operation of the gold discoveries in effecting the results which I assign to them, it may not be out of place to make some brief remarks in reference to the general fundamental laws regulating prices.

The relative value of commodities are commonly estimated by referring them to the common measure or standard of value—money; in other words, by their relative prices—the price of every commodity being its value in money. The relative prices of different commodities at any given time are of course an accurate index of their relative value at that time. And if our standard of value were (like our standards of weights and measures) invariable, the relative prices of the same commodity, at different times, would also indicate accurately its relative value at those times. The fall or rise in the price of any article would shew precisely the fall or rise in its value. But our standard of value is not thus invariable, nor indeed can it be, inasmuch as the precious metals, which form the standard, are themselves liable (though not to the same extent as other commodities) to fluctuate in value.

It is obvious then that a change of the price of any article may arise from two distinct classes of causes, either those affecting the intrinsic value of the article itself, or those affecting the value of the money with which it is compared.

Now the values of all commodities (gold and silver included) are determined ultimately and permanently by their cost of production, temporarily and proximately by the relation existing between their demand and supply. The value of any article, considered as determined by the relation existing between the demand and supply, is styled its "market value;" while its value, considered as regulated by its cost of production, is termed its "natural value." The market value of most commodities is constantly changing, now rising above and now sinking below its natural value—which latter is happily described by Adam Smith as that "centre of repose and continuance" which the former is ever struggling to attain. The extent and frequency of these fluctuations of the market value of a commodity must depend on the degree and manner in which the relation of its supply and demand is liable to disturbing influences.

In this respect the precious metals differ from almost all other commodities. While most other commodities are exposed to sudden and very great variations in value, the changes in the value of the precious metals have generally been very slow and gradual.* And it is this quality which eminently qualifies them to act as a general standard of value. So accustomed, indeed, are we to witness continued fluctuations in the market values of most commodities, arising wholly from accidental causes affecting their demand and supply, and so seldom do we witness any change in the value of gold or silver, that when in reality the value of gold and silver is changed, and the price of all other commodities thereby affected, we are slow to admit the fact, and persuade ourselves that the change in prices is due to any cause save the real one. And yet a little reflection will serve to convince us that, when the rise or fall of prices is general and affects all commodities to the same extent or nearly so, the natural inference is that such a change must be due to an alteration in the value of money, and to nothing else.

* The comparative uniformity and steadiness in the value of the precious metals arises from this, that the existing supply of the metals is so great and the demand for them so universal, that the relation between the demand and the supply is not liable to be materially affected by any accidental disturbances of either.