold currency only two per cent. below its standard weight, the bank would, in this case, have gained three per cent. upon the price of the bullion; but as they would have had a seignorage of five per cent. to pay upon the coinage, their loss upon the whole transaction would, in the same manner, have been exactly two per cent.

If the seignorage had been only one per cent., and the gold currency two per cent. below its standard weight, the bank would, in this case, have lost only one per cent. upon the price of the bullion; but as they would likewise have had a seignorage of one per cent. to

pay, their loss upon the whole transaction would have been exactly two per cent., in the same manner as in all other cases.

If there was a reasonable seignorage, while at the same time the coin contained its full standard weight, as it has done very nearly since the late recoinage, whatever the bank might lose by the seignorage, they would gain upon the price of the bullion; and whatever they might gain upon the price of the bullion, they would lose by the seignorage. They would neither lose nor gain, therefore, upon the whole transaction, and they would in this, as in all the foregoing cases, be exactly in the same situation as if there was no seignorage.

When the tax upon a commodity is so moderate as not to encourage smuggling, the merchant who deals in it, though he advances, does not properly pay the tax, as he gets it back in the price of the commodity. The tax is finally paid by the last purchaser or consumer. But money is a commodity, with regard to which every man is a merchant. Nobody buys it but in order to sell it again; and with regard to it there is, in ordinary cases, no last purchaser or consumer. When the tax upon coinage, therefore, is so moderate as not to encourage false coining, though every body advances the tax, nobody finally pays it; because every body gets it back in the advanced value of the coin.

A moderate seignorage, therefore, would not, in any case, aug-

ment the expense of the bank, or of any other private persons who carry their bullion to the mint in order to be coined; and the want of a moderate seignorage does not in any case diminish it. Whether there is or is not a seignorage, if the currency contains its full standard weight, the coinage costs nothing to anybody; and if it is short of that weight, the coinage must always cost the difference between the quantity of bullion which ought to be contained in it, and that which actually is contained in it.

The government, therefore, when it defrays the expense of coinage, not only incurs some small expense, but loses some small revenue which it might get by a proper duty; and neither the bank, nor any other private persons, are in the smallest degree benefited by this useless piece of public generosity.

The directors of the bank, however, would probably be unwilling to agree to the imposition of a seignorage upon the authority of a speculation which promises them no gain, but only pretends to insure them from any loss. In the present state of the gold coin, and as long as it continues to be received by weight, they certainly would gain nothing by such a change. But if the custom of weighing the gold coin should ever go into disuse, as it is very likely to do, and if the gold coin should ever fall into the same state of degradation in which it was before the late recoinage, the gain, or more properly the savings, of the bank, in consequence of the im-

position of a seignorage, would probably be very considerable. The bank of England is the only company which sends any considerable quantity of bullion to the mint, and the burden of the annual coinage falls entirely, or almost entirely, upon it. If this annual coinage had nothing to do but to repair the unavoidable losses and necessary wear and tear of the coin, it could seldom exceed fifty thousand, or at most a hundred thousand pounds. But when the coin is degraded below its standard weight, the annual coinage must, besides this, fill up the large vacuities which exportation and the melting pot are continually making in the current coin. It was upon this account, that during the ten or twelve years immediately preceding the late reformation of the gold coin, the annual coinage amounted, at an average, to more than £850,000. But if there had been a seignorage of four or five per cent. upon the gold coin, it would probably, even in the state in which things then were, have put an effectual stop to the business both of exportation and of the melting pot. The bank, instead of losing every year about two and a half per cent. upon the bullion which was to be coined into more than eight hundred and fifty thousand pounds, or incurring an annual loss of more than £21,250 pounds, would not probably have incurred the tenth part of that loss.

The revenue allotted by parliament for defraying the expense of

the coinage is but fourteen thousand pounds a-year; and the real expense which it costs the government, or the fees of the officers of the mint, do not, upon ordinary occasions, I am assured, exceed the half of that sum. The saving of so very small a sum, or even the gaining of another, which could not well be much larger, are objects too inconsiderable, it may be thought, to deserve the serious attention of government. But the saving of eighteen or twenty thousand pounds a-year, in case of an event which is not improbable, which has frequently happened before, and which is very likely to happen again, is surely an object which well deserves the serious attention, even of so great a company as the bank of England.

Some of the foregoing reasonings and observations might, perhaps, have been more properly placed in those chapters of the first book which treat of the origin and use of money, and of the difference between the real and the nominal price of commodities. But as the law for the encouragement of coinage derives its origin from those vulgar prejudices which have been introduced by the mercantile system, I judged it more proper to reserve them for this chapter. Nothing could be more agreeable to the spirit of that system than a sort of bounty upon the production of money, the very thing which, it supposes, constitutes the wealth of every nation. It is one of its many admirable expedients for enriching the country.

CHAPTER VII OF COLONIES

PART I

Of the Motives for Establishing New Colonies

THE INTEREST which occasioned the first settlement of the different European colonies in America and the West Indies, was not altogether so plain and distinct as that which directed the establishment of those of ancient Greece and Rome.

All the different states of ancient Greece possessed, each of them, but a very small territory; and when the people in anyone of them multiplied beyond what that territory could easily maintain, a part of them were sent in quest of a new habitation, in some remote and distant part of the world; the warlike neighbours who surrounded them on all sides, rendering it difficult for any of them to enlarge very much its territory at home. The colonies of the Dorians resorted chiefly to Italy and Sicily, which, in the times preceding the foundation of Rome, were inhabited by barbarous and uncivilized nations; those of the Ionians and Aeolians, the two other great tribes of the Greeks, to Asia Minor and the islands of the