

which displaced the precious metals in America, and sent them abroad to swell the amount of the exchangeable commodity (money) in other places. None of us gets as much in exchange for a sovereign as if the issue of American legal tender notes had not taken place. Suppose an amount of other exchangeable commodities equal to 1,000 units of account (let it be £\*), and an aggregate of the commodity gold—apportioned in pieces of certified quality and weight as coin—also amounting to 1,000 units of account (£). Now a unit of gold will exchange for a unit of other commodities. Then suppose the amount of gold, money of the world at large, augmented by the issue of paper promises to pay gold to the amount of 1,000 units. You then have the money to the amount of 2,000 units against other commodities of 1,000 units; one unit of other commodities will only exchange against two of money. All money is depreciated to one-half of its original value, and the owner of true property, true money, is mulcted of half its original value in exchange by the manufacturers of credit. This action is modified by circumstances, as, for example, by the fact that the paper currency in the States does not pass at its nominal value as compared to gold; but the principle which I have roughly described is in action all round us at the same time. Every bank note or legal tender note helps to reduce the value of fixed incomes payable in money."

Having explained the effect of scarcity or abundance of money, the article proceeds:

"It is essential to a correct understanding of this subject to remember that whenever we talk of cheapness and dearth of goods—whether we intend it or not—the language we use means cheapness or dearth as measured against gold, for we have no other real standard. It is only by cost in money that any comparison can be instituted. And any attempt to explain these problems without reference to the intervention of money is simply hopelessly misleading. How, for instance, according to prevalent theories of favorable production, is it possible to account for the fact that wheat can be grown in South Australia at a profit on land that does not yield on an average more than ten bushels per acre, and where wages are six shillings per day; and not only at a profit in the Colony, but that it can be taken to England and there com-

\* My answer to Sir Robert Peel's famous question—"What is a pound?" is that a "£" is a unit of account of value, as a "lb." is a unit of account of weight.

pete successfully with wheat produced from land four times as fertile, cultivated by laborers not getting a fourth of the money wages, and certainly not living half as well as their fellows in South Australia? The natural facilities in land and labor, the primary necessities for the production of wheat, are incomparably superior in England, and, according to commonly received doctrines, what I have stated ought to be impossible, but it is the fact. The true explanation is simply that the Australian wheat does not cost so much in money to produce. Land is almost rent-free, and peculiarities of climate enable machinery to be used for reaping, which saves money which must otherwise be paid for labor. But the fact shows that we delude ourselves when we suppose that these questions are settled altogether by imagined superior facilities of countries for producing this or that commodity."

In answer to the argument that capital should be employed in producing that which is most profitable, the article says:

"The point involved in these questions is also present in the issue between the squatter and the farmer in Australia. The squatter is naturally a free-trader, as is his analogue, the cotton-grower of the Southern United States. He says in effect to the farmer, and I have heard it said, 'It is all nonsense your attempting to grow corn here. You can only make at best a very moderate subsistence, and you can never become wealthy. One hundred thousand acres divided between 200 of you may give you and your families a scanty support, but at the outside you will not make between you a profit of £10,000 to add to the wealth of the community. Now let me have the 100,000 acres and I will stock them with 200,000 sheep, which I have the gold to buy, and I will make single-handed a profit of £50,000 a year. It is quite true that in so employing the land it will produce no food for man, except my surplus sheep, which I don't think it worth my while to keep for wool, and under your cultivation it would have supported your 200 families numbering 1,000 souls; but that is nothing to the point, which is, according to all economical doctrines, that the country should devote itself to those occupations by which the greatest amount of wealth can be produced; and I demonstrate to you that wool growing is more profitable than growing food. So you must make way for me, and you can import the food whence you like, and can get it cheapest.' Naturally the farmers do not see the matter in this light. They say: 'We have no money with which to stock sheep runs, and next

to none to buy food. If the country is to be devoted to sheep pasture and wool-growing, as the most profitable pursuit, there will be no room and no employment for us, as sheep farming requires very few hands; but without employment we cannot live, and to make way for you is not so easy as you may wish. The development of the greatest amount of wealth in the country is a matter of very subordinate consideration to us compared with our personal subsistence. Even, therefore, if corn-growing has to be protected; even if you are made to pay five shillings for it, when by free-trade you could get it for four shillings, that is better for us, the far greater number. You will have to forego the luxuries which you might purchase with those extra shillings, or the wealth which you might amass by accumulating them, but we shall get those extra shillings wherewith to purchase necessities. Protection will force, to a certain extent, a more equal distribution of the comforts of life."

In answer to the argument, that the industries in each country which can be most profitably carried on are those alone which should be prosecuted, our author says:

"Mr. Cairnes thinks that the fact is overlooked 'that it is only those industries which are carried on at a relative disadvantage that stand in need of protection, and that, consequently, since in no country are all industries equally favored by nature—the consummation M. Alby contemplates with so much satisfaction is incapable of realization in any part of the world during any stage of commercial progress.' It is precisely, because in no country are all industries equally favored by nature that Mr. Cairnes' objection fails. According to the free trade theory, pushed to its logical extent, each country should only do that thing, produce that article of commerce, in respect of which it is most favored—gold countries should produce nothing but gold; countries with specially good copper mines, nothing but copper; wine countries, nothing but wine; China, nothing but tea; Australia, nothing but wool; South America, nothing but hides. But the inhabitants of these places say naturally: 'It is quite true, this is by far the most favored industry in this country, but this is not sufficient to employ all of us; we want employment, work to do that we may live. We cannot remove to other countries, for in each the favored industry is over-supplied with labor. That the few engaged in the favored industry enjoy exceptional advantages in competition with all the rest of the world is no reason why we should starve. On the contrary that