this purpose, they can never accumulate to any amount. In those commodities, the supply of which is certain and regular, and easily attained, the stocks held are comparatively small. In foreign commodities, the supply of which is received from distant countries, or cannot be calculated upon with certainty, the stocks are generally large. With all foreign trade this must necessarily be the case. The foreign commodities consumed, as we have before shewn, merely represent home commodities exchanged for them. When brought into the market, therefore, they are sold for money, which represents home commodities. As a foreign commodity is placed in the market, a home commodity of equal value is taken out of it. The market stock is not increased in value by the exchange. The foreign commodity only represents the home commodity purchased for exportation with the money, or with an equal sum with that for which it sold. Both the foreign and the home market, however, must be regularly supplied with the respective commodities exchanged. In order to this, a very large merchant stock both in ships conveying the commodities between the two countries, and in warehouses and shops, at both ends, must be at all times on hand.

The consumers know nothing of the commercial operations by which they are supplied; but in the price of the commodity, pay a profit to the dealers for their trouble, and the stocks which they thus continually hold.

Effects of an increased Supply of Commodities.

Should a producer bring an additional supply of his particular commodity to market, when both the market stocks and merchant stocks, which the dealers think proper to hold, are full, if he is determined to sell, he must reduce the price of the commodity in order to procure a demand for it. In this way, he brings it within the reach or attraction of the money in consumptive circulation, which has one of two effects, or perhaps both: it either increases the consumption of the commodity, or diminishes the supply of it by others. If it is an article of first necessity, such as food, it increases the consumption; if an article of less, but still of great necessity, such as cloathing, it may do so, but in a less degree. With most articles, however, except food, its principal effect is to diminish the supply by others; and, at the same time, induce the dealers, if they can command money, to increase their merchant stocks. They buy up the commodity sold beneath the cost price. Their stocks, however, being much larger than usual, they will not purchase more, except upon the same or lower terms. The richer producers, in consequence, being unable to get the market price, or what they can sell their commodities at with a profit, hold back their supplies until the additional quantity is carried off by the regular demand, and the usual supply is again required. The same is the case when any particular dealer brings his merchant stock into the market, by selling it off beneath its value; other dealers cannot effect sales, and therefore will not purchase of the producer until the stock thus sold is consumed. By this diminished market price of any particular commodity, the money in consumptive circulation will go further in the purchase of commodities generally, and the consumption will of course be increased; but it is probable, that a principal share of the increased consumption will fall upon other commodities, and not altogether, as has been supposed, upon the particular commodity whose price is diminished.

Quantity of Commodities of which the Market Stock is composed.

Now, the market stock of commodities must always be equal in quantity to supply consumption, during one revolution of the currency in

consumptive circulation. The ten persons, in the imaginary case stated, would furnish a stock sufficient to supply the consumption, until the money they received and expended came round to them again, in a demand for more. Had the £100 of each individual been the representative of double the quantity of goods, there would have been double the consumption, before this revolution was performed; or had it represented half the commodities, the consumption of them could not have exceeded that amount.

The annual produce of a nation, however, and the annual consumption are equal. A person does not take his commodities to market before they are wanted; and as soon as he does so, his demand, directly or indirectly, for the commodities of others, becomes equal to their demand for his. Upon receiving the money for his goods, he sends it forth in a consumptive demand, by himself or those to whom he pays or lends it, to the extent of its value.

Consumption is also regular. The consumption of one month is, on the average, equal to the consumption of another. A spendthrift may get rid of his fortune in a very short time, but he can only do so by purchasing the savings of others. He may waste his property by losing it at play, or by squandering it in different ways. But, in this manner, it only changes hands; he cannot force consumption much beyond its ordinary pace; what he himself eats and drinks, forms but a small part of his expenditure. Other people, though they may acquire his money, will not forget, if he has done it, that they have to live through the year, as well as at present; or should they, they can only throw it away as he has done: it will come into the hands of more prudent people at last.

The consumption being regular, the revolutions of the currency, on the average, must be equally so: thus if we take the income of the society, for the sake of example, at 432 millions, and the currency at 72, it must necessarily perform six revolutions in the year, or one every two months; and the market stock of commodities would in that case always be equal to two months consumption.

The Money in consumptive Circulation must always be equal to the Value of the Market Stock of Commodities.

Whatever be the quantity of money in consumptive circulation, it must always be equal to the value of the market stock of commodities, let that stock be great or small. The ten persons in the supposed case, who sold their commodities, would acquire in the money they received, the power of consumption equal to

the commodities placed in the market; and by the expenditure of this money, the whole in the regular time would be consumed: and this is the case with society at large. But when money comes into a country by the balance of trade, it comes in a demand for commodities which their cheapness has caused, while the money previously in circulation, furnishes a demand equal to the supply. The foreign money thus introduced is not the representative of any commodities in the market. Hence a demand is created greater than the supply. This being the case, commodities must rise in price equivalent to this increased demand. The foreign money introduced has the same affinity for the commodities in the market, as that which was in previous circulation. But the supply of commodities being less than the demand, an elevation of prices must take place in order to bring them to a parallel; and the consumption of the producers, or those who possess the money in previous circulation, is of course proportionately reduced. Every rise in price is the consequence of increased demand by those who are willing to pay more, and the immediate effect is a reduced consumption on the part of those who are unable or unwilling to give the increased price. When, however, the money makes one revolution, the producers are placed on the same footing as before. The increased price of commodities has increased their incomes; and the power of consumption derived from their income becomes equal to what it was previous to the foreign money coming into the market. A general rise in prices has taken place, by which room is made for the additional money introduced into the country, to circulate. It still therefore represents the market stock of commodities, or two months consumptionn; an alteration in the value of money alone has taken place. Just the reverse is the case when money is exported. It is originally acquired by a quantity of commodities for consumption being placed in the market, which waits the return of it, or an equivalent value, in order to be consumed. The possessor of the money, however, either from inclination or cheapness, increases his consumption of foreign commodities; and this determines the balance of trade against the country: by which means the money instead of producing the consumption of an equivalent value of commodities in that market where its constituent value is deposited, is transported to a foreign market, in order to replace those foreign commodities, the increased consumption of which has taken place; or, which is, in effect, the same, the dealer in consequence of a diminished foreign consumption, instead of purchasing as usual, home produce with the money he re-

ceives, with which to pay for the foreign commodities imported, sends the money out of the country for that purpose. In this case, the demand for home commodities is reduced; the dealers are under the necessity of selling them at a lower rate; and the consumption of those who possess the money left in circulation is increased. But after one revolution, the income of the producers begins to fall in equal proportion, and a general reduction puts income and expenditure upon a par again; and the chasm thus caused by the money exported is filled up. Hence the money in the world, or any particular nation, is always rendered sufficient for the use of it.

Precisely the same are the effects produced by money which is issued by banks. It is advanced upon the security of property or personal sureties, and represents property or capital, but possesses, in the first instance, no constituent value of commodities in the market. Those who borrow it, however, for consumptive circulation, expend it in consumption, and by a consequent increase of prices it makes way for itself. A contraction of currency produces the opposite effect: it leaves in the market commodities of equal value to itself, without the means of consumption at existing prices; and it is only by a reduction of prices adequate to the demand thus reduced, that the market stock can be carried off.

Abstract Circulation.

The abstract circulation of a country is that part of its money which is employed in making transfers of merchant stock, capital, and property. In every country the sales of property, transfers of capital, and transactions in merchant stock, must bear some proportion to the quantity of its consumable produce, in the power of commanding which their value consists; and money is equally required to conduct them. In this use of it, however, it is an abstract measure of value; it represents no constituent commodities in the market. Upon the average, a given quantity of the money in circulation must be thus required, and it must have been first taken out of consumptive circulation, in order to be so employed; a reduction of prices must have consequently taken place. This, however, would only have the effect of determining the balance of trade in favour of the country; and the money thus absorbed, would be replaced by a foreign importation. If at any time the average transactions in capital should be diminished, or an economy in the use of money thus employed be introduced, it would again descend

into consumptive circulation, increase prices, and determine the balance of trade the other way.

Any variation in the quantity of money in consumptive circulation, must also vary the quantity in abstract circulation. It must draw it down as it diminishes, raise it up as it increases. As the value of money increases by the quantity in circulation being reduced, the value of property must sooner or later fall likewise; and less money be required to conduct the exchanges of it; it is the quantity of consumable commodities it will command that ultimately determines the value of all property. On the other hand, as the quantity of money in consumptive circulation increases, the value of property in money, for the same reason, must re-increase with it.

With bank notes the difference is, that the money in abstract does not descend down into consumptive circulation, whereas with metallic money it is taken up from it.

With the same State of Prices, the Quantity of Money required varies.

The quantity of money required to conduct the circulation of a country, even with the same level of national prices, is not always equal.

When there is a demand for money, and it becomes scarce, or when the interest of money and profits of trade rise, an economy in the use of it begins to take place. If a person cannot raise money, he will purchase goods upon credit; by which they are taken out, as it were, from under the money which represents them. This has the effect of raising prices, the same as if an additional quantity of money had been brought into circulation. The diminished quantity of commodities which the money in circulation will command, raises the price of them, determines the balance of trade against the country, and part of it is remitted abroad, until the prices resume their usual level. Tradesmen, under these circumstances, often make large profits, and, instead of receiving payment in cash, not unfrequently take a mortgage, or other securities, for their debts. Being also in the habit of selling for credit, they are obliged, on the other hand, to require it. This leads to bill transactions, by which, knowing the day that their payments are to be made, they are satisfied if they can acquire the money necessary for the purpose, by the time it is wanted, and keep none idly by them. As money becomes scarce and valuable, people are thus more economical in the use of it. If a profit is sure to be made, by turning it over, none of it is allowed to be unemployed. It, consequently,

performs its revolutions quicker, and a less quantity is necessary. Instead of performing six revolutions in the year, it may perform seven. In order, therefore, to represent a value of 432 millions, it would require, in that case, not quite 62 millions, instead of 72, which with only six revolutions, would be necessary.

Whether the currency moves quickly or slowly, however, is of no importance to the foreign consumer; therefore as soon as prices, by an accelerated motion, began to rise, the foreign demand would diminish, if prices were previously at the national level, until by an unfavourable balance of payments, the quantity of money in circulation was reduced, and prices resumed their former state. The only difference in this case would be, that the market stock on hand would be reduced in proportion as the motion increased: if it was increased one seventh, the market stock would be reduced in that amount: a greater market stock would not be necessary than what was equal to the consumption of between six and seven weeks. A still greater difference, however, would perhaps take place in the amount of money in abstract circulation. Bills of exchange, in the transactions of merchant stock, are very much substituted for money when it is scarce. I have heard that in Lancashire, during the war, there were five bills for one in