

money was in less plenty : And this will ever be the case, unless part of the increased stock of money is kept out of the common circulation, and is either hoarded or directed into some new channel ; without this, not only trade will move to different provinces of the same country, but it will move also into different countries.

XVIII. *Any artificial methods of increasing tale-money, pernicious.*

50. Any artificial methods of increasing the quantity of tale-money in circulation, beyond its natural bounds, will be attended with pernicious consequences ; and this effect is perhaps not the least evil of our great national debt. As the values of all things are measured by money, it is, I think, by this time sufficiently manifest, that their prices will be in a certain proportion to the whole quantity of cash in circulation. If this quantity be greater in proportion to the trade of the nation, than in foreign countries ; things manufactured at home will become too dear for foreign markets, as is the case of *Spain* and *Portugal*. As we have no mines, trade will keep, as before observed, real money to a proper level ; but yet this level may be exceeded by artificial
sub-

substitutes, as paper-bills, having no bullion locked up in their stead, and light coins having less value than what they pass for; and by both these methods the nation is injured: By making all things dearer at home, the public is not only defrauded of so much bullion as these substitutes amount to; that is, to the whole amount of the paper above the bullion locked up in its stead; but it also suffers by the loss of the whole deficiency upon the light coins.

Although this subject hath been in effect illustrated before, yet is it of that importance as to deserve to be farther exemplified. Let us suppose that one tenth of the whole stock of circulating cash in this country, and 'tis not material to our argument what the specific sum amounts to, is some way lost or destroyed: If no artificial substitutes be made to intervene; it has been before shewed, that trade will gradually restore this supposed loss of bullion; as, till this be accomplished, bullion will be dearer or fetch more commodities here, than in other countries.

On the other hand, supposing the sum total of money, real and fictitious, now annually circulating in this country, to be 100 millions; 20 millions of which is in cash,
and

and the rest in paper credit both public and private: If this paper credit be increased, by the creating of more bills, suppose to the amount of ten millions; one of the following will necessarily be the consequence: Either all our commodities will rise ten *per cent.* in their nominal value, which will render them too dear for foreign markets; or, this addition of paper bills will drain away ten millions of our cash, and so impoverish us in reality to that whole amount; or, the effect most likely will be, partly the one, and partly the other; but which ever it is, the nation will be equally endamaged. May this be ever a caution to statesmen, how they listen to projects that must clog our trade, banish our coin, and in the end bring on a general bankruptcy.

Let us suppose again, that the same quantity of tale or nominal money continues, but that the real substance of the current coin is diminished one tenth. So long as the people pay no regard to this diminution, the prices of things will continue the same as before, and the nation will be a loser of this tenth part of its treasure. For, if the currency of the light coins had been stopped; or, which is the same thing, if they had been restrained from passing otherwise

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than by weight; trade would have furnished the same quantity of tale in heavy money, as there is now of light; as it is manifest that in both cases, the nominal prices of things would be the same; and every one would receive for the same service or commodity, the same number of heavy coins in the one case, as he would of light coins in the other. Foreign exchange may make some difference here; but as the ballance of foreign trade is but small in comparison of fixed establishments at home, the difference upon that account will not be very considerable, till things come towards an extremity.

What hath been said of the national loss by the passing of light coins, will hold the very same, if bills be passed to a greater value than there is bullion in their stead. All private securities also are productive of equal evils, and frequently of more. To close this subject, I would observe here one essential difference there is between bills and light coins. Every one hath a right to call upon the issuer of a bill, to make it good in standard or lawful money. But he that hath light coins in his possession, is liable to bear the whole loss that there may be upon them; he took them in full considera-

tion

tion of a given sum, and if they prove deficient, he hath no body to blame but himself; and he merits the less compassion, as by his unwariness he was a sharer in, and a promoter of, a public evil.

Hoarding the precious metals, beneficial.

51. Gold and silver, for many reasons, are the fittest materials hitherto known for hoarding: They are durable; convertible without damage into any form; of great value in proportion to their bulk; and being the money of the world, they are the readiest exchange for all things, and what most readily and surely command all kinds of services. In the days of prosperity therefore, it would be prudent to lay up a kind of dead stock of the precious metals, against any emergencies that might happen. This stock must be kept out from the circulating cash; for an increase there, would not answer the end; and indeed an overflow of money in circulation, would spend it self, by draining up the sources that produced it. But people in general will not hoard up cash; all like to display their wealth, and to lay out their superfluities in some costly things. There seems then no method so effectual for the securing of a dead stock of

treasure, in any country, as the encouraging the use of plate; by making it fashionable, preferable to more brittle or more perishable * commodities. Plate would be a national resource in case of emergency, and not the less so, because the precious metals had not as yet received the shape of coins. But this dead stock, whilst it remained such, would not be without its use; real wealth is ever accompanied with credit, and the influence of credit is frequently of the greatest moment. He that is ready armed, is less liable to be assailed; and silver and gold are keen and destructive weapons.

XIX. *Of Banks.*

52. The several banks now subsisting in *Europe*, are of a modern date; but it is not my intention here to meddle either with their histories or particular constitutions. In great trading cities, a public bank that issued no bills without an equivalent in real treasure, whether in cash or bullion it matters

* I have spoke before in favour of the arts, and I would not here be understood to mean, that any of those whereby some of our own people gain a livelihood, should be discouraged; nor yet that those of narrow circumstances, should aim at having plate: But those of affluent fortunes might save themselves the expence of many superfluities, without affecting labour with us; and these savings laid out in plate would be of more benefit to their country, and to their own posterity.

ters not much, must needs, I think, be very convenient; as therein, merchants and others may safely deposite large sums, and thence again draw their money out at such times, and in such small parcels, as may suit with their several occasions. Such a bank may be also of some support to national credit, as the great sums known to be there locked up, would be ready upon an emergency. Bills of undoubted credit, are of great conveniency in large payments, and besides, save the wear of coin. But their extent should be restrained within due bounds: Should they increase much beyond the real stock of bullion that ought to be in their stead, they would prove mischievous two ways; by increasing in effect the quantity of circulating cash beyond its natural level; and by endangering, in a cloudy day, their own credit. But the profits to be made by lending, as I may say, of credit, are temptations too strong to be resisted; and it may be questioned, if any of the banks now subsisting, keep exactly within the above rule, tho' some of them are formed upon the very model here laid down.

Banks instituted to prevent the abuses from bad coins, and from adulterations in the standards of monies.

53. The oldest bank now in *Europe*, I think, is that of *Venice*; and the chief, if not all, of the rest, were instituted in the last century, and much upon the same model. The bank of *Amsterdam* was established in 1607; that of *Hamburg* in 1619, and that of *Nuremberg* in 1621*.

It appears, that the main if not the sole design of erecting these banks, was for the fixing a kind of an indelible standard of money; and thereby, to secure merchants and others from losses by bad coins, whether base or light; and from the dire effects of adulterating the standards of monies, either at home, or by the neighbouring states. These banks have answered admirably well the ends of their institution; and it were to be wished, that those ends had been more regarded in the establishment of our own. At the times of establishing the above banks, certain known coins of given weights and fineness, then current at certain rates in the
respective

* See more upon this head, in the *Universal Merchant*, a work containing some judicious observations concerning trade.

respective places, were fixed upon as a perpetual standard, which from thenceforward were called BANK MONEY. As the current coins became afterwards diminished, either by legal adulterations at the mints, or by wear, or otherwise, a distinction was made between current and bank money, called AGGIO; and according to the real difference between these two sorts of money, the *aggio* amounted to more or less *per cent.* These wise establishments contributed greatly, towards stopping those baneful measures of adulterating the standards of money, that had been so frequently and so generally practised, in the dark preceding ages. The genius of trade breathes and requires a certain degree of security and freedom; and banks, such as we have been speaking of, can hardly ever take place under arbitrary governments.

Bank money, what.

Aggio, what.

Complaints of the want of money, whence.

54. The doctrine that we have been inculcating is so contrary to the common notions, that a want of money is a common cry. All the scramble is for money; few think they have enough, and many complain. This probably will be ever the case, nor would setting the mint to work cure

the evil ; and perhaps there is no where more want, than where there is most money. The beggar hath no property, nothing to exchange for money ; and if he will not work, none would come to his share, if the common stock was ever so much increased ; a greater plenty of money would be so far from being advantageous to him, that he would run the greater risk of starving, as bread and provisions of all sorts would then be so much the dearer. The farmer complains, and thinks that if there was more money in the country, his corn and cattle would fetch a better price : They would fetch more money, but not more of any thing else that he wants ; and he would not be at all bettered by this higher price, unless so far as a sudden increase of money might ease him in his rent, by lessening the intrinsic value of the specific sum which he had agreed to pay. The same may be said to the merchant, shop-keeper, &c. while all commodities keep the same proportion of value in respect of one another, no one reaps any advantage by the raising of the price in respect of money, of his particular commodity. The complaints of particular persons arise, not from a deficiency of money or counters in circulation ; but from
their

their own want of property, want of skill, address, or opportunity of getting more money; or perhaps only for want of frugality, in spending more than their income or proper share. Anticipation is the grand source of distress and poverty, and is an evil that takes off much from the use of credit.

There is a limit to the vent and consumption of all sorts of commodities. If, from an uncommon prolific season, or because of a great demand at some late market, or from any other cause, as a new course of trade, &c. more of any specific commodity be produced, than what the usual or necessary consumption requires; the price of it will fall, and some will be left on the owner's hands. Things growing out of fashion will frequently undergo the same fate; and in both cases, the manufacturers and dealers in those commodities will be complaining, the workmen will be turned adrift, and all imputing their losses and disappointments to the want of money in the country. But a greater plenty of money would not mend or better their condition; those who have it, will not be persuaded to purchase more of this or that commodity, than what their own wants, conveniency,
or

or fancy prompt them to ; and those who cannot make so much profit in their respective professions as formerly, must either turn themselves some other way, or be content to live more frugally. But all will not be wise in time ; emulation in show is a powerful incentive ; few can bear the thoughts of retrenching while it is yet time, and many finding themselves upon the decline, will grow desperate and precipitate themselves the faster. In all great towns, bankruptcies will happen, and perhaps no where more frequent, than where wealth and money most abound. These evils, if upon the whole they be evils, are what the mines cannot cure, but are rather what have been introduced and fostered by them.

CHAPTER III.

Of EXCHANGES.

AS the accounts of particular persons living in remote places, are frequently liquidated and discharged by *bills of exchange*, without the intervention of money; and this being a subject of importance, and not generally understood, excepting by particular merchants, it may not be amiss in this place to give a brief account of the nature and use of exchanges.

I. *Bills of exchange, what.*

55. It hath been before observed, that the chief end or object of commerce betwixt nations, is a mutual exchange of commodities one with another; and this may be, and frequently is, carried to a great extent without the intervention of money. But nevertheless the accounts are every where kept and stated in money; and it is almost unavoidable, but that in all great trading towns, there will be merchants, some having bullion owing to them in one place, some in another; some or other again that
are

are indebted to all those places, or to some other place which is indebted to some one of those; and so, by a kind of chain, all trading countries become in some sort accountants with each other.

To avoid the charge, trouble and hazard of transporting bullion backwards and forwards, for the supplying of these different occasions; the method of discharging debts, by *bills of exchange* was introduced. This was an excellent *invention; these bills being

* This was the greatest security to merchants both as to their persons and effects, and consequently the greatest encouragement to commerce, and the greatest blow to despotism, of any thing that ever was invented. For, by this sort of correspondence, merchants can imperceptibly convey away their effects when and wherever they please; and this they will never fail doing, if they are in any wise molested or threatened with danger. But at the same time, that this is so beneficial to commerce, and to liberty, both in certain degrees, inestimable blessings; it weakens the attachments, and, as I may say, the allegiances of tradesmen to their mother-country. And I should not, for many reasons, chuse to have my abode where the chief property and the chief rule was in mercantile hands. For, as an alloy to its very great advantages, there is something selfish, ungenerous and illiberal in the nature and views of trade, that tends to debase and sink the mind below its natural state. Somewhat of this must be allowed to be the natural genius and bent of trade. Labourers or working people of all sorts, are quite excluded out of the present consideration; and what is here said is not intended as any reflection upon or disparagement to the other ranks of tradesmen: We live happily in a country, where various classes of men by their daily intercourses do, as it were, humanize, and benefit one the other a thousand ways, and correct those errors and notions, which men confined to a particular sphere, are but too apt to fall into.

ing as subservient in foreign commerce, as coins are in home traffic; for by shifting of debts and credits from one place to another, they so far answer all the purposes of money. Bills drawn betwixt places in the same country, are called *Inland bills*; as those drawn between different countries, are called *Foreign bills of exchange*.

In all countries there are peculiar laws and customs, relating to this business of exchanges, which merchants and others immediately concerned should be well versed in. It is not my design here to meddle with the practical part of this useful commerce, but to explain its theory or principles as briefly as I can. A part of what I here propose is so very well done to my hands in the * *British Merchant*, that I cannot do better in this place, than giving the following extract from that useful work.

“ Suppose the tenant in *Wiltshire* is to
 “ pay for rent 100 *l.* to his landlord in *Lon-*
 “ *don*; and the *woollen-draper* in *London* is
 “ to pay the like sum to his *clothier* in *Wilt-*
 “ *shire*: Both these debts may be paid, with-
 “ out transmitting one farthing from the
 “ one place to the other, by bills of ex-
 “ change, or by exchanging one debtor for
 “ the

* Vol. III. small edition, p 97, 98, 99.

“ the other, thus: That is, the tenant
 “ may receive his landlord’s order to pay
 “ 100 *l.* to the *clothier* in the country; and
 “ the *woollen-drapeer* may receive his *clothier*’s
 “ order to pay the like sum to the landlord
 “ in town. These two orders are properly
 “ call’d bills of exchange; the debts are
 “ exchanged by them, that is, the *woollen-*
 “ *drapeer* in town, instead of the tenant
 “ in the country, is become debtor to the
 “ landlord; and the tenant in the country,
 “ instead of the *woollen-drapeer* in town, is
 “ become debtor to the *clothier*: And when
 “ these orders are comply’d with, the two
 “ debts between *London* and the country
 “ are discharged, without sending one shil-
 “ ling in specie from the one to the other.”

“ In like manner, the warehouse-man
 “ in *London* is indebted in 100 *l.* for stuffs,
 “ to the *weaver* in *Norwich*; and the *li-*
 “ *nen-drapeer* in *Norwich* is indebted in the
 “ like sum to the *Hamborough* merchant in
 “ *London*; both these debts may be paid
 “ by bills of exchange, or by the exchange
 “ of one debtor for the other, by placing
 “ one debtor in the other’s stead; that is,
 “ the warehouse-man may receive the or-
 “ der of his *weaver*, to pay 100 *l.* to the
 “ *Hamborough* merchant; and the *linen-*
 “ *drapeer*

“ *draper* may receive the order of the *Ham-*
 “ *borough* merchant to pay the like sum to
 “ the *weaver*. These orders are bills of
 “ exchange ; the debtor in one place, is
 “ changed for the debtor in the other : and
 “ thus both debts may be paid, without
 “ sending one single shilling in specie from
 “ the one city to the other.”

“ If the debts reciprocally due between
 “ *London* and *Norwich*, are equal ; whe-
 “ ther they are 100 *l.* or 10,000 *l.* they
 “ may be all discharged in this manner by
 “ bills of exchange, without sending any
 “ money in *specie* from the one to the
 “ other.”

“ But if the debts due from both places
 “ are not equal, then only the same quan-
 “ tity of debts on both sides, can be paid
 “ by bills of exchange. The ballance must
 “ be sent in money from the city, from
 “ whence the greatest sums are due. For *Nature of*
 “ example : If by the trade between *London* *a ballance*
 “ and *Norwich*, the former owes 10,000 *l.* *in trade.*
 “ to the latter, and the latter no more than
 “ 9000 *l.* to the former ; it is manifest, that
 “ only the debts of 9000 *l.* on each side
 “ can be discharg’d by bills of exchange ;
 “ the ballance of 1000 *l.* must be sent ei-
 “ ther from *London* or some other place in-
 “ debted

“ debted to *London*, to even the accompt
 “ between both the cities.”

*The occa-
 sion of the
 exchange
 rising to one
 side or
 other.*

“ Let us suppose then, that to send and
 “ insure 1000 *l.* in specie to *Norwich*, would
 “ cost 5 *l.* or 10 *s.* per Cent. which of the
 “ debtors in *London* would be willing to
 “ be at this charge? It is natural to believe
 “ that every one will endeavour to shift it
 “ off from himself, that every one will en-
 “ deavour to pay his money by a bill of
 “ exchange; it is natural to believe that
 “ every one, rather than stand the cost and
 “ hazard of sending 100 *l.* in specie, would
 “ pay 100 *l.* 5 *s.* in *London* for a debtor in
 “ *Norwich*, upon condition that the *Nor-*
 “ *wich* debtor should pay 100 *l.* for him
 “ in that city. By which means the *Nor-*
 “ *wich* debtor would pay his debt of 100 *l.*
 “ in *London* with less than that sum, while
 “ the *London* debtor would be obliged to
 “ give more than that sum for the pay-
 “ ment of 100 *l.* in *Norwich*. And if such
 “ for years together were the course of ex-
 “ change between *London* and *Norwich*,
 “ there could be no question to which of
 “ the two cities a sum must be sent in specie
 “ to pay the ballance; that city undoubtedly
 “ pays the ballance that gives more than
 “ the par, that undoubtedly receives the
 “ ballance

“ ballance that gives less than the par for
 “ the bills of exchange. The course of Course of
exchange
decides the
ballance of
trade.
 “ exchange in this case would sufficiently
 “ decide, that the ballance of trade is on
 “ the side of that city that procures bills of
 “ exchange upon the most easy terms.”

Foreign exchanges further explained.

56. The above example taken between two *English* towns, explains the theory of exchanges very distinctly. And from hence it may be easily conceived, how the business of exchange may be carried on between any number of foreign towns. As, suppose that *London* is indebted to *Paris* in a sum of 100,000 ounces; *Paris* in a like sum to *Hamborough*; *Hamborough* in the same sum to *Leghorn*; *Leghorn* to *Amsterdam*; *Amsterdam* in the like sum to *London*. All these several debts may be cancelled and discharged by *bills of exchange*, without the transportation of one ounce of bullion or one penny of money. For instance, *London* discharges its debt at *Paris*, by a bill drawn upon *Amsterdam*; *Amsterdam* pays this bill by another drawn upon *Leghorn*; *Leghorn* again draws upon *Hamborough*; and lastly, by this rotation the debt from *Paris* to *Hamborough* becomes likewise discharged;

charged; and all the above named towns respectively are cleared of all accounts with each other. And the several debts above supposed being equal, the debts of the respective places will be discharged with the exchange at *par*, or without loss or gain to either. But as all the above towns may have mutual accounts, each with all the rest, and with many others; the real practice of exchange branches out into an immense labyrinth, not easily unfolded without much experience and application.

II. *PAR of exchange, what.*

57. The exchange is said to be at *par* or even, between two places, when a given sum paid in the one, will purchase a bill for the like or a sum of the same intrinsic value, to be received in the other. To avoid all ambiguity, the several accounts in the preceding article were stated in ounces. But as all countries keep and state their accounts in their own money, and most places have peculiar coins of their own; this makes it necessary that merchants, who are citizens of the world in a stricter sense than any other, should know exactly the true proportional values of the monies of all countries in respect of one another; that is, how much fine silver,
or

or fine gold, if the accompts are kept in gold, are contained in the respective standards or monies of the several countries to or with which they traffic. These proportions being known and stated, the monies of the world are thereby in effect reduced to one common standard; and it may be readily seen, how much of the money of one country is an equivalent to, or contains an equal quantity of silver with, a given sum in another country.

The equality of silver, expressed by different denominations of coins, constitutes what is usually called the *par of exchange* betwixt any two countries. In stating this *par*, some particular specie or sum of the money in one country, is usually made the *unit* or *integer*, which always remains fixed and unalterable; and the proportion or equality is expressed in specie of a smaller value of the other country; and it is in these specie that the price is expressed as the exchange varies: As if the exchange betwixt *London* and *Paris* be reckoned in *pence* and *ecu's*, and a *French ecu* contains as much silver as there is in $29\frac{1}{4}$ *pence sterling*; then the *ecu* is the *unit*, and $29\frac{1}{4}$ is the *par* of exchange betwixt *London* and *Paris*. In the mercantile language of exchange, that

country wherein the unit is established, as in the above instance *Paris* in respect of *London*, is said to give the *certain* for the *uncertain*; as *London* again gives to *Paris* the *uncertain* for the *certain*. *London* gives the *certain* for the *uncertain*, that is, the *pound sterling* for their *schillings*, to *Holland*, *Flanders* and *Hamborough*; and to *France*, *Spain*, *Portugal* and *Italy*, *London* gives an *uncertain* number of pence, as the exchange governs, for a *certain* sum in their money.

Those who are not accustomed to this business, are apt to be in doubt whether the exchange rising, for instance, be in our favour or against us. This doubt may be always cleared by this short rule: The higher the exchange between any two countries is, the more it is in favour of that wherein the unit or invariable sum is established; and the lower, the more in its disfavour. Thus, the higher is the exchange betwixt *London* and *Amsterdam*, the more is it in favour of *London*, as then the more *Dutch schillings* are given for the *pound sterling*. On the contrary, the higher is the exchange between *London* and *Paris*, the more is it against *London*, as then the *French ecu* exchanges for a greater number of pence *sterling*.

III. *The true par of the exchange between different countries, difficult to be ascertained.*

58. Those who have made the proper experiments, find that most of the foreign mints are very inaccurate; and this makes it difficult to ascertain what are the precise values in respect of one another, of the legal monies of different countries; and this is all that is usually aimed at by the calculators of the *par of exchanges*. But this knowledge, if it could be obtained with ever so much precision, would be of very little service to the merchant, as the state of the coins in most places now stands. What the merchant must regard, is, the amount in bullion of what he usually receives in consideration of a given sum *of money*.

If the ballance due from any country, be usually remitted in coins, and those coins be wore or otherwise diminished below the legal standard; this will make a seeming difference in the true *par*, and the exchange in appearance will be against that country when it is really even.

If in any country, gold be over-rated with respect to silver, this will naturally drain away its silver coin, and gold coins

will become most current in large payments; In this case, the merchant will make gold his standard, and rate the exchange accordingly. This will create a difference from the nominal par of the exchange, which will be more or less, according as gold is more or less over-rated; and with this cause of over-rating gold, the lightness of the coins both gold and silver will also co-operate, in proportion to the quantities of them exported; from both which causes the difference between the true and nominal par may be very considerable.

These observations may serve to dispel the gloomy apprehensions which some are apt to entertain, from the course of exchange in general appearing so much against *England*; and they also plainly shew that the course of exchange betwixt different countries, is not so critical and exact a rule for measuring the ballance of trade, as is commonly imagined; since it is hardly possible to ascertain what is the *true par*. But the exportation of bullion, is a certain sign of the exchange being really in favour of that country to which it is sent; and the variations in the exchanges, point also the variations in the ballance of trade; though, in general, the rate of the exchange at a particular

particular time, is scarce sufficient for determining on which side the ballance then turns.

IV. *Course of exchange, what.*

59. The price at a certain time and place, of bills of exchange for given sums drawn upon another place, is called the *course of exchange* between those two places at that time; and this is frequently different from the PAR, and more or less than an equivalent in fine silver or fine gold is to be paid in one place, for a given sum to be received in the other. Thus, supposing the par of exchange betwixt *London* and *Paris* to be $29\frac{1}{4}$ pence sterling for a *French* ecu; it might happen at one time that a bill upon *Paris* might be purchased at *London*, at the rate of 28 pence for an ecu; and that at another time no bill could be had under $30\frac{1}{2}$ or 31 pence.

As the ballance of accounts between the several trading nations of the world, must be continually varying, and frequently shifting to different sides; so the course of exchange will be ever fluctuating, and it will be more advantageous to make remittances through certain channels at one time, and by different ways at another. But as it

would be difficult for the gross body of merchants to unravel these intricate clues, and to find out and supply each other's wants and conveniences ; particular persons apply themselves to this business, and *drawing* and *remitting* by bills of exchange is it self a distinct trade. The *remitter* * or trader in bills of exchange, must have a real stock or credit in the several places with which he corresponds ; for bills, strictly speaking, pay no debts ; they only transfer credit from one place to another ; and whenever the demand for bills to one place, are greater than the remitters can answer by their credit or stock in other places, they must then transport as much bullion as will satisfy their correspondents. But the principal skill of a remitter consists in finding where and when bullion will fetch most, or where credit or bills are to be had cheapest, and where and when to transfer this credit to most advantage. For bills of exchange being substitutes for bullion, are themselves as much a commodity as bullion, or any thing else ; and the dealers in them make their profits in the very same way

* Dealers in bills of exchange are in general terms usually called *remitters* : But with respect to a particular transaction, he who sells a bill, to be paid by his correspondent in another place, is called the *drawer* ; and he who buys the said bill, and sends it abroad to have the value received by a fourth person, is called the *remitter*.

way that other merchants do, by observing the advantages of different markets.

V. Price of bullion how influenced.

60. A demand for bills upon a particular place, raises their prices, as in other cases; and when these prices have got up to a certain degree above par, the price of bullion will be also advanced above the standard of the country. For, dearness of bills causes a demand for bullion to be exported, and in proportion of the demand to the stock in the market, the price of bullion will be raised. To take advantages when and wherever they offer, is the object and business of commerce. Again, by transporting of bullion the price of bills will be lowered; that again will gradually lower the price of bullion, until the prices of each are again brought to a par. The price of bills may be reduced below par; but bullion can never be lower than the established standard, the mint being always open to receive it at the standard or mint price.

VI. National interest, how influenced by the course of exchange.

61. It seems, upon the first view of the thing, that a country which oweth a balance to another, must pay a premium upon
all

all the bills that pass between them. As, supposing that in the accounts betwixt *England* and *Holland*, we owe the *Dutch* an 100,000 ounces, and that they owe us 90,000 ounces; and supposing also that this ballance of 10,000 ounces which we owe to them, brings the exchange against us *one per cent.* It seems, I say, as if we must pay this *one per cent.* not merely upon the ballance of 10,000, but upon the whole 100,000; and on the other hand, that we shall receive short from them *one per cent.* upon the whole 90,000 which they owed us; that is, that we must pay the *Dutch* 101,000, whilst they will discharge their debt to us with 89,100; so that our whole loss, upon the above suppositions, amounts to 1,900. This at first view seems to be the exact state of the case; but upon examining this matter a little closer, I think, it will appear that the loss to *England* by the exchange, is ordinarily no more than what falls upon the ballance of 10,000. Suppose the whole account at *London* to stand betwixt two persons, both *Englishmen*; *B* at *London* oweth *D* at *Amsterdam* an 100,000; *C* another *Dutchman* at *Amsterdam* oweth *A* at *London* 90,000. *B* pays to *A* 91,000 for for a bill upon *C*
to

to pay *D* 90,000; by this transaction the 90,000 *Dutch* debt at *London* is quite cleared, and what *B* lost was gained by *A*. If the affair had been transacted at *Amsterdam*, the gain would have fallen to the share of the debtor *C*, and the loss on the creditor *D*; for *C* with 89,100 would have purchased of *D* a bill for 90,000 upon *B*. But although affairs of this kind are always transacted between several persons, yet at last it comes to the same thing; and the whole gains, so far as bills will reach in liquidating the accounts, falls to the creditors on one side of the water, and to the debtors on the other. In the case above supposed, if some of the *Dutch* creditors reside at *London*, or some of the *English* creditors at *Amsterdam*, this will turn the scale to the prejudice of *England*. These observations plainly shew, that any calculations of national profit or loss from the course of exchange, must needs be very precarious. Yet is it almost certain that by these transactions, that country will sustain some loss against which the exchange bears; and there is no other way of bringing the balance even, but by the exportation of goods or bullion.

VII. *The course of exchange influenced by various causes.*

62. A demand for bills upon a particular place, may proceed from various causes; but these are chiefly reducible to the ballance of trade upon the whole, or between particular places. Bullion, like other commodities, traverses through different climes, and is ever of least value where it most abounds. *Spain* and *Portugal* being the chief sources from whence this commodity is drawn to the rest of *Europe*, it is there cheapest and their chief staple; and hence, in the usual phrase, the ballance of trade and the course of exchange will be every where against them. This is natural, and is no more to their prejudice, than it would be to the *English* to have the ballance against them, if the money of *Europe* was tin; as would then be the case, because we have the most considerable mines of that metal. In like manner, and for the same cause, it is natural that the ballance of trade, and with it the course of exchange, between the more southern and the northern parts of *Europe*, should be in favour of the latter; and this in general is the matter of fact.

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The business of exchange between *England* and *Germany*, and the northern countries, is chiefly transacted at *London* and *Amsterdam*. The course of exchange then between us and *Holland*, indicates how the state of accounts stands between us and all those countries in general, but not in respect of any one in particular. The balance of our trade to *Holland* may be greatly in our favour, and yet the exchange to *Amsterdam* be generally against us; both which are supposed to be matters of fact. Our debt to foreigners operates in the same manner as a ballance of trade against us, to the whole amount of the dividends owing to them; and the same is true as to all foreign subsidies. If those dividends paid to foreigners contribute to enlarge our manufactures and exports, our loss is thereby alleviated; but if they do not, that is, if our commerce remains in *statu quo*, we are losers to their whole amount, and that equally whether their produce is exported in goods or bullion; if they are sent in goods, they prevent so much bullion from coming to us. This is an affecting consideration, and the sources of this country must be prodigious great to be enabled to sustain so great

a burden. But let us not be too secure, and neglect a matter of so much importance.

VIII. *Bullion is not exported till the exchange is at a certain limit from par.*

63. Merchants always prefer bills of exchange, whilst they are to be had at moderate rates, before bullion or cash, which with them is the same thing; and bullion is never transported from one place to another, till the exchange is at a certain distance from *par*; and this distance is again limited by the expence of transporting bullion, wherein is included, besides the freight, commission and insurance. And hence, the whole fluctuation in the course of exchange is very different between different places. Betwixt *London* and *Paris*, the exchange must vary about $\frac{3}{4}$ per cent. from *par*, before bullion, at least in any quantity, will be sent from either side. The freight of bullion from *London* to *Calais* is about $\frac{1}{4}$ per cent. from thence to *Paris* about $\frac{1}{4}$, insurance in the whole to *Paris* about $\frac{3}{8}$, which make altogether $\frac{3}{4}$ per cent.; and so much at least the exchange must be against us, before any bullion will be sent from *London* to *Paris*; and it must be as much in our favour,

your, before any bullion will be brought hither from thence. By this reckoning, the exchange betwixt *London* and *Paris* may vary $1\frac{1}{2}$ *per cent.* before gold or silver will move towards either side. To *Amsterdam*, the expence of transporting bullion from *London*, is less than to *Paris*; to some other places, this expence is greater, and accordingly the exchange varies less or more between different countries; because, as hath been before observed, the transportation of bullion keeps the course of exchange within a certain limit.

Bills are frequently drawn, and bullion carried, between two places that are even in their accounts, to pay debts in a third place. If the exchange betwixt *Calais* and *Paris* be against *Calais*, and it be at par directly between *Calais*, *London* and *Paris*; a merchant at *Calais* will pay his debts at *Paris* by a bill upon *London*: And if the exchange betwixt him and *Paris*, and betwixt *London* and *Paris* will permit, our *Calais* merchant will purchase a *London* bill by sending gold thither, instead of sending it directly to *Paris*. It is in finding and taking the advantages of the several markets, that the mystery of this traffic by exchange doth principally consist.

This

This short account may suffice to explain the general theory of exchanges; a theory curious in it self, and the practical part is extremely useful for the purposes of foreign commerce. But to meddle with that, doth not fall within the compass of my design.

The End of the FIRST PART.