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.

To resume the argument. It is plain that the rise in the general level of prices of commodities must result either from a general increase of the cost of production of commodities or a reduction in the cost of production of the precious metals—or, again, from some cause or causes increasing the demand for commodities generally, or diminishing the demand for the precious metals. Of these four supposable causes by which (in theory at least) the phenomenon under consideration might possibly be occasioned, it will, I think, be shewn in the sequel that the efficient causes really are—

1st. A reduction in the cost of production of the precious metals consequent on the recent gold discoveries.

2nd. A diminution in the supply and simultaneous increase in the demand for many of the most important staples of commerce—the result partly and indirectly of the gold discoveries, and partly and more directly of the war and other causes.

---

* 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 supply is not liable to be materially affected by any accidental disturbances of either.