

before the decline in the value of money they had been fairly adjusted.

To return, however, from this digression. I think that sufficient has been said to establish the fact that a considerable advance in prices has within the last five or six years taken place not only in California and Australia, but in this country and throughout the Continent generally, as well as in Great Britain and the rest of Europe.

To what causes, then, is this phenomenon due? I answer—firstly, and chiefly, to the recent gold discoveries; secondly, and in a lesser degree, to the war and other local and temporary causes.

It is with the former of these causes only that we have now to do. Before entering, however, on a discussion as to the degree of influence or mode of 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 values 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 values 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 values 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 most 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