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***The Commerce and the Government. Considered
in their mutual relationship***

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harvest; he gives up the agreed portion to the settler [who properly speaking is now only the owner: 1798], and he acquires a right of ownership to all the rest.

In this order, we see one man who provides the ground, that is the settler [owner: 1798], an entrepreneur who assumes the task of overseeing the cultivation, that is the farmer, and farm workers or hired men who carry out the work.

We shall find the same situation in large undertakings of every kind. Does one want to set up a manufacturing enterprise? A rich man or a company provides the capital, an entrepreneur directs the business, and the workmen toil under his orders.

By that one sees how in each profession the citizens divide into separate classes; and how each of them finds, in his wage, the part which he has, as co-owner, of the enterprise's return.

But one does not have to work in an enterprise to become a co-owner of the product. It is enough to be working for the entrepreneur. The shoemaker, for example, becomes a co-owner of the land's product when he works for a settler, and he becomes the co-owner of the returns of a manufacturing business when he works for a manufacturer. So it is that all the citizens are by reason of their work co-owners of society's riches; and that is right since each of them contributes to producing them by reason of his work.

All this ownership is sacred. One could not without injustice deprive the manufacturer of his business or the worker of his wage. Therefore one should not be able to force the settler to sell his grain below its worth, just as one should not be able to force those who need the grain to pay more than it is worth. These truths are so simple that perhaps one does not notice them and you may be astonished that I have commented on them. You will, however, need to remember them.

We have seen how the settler [become simply a landowner: 1798] retains ownership of the lands he no longer cultivates himself. But we ask if he is limited to having a life interest, or if he is authorised to have the right to dispose of his lands even after his death.

My reply is that when I clear a field, the product of the investment I make can only be mine. I have the sole right to enjoy it: why then, at the time of my death, can I not hand over the enjoyment of it? And how should I hand that over, if I do not have the disposition of the ground?

I have drained the marshes, I have raised the dykes which protect my lands from flooding, I have directed water to the meadows which it

makes fertile; I have sown the plantations whose product belongs to me, and which however I shall not enjoy; in a word, I have given these worthless lands a value which is mine as long as it lasts, and over which, for that reason, I hold rights against the time when I shall be no more. Take back these lands in the waste state in which I found them, and leave them to me cultivated and productive. You cannot separate the two things. Therefore agree that I have the right to alienate them equally.

If the man who clears a field acquires the right to dispose of it after his death, he conveys the field with that right to the person to whom he bequeaths it; and from one generation to the next, each owner enjoys the same right. What man would concern himself with the ways of giving a plot of land a value which it would not have in his lifetime, if he were not free to bequeath it in favour of those whom he wishes to enjoy it? Do you say that a love of doing good would make him? But why take from the citizen a motive which will be more efficacious: the interest he takes in his children or in people he loves?

We have dealt with value, price, riches; the arts have multiplied; trade has spread out. Now the need is felt to mark more exactly the value of every good, and money is discovered. That will be the subject of the following chapters.

13. Of metals considered as merchandise

Gold, silver and copper are the first metals men knew. They were often found on the earth's surface without having been sought. Rain, floods, a thousand chances brought them to light; several rivers bear them along.

Besides, these metals are easily recognised in their pure, unadulterated state or when their purity is at least little altered. That always happens with gold, often with silver, and often enough with copper, though less frequently. Nature offers them endowed with all their properties.

It is not the same with iron. Although it is to be found almost everywhere, people have all the more difficulty in recognising it, as it normally appears in the guise of earth which is bereft of all metallic

properties, and to which one needs to have learnt to restore them. So of all metals it is iron which seems to have been the last known.

Nowadays iron is in use for all mechanical arts. They all owe their progress to the use of this metal, and many even their birth. For centuries it was unknown even to organised nations, which used copper in its place. As for the tools of barbarians, they were and still are made of wood, stone, bone, and sometimes of gold or silver.

I assume that our tribe is familiar with gold, silver, copper and iron, that it has learnt the skill to work on them, and that it uses them in various ways.

Making this assumption, these metals are a commodity which has value for the tribe in relation to its needs; value which rises or falls, depending on whether they are scarcer or more plentiful, or rather following the view the tribe has of their scarcity or their abundance.

When they are still in their raw state, or as nature offers them, they have one value. They have another when they have been refined or purified from all extraneous matter. Finally, they have an ultimate value, when work has made out of them tools, weapons, vessels, utensils of all sorts; and this ultimate value grows in proportion as these articles are better conceived, better worked up, and offered for sale by a smaller number of workmen.

Metals considered as raw material have thus one value; and they have another when they are considered as worked up material. In the first case, one values the metal alone; in the second, one values the metal and the work.

Metals are essential merchandise. So there must be men in the tribe whose work it is to seek for them and refine them; and others will be needed to work on them, since one needs the articles of which they are the raw material.

In the early days our tribe had little refinement, and dressed in roughly sewn skins: it had seats made of wood, stone or turf; and its vessels were made of shells, stones or pieces of hollowed wood, or of earth, first cropped and then dried in the sun, or cooked in a fire.

Each settler could make, for his own need, all these utensils whose raw material was to hand, and the making of which was neither lengthy nor troublesome.

If some people, harder working, made a larger quantity than they needed, these surplus utensils, when carried to the market, had as little value for those to whom they were offered for sale as for those who

would offer to sell them. Since I assume that each settler obtained all the utensils he needed for himself, it is clear that those put up for sale were a surplus for which the tribe had no use. But if there were some settlers who did not have the time to make enough for their needs, then these utensils would become merchandise, whose value would be in proportion to their quantity compared with the amount needed by the settlers who wanted to buy them.

These utensils, roughly made, would thus count for little in trade; and they will only become a real object of trade when, worked with more skill, they are more suitable and more durable. Then they will have all the greater value, as the number of settlers who lack either the time or the skill to make them will be larger.

The entrepreneurs who undertake this work are what we have called artisans. They will grow in number according to the needs of the tribe, and competition will regulate the price of their works; the greater the number of artisans, the more they will be forced to undercut each other when they deliver the goods, and each will give them at the lowest price possible.

All the utensils I have just mentioned are made by all and sundry, from a material I assume to be plentiful; which is worth little in itself, and the work involved alone determines almost all the price.

The case is not the same for works of metal. Metals are scarce. It takes time and effort to find them. Then they have to be refined. Lastly they have to be worked up.

No sooner are they known than they become an object of trade, and people expect to be able to use them for various purposes. Not only are they merchandise when they leave the artisan's hands; they are so already, when they have just been drawn from the mine.

If we did not know the uses to which metals are adapted, they would be quite useless, and one would not seek them out. They would be left among the stones and earth, where they would stay without value.

But as soon as their utility is known, they are sought after; and people seek them out all the more because, being somewhat rare, they become an object of curiosity. So they acquire a new value, and this value is proportional to the number of the curious.

Considered as rare and as objects of curiosity, they soon come to be used for ornament, and this new use gives them another new price.

From all that has been said, we must conclude that metals are only merchandise because we make varied use of them, hunt them out

through curiosity, and use them for ornament. Now it is because they are a commodity that they have become money. Let us see the transformation they have made in commerce.

14. Of metals considered as coinage

When in earlier chapters I posited measures, it was only to speak more precisely about the relative value of the goods being exchanged. It appears that at the origin of society the tribes had none; nowadays several tribes still do not have any. It is the case that whenever people are not concerned to look closely, they are happy to estimate the quantity of goods at a glance.

Let us move to the time when, in the absence of merchants, the settlers were exchanging their surplus foodstuffs among themselves; and let us look at two settlers, one who has a surplus of corn and lacks a certain quantity of wine, the other who has a surplus of wine, and lacks a certain quantity of corn. To simplify, I assume that they are each furnished with everything else they need.

With this assumption, it is clear that the man who has corn to deliver would not look closely at the size, or the number, of his sacks. Since this corn would have no value for him if it was left on his hands, he considers it well paid for when, by an exchange, he gets for himself all the wine he needs.

The man who has a surplus of wine reasons in the same way. So they exchange without measuring; indeed, it is enough for them to judge on sight, the one the amount of wine he needs, the other the amount of corn.

It is not the same when the settlers make their exchanges through the medium of merchants. Since the latter want to make a profit at one and the same time from the person from whom they buy and the person to whom they sell, they are concerned to judge the quantity of goods more precisely. So they will think of ways to ascertain what they have gained each time they buy and resell.

Now, when instead of judging goods in a rough and ready fashion they have got used to measuring them, one will assume that their value

is treated like their quantity, for which there is a fixed measure. We will be all the more likely to assume it, as values will seem to vary like measures. So people will come to make misconceptions. They will speak of value and price without thinking what they are saying: they will forget that the notions they make of them can only be relative; and they will assume that they are absolute.

It is the merchants who will above all have occasioned this misunderstanding: as they were concerned to estimate goods more accurately, they seemed to give them an absolute value. 'This measure is worth so much', they said, and people no longer saw an idea of relativity in this language.

Besides, they were not in the same position as the settlers who, in the days when they traded directly, attached no value to the surplus, except in so far as they could provide themselves with the goods they needed by giving it up.

The surplus with which the merchants trade had belonged to the settlers who gave it up to them. But for the merchants it is not a surplus; it is a useful good they expect to profit from. And so they appreciate it to the full; and the more they claim to appreciate it, the more they seem to give it an absolute value. Metals, used as money, will especially create this illusion.

Iron disintegrates: exposure to the air, however little humidity there is in it, gradually decomposes it. Copper destroys itself too. Only gold and silver keep without corruption.

Each of these metals has a value, which stems from its scarcity, its adaptability and its *lasting qualities*. Gold is more valuable than silver, silver than copper, and copper than iron.

It has probably always been impossible to calculate exactly the relative and proportional value of these metals; all the more so because this proportion must vary each time some of them become scarcer or more plentiful. They were estimated roughly, sometimes more, sometimes less, according to the quantity of them appearing in trade. A metal had more value when there was little of it on sale, and when people wished to buy a lot. It had less value in the opposite case. We shall deal with their respective value elsewhere.

As soon as it was appreciated that metals have a value, it was found useful to give a piece of metal in exchange for what one was buying; and as this custom took hold, metals became the common measure of all values. Then a merchant was no longer forced to cart wine or some

other foodstuff to the settler who had corn to sell. He gave him a piece of metal, and this settler bought everything he needed with the same metal.

Iron was the least suitable for this use. As it corrodes day by day, the person who received it in exchange would make a loss each day. Besides, one is only accustomed to make use of metals as a common measure, because they make commerce easier. Now iron would facilitate it less than the other metals since, as it is the least valuable, we would have to cart it about in greater quantities.

Copper, which keeps better and which is more valuable, would deserve its preference. Every nation uses it; however, since its value is still very limited, it is only useful when one buys low-price goods retail.

So it was gold and silver which were bound especially to be chosen for use as a common measure. They are indestructible; they have great value. The value is found in due proportion in each part; and so one can find, in each part, depending on whether it is larger or smaller, a measure of any sort of value.

So it is not following a convention that gold and silver have been introduced into commerce as a convenient means for exchanges; it is not by whim that they have been given a value. They have, like all other merchandise, a value based on our needs; and because this value, larger or smaller according to the amount of metal, does not perish, they have, for that reason alone, become the measure of all others, and the most convenient.

We have seen that trade increases the amount of wealth, because by facilitating and multiplying exchanges it gives value to those goods which had none. We see here that trade must increase this quantity of wealth still further when it has, in gold and silver, considered as merchandise, a common measure of all values, since exchanges are then made easy and multiply ever more.

But this measure had to be fixed and determined. However, it is probable that, in the early days, people judged volume by sight, and weight by hand. This uncertain regime doubtless caused damage and complaints. The need to avoid them was felt: people set about it, and scales were invented to weigh metals. So an ounce of silver, for instance, was the price of a septier of corn or of a cask of wine.

This innovation succeeded in confusing all ideas on the value of things. When people believed they were seeing price in a measure

which, like an ounce of gold or silver, was always the same, they did not doubt that they had an absolute value, and no longer entertained other than confused ideas on this subject.

All the same there was a great advantage in being able to determine the weight of each piece of gold and silver; because if previously what we call *price* was a vague estimate without precision, you can understand that people must have found in these metals, weighed and cut up, the more exact price of all other merchandise, or a surer measure of their value.

It is as merchandise that gold and silver circulated, when the buyer and the seller were reduced to weighing the quantity they needed to hand over as the price of other merchandise. This practice, which was general, still carries on in China and elsewhere.

However, it was inconvenient always to have to carry scales, and that was not the only drawback: one also had to make sure of the degree of purity of the metals, a degree which affects the value.

Public authority came to the help of trade; it had the gold and silver circulating assayed: it determined what one calls the standard, that is the degree of purity. It then made separate portions which it weighed; and it stamped on each a mark which attested the standard and the weight.

Here we have money. One knows its value at a glance. It prevents fraud, it injects confidence into trade and consequently makes trade still easier.

Gold and silver coin would not have been suitable for the small purchases one makes daily: one would have had to cut it up into tiny pieces which could scarcely have been handled. That is why copper coin was introduced. Copper coin even seems to have been the first in use; it sufficed on its own, when the tribes only had things of small value to exchange.

In becoming coin, metals have not ceased to be merchandise; they have an extra imprint and a new denomination; but they are still what they were, and they would not have a value as coinage if they did not continue to have value as merchandise. This observation is not as pointless as it might seem, because people would say, in the common reasoning on money, that it is not merchandise, and yet they do not have much to say about what it is.

Gold and silver coinage reveals that there are things of high price in trade. It is therefore a proof of wealth. But it is not so by virtue of its

quantity: because commerce can make do with less as with more. If it were eight times more plentiful, it would have eight times less value, and one would have to carry a mark to market instead of an ounce. If it were eight times scarcer, it would have eight times more value, and one would only have to carry an ounce instead of a mark. It is therefore a proof of wealth by the mere fact that it is used. It is that in having a great value on its own, it proves that there are articles in trade which also have great value. But if it became as common as copper, it would lose its value; and then, in exchanges, it could serve as a measure of value for the nations which seen: to us the poorest. When we deal with the circulation of silver we shall see how one judges its abundance and its scarcity.

Used as coin, gold and silver had a new use and new utility. These metals thus acquired fresh value. An abundance of gold and silver is thus an abundance of articles which have value, and consequently it is wealth.

But whatever value one places on gold and silver, the first and main wealth is not at all in the plentifulness of these metals. This wealth is only in the abundance of products which are consumed. However, because with gold and silver one can lack for nothing, one soon comes to regard these metals as the sole wealth, or at least as the principal wealth: that is an error. But it would also be an error to say that an abundance of gold and silver is not true wealth. We must confine ourselves to distinguishing two types of wealth.

I shall note in finishing this chapter that those who consider coin as representative signs of the value of things express themselves too inexactly; because they seem to regard them as arbitrarily chosen signs, which only have value by convention. If they had noticed that metals were merchandise before they became money, and that they have continued to be merchandise, they would have recognised that they are only suited to be the common measure of all values because they have value in themselves, and independently of all convention.

15. That silver, used as a measure of value, has brought misunderstanding about the value of things

We have noticed that when trade comes about through the exchange of goods in surplus, everyone gives something which had no value for him, because he has no use for it, for something which does have a value for him, because he can use it, and that, consequently, everyone gives less for more. Now that is how it would have been natural to work out value in every case, if one had always traded through barter and without minted coin.

But once money had been accepted as the common measure of value, it was just as natural to reckon that one was giving equal value for equal value in exchanges, all the goods one exchanged were each considered equal in value to an identical quantity of money.

It was seen that through the medium of money one could determine, with some precision, a respective value between two quantities of a different nature, for example between a quantity of corn and a measure of wine. From then on, in these respective values, only the quantity of money which was the measure of them was noticed: every other consideration was removed; and because this quantity was the same, it was reckoned that in exchanges one gave equal value for equal value.

However, when I give you a quantity of corn, valued at ten ounces of silver, to get from you a quantity of wine at the same price, it is not certain that this exchange is equally advantageous for you and for me, although these two quantities seem to be the equivalent of each other.

In fact, if the corn which I have given you is absolutely essential to me, and if the wine you have given me is surplus to your needs, the advantage will be on your side and the disadvantage on mine.

Therefore, it is not enough to compare quantity in money with quantity in money, to work out who gains, you or I. There is another consideration which must come into the calculation; that is to know whether we are both exchanging a surplus for a necessary good. In such a case, the advantage is the same for both parties, and we each give less for more; in every other case it cannot be equal, and one of us gives more for less.

We have noticed that, in exchanges, goods are reciprocally the price of each other. We shall note here that if money is the measure of the value of the goods one buys, the value of the goods one buys is reciprocally the measure of the value of money. For example, to suppose that with six ounces of silver one can buy a muid of corn, is that not to suppose that a muid of corn is the measure of the value of six ounces of silver?

So when money has been taken as the common measure of all value, it is solely, as we have seen, because of all tradable goods it is the most suitable for this purpose; and that does not infer that it cannot itself have, as a measure, the value of the goods against which it is exchanged. On the contrary, it is clear that the value of what one buys is always the measure of the value of the money one gives.

But once people have taken money as a common measure, they soon come to see it as an absolute measure: that is to say, as a measure that is a measure by itself, independently of any connection, or as a good which, by its nature, measures all others, and is not measured by any of them. This misapprehension could not fail to spread much confusion. It has also made us see an equal value in the goods we exchange, and we have made a principle of commerce out of this equal value.

However, if what I am offering you was equal for you in value, or, which comes to the same, in utility, to what you are offering me; and if what you are offering me was equal for me to what I am offering you, we should each of us stay with what we have; and we should not make any exchange. When we make an exchange, then you and I judge that we each receive more than we give, or that we give less for more.

Let us remember the time when Europeans began trading in America, where, for things to which we attach little value, they received other goods to which we attach the greatest value.

Following our line of argument, you will agree that they gave less for more when they gave a knife, a sword, or a mirror for an ingot of silver or gold. But we cannot deny that the American also gave less for more when he gave, for example, an ingot of gold for a knife: because he was giving something to which people attached little value in his country because it was useless, in exchange for something to which they attached value, because it was useful.

So people said that the Americans did not know the price of gold and silver. They spoke as though these metals must have an absolute

value. People did not think that they only possess value in relation to man's uses, and that in consequence they have no value for a tribe that has no use for them.

Inequality of value following the customs and opinions of peoples: that is what has created trade and what supports it; because it is what produces the situation that in exchanges each person has the advantage of giving less for more.

However, because we are not inclined to believe that money can be overplentiful, however much of it one has, we will find it difficult to understand that, when we give money for something we buy, we have the advantage of giving less for more, especially if the good is what we call expensive. So let us see how money can be considered as a necessary good, or as a surplus good.

All your property is in land, and you have produce of all kinds, more than you can consume. It is clear that, in giving up the produce which is surplus to your consumption, you are giving up something which is useless to you; and however little utility you find in what you receive in exchange, you will have given less for more.

I only have rents, and all my income is in money. Now I cannot live off this money, as you can with your produce. On its own it is thus useless to me, and it would always be so if I could not exchange it with you or with someone else. When I hand it over, I therefore abandon something which is useless to me for something I need, and I give less for more. But we find ourselves in very different situations; because in the product of your lands, it is only the produce surplus to your consumption that is useless to you; while in the product of my rents, if I do not manage to exchange it, all is useless to me, since there is nothing for my consumption.

So money, which is useless on its own, because with money alone one could not subsist, only becomes useful because, having been chosen as a common measure of all value, it is accepted as the price of the goods one buys.

Now, the amount of money which I need to supply me with everything necessary for my subsistence is for me the equivalent of the foodstuffs you are obliged to set aside for your subsistence. If I give up that money for things that are useless for my consumption, I should make an unfavourable exchange; I should be giving an essential good for a useless good, I should be giving more for less.

But the money I have left, when I have set aside all that I need for my subsistence, is a surplus for me; just as the produce which you do not need to consume is a surplus for you.

Now, the more confident I am of being able to subsist in accordance with the needs I have created for myself, the less this money surplus is of value for me. So I shall not scrutinise it too closely; and even when I give some of it for frivolities I should like to enjoy, I shall believe I am giving less for more.

It will be the same for you when, after you have made ample provision of products of every kind, nothing can be lacking for your subsistence. Then what you have left is a surplus which you will give happily for a frivolity which seems worthless.

It will follow from this that the value of essential goods will always be estimated more accurately than the value of superfluous goods; and that these values will never be in proportion to each other. The price of essential goods will be very low compared with the price of superfluous goods, because everyone is concerned to estimate them as exactly as possible. In contrast, the price of superfluous goods will be very high compared with the price of necessary goods, because the very people who buy them are not concerned to estimate them with precision. But in the end, at whatever price one buys them, or however dear they appear, the person who purchases them with surplus money is always considered to give less for more.

16. Of the circulation of money

Each year, at appointed times, farmers bring the entire price of their leases into the towns: each market day, they sell some produce, and so they carry back to their village, in small amounts, the sums they have paid the landowners.

In the course of the year, the merchant receives in individual sales the price of the goods he bought wholesale; and the artisan, who bought his raw materials wholesale, sells them retail, when he has worked on them. So it is that day by day sales reimburse in small sums

the large sums which have been used for payments or purchases in gross; and, when this reimbursement has been made, people pay out or buy again with large sums to have themselves reimbursed by new retail sales.

Money is thus constantly moving around, to be collected later as into reservoirs, from which it spreads through a mass of small channels which bring it back into the first reservoirs; whence it spreads out again, and to which it returns again. This continual movement, which collects it to distribute it, and distributes it to gather it up again, is what we call *circulation*.

Do I need to point out that this circulation assumes that, at each movement the money makes, there is an exchange; and that when it moves without causing an exchange, there is no circulation? For example, the money which comes from taxes has gone through many hands before it reaches the Sovereign's treasury. But that is not circulation, that is only transport, and often very costly transport. It is important that, through circulating, money changes itself in some way into all the goods which are needed to support life and strength in the body politic. Thus money from taxation only begins to circulate when the sovereign exchanges it for products or works.

All the money in commerce circulates from the reservoirs to the channels, and from the channels to the reservoirs. If any obstacle holds up this circulation, commerce languishes.

I say *all the money in commerce*, and I do not say all that is in the state. There is always a certain amount which does not circulate at all, for example what one puts aside to have a standby in case of misfortune or to improve one's position someday: such also are the savings of misers, who cut back on their needs.

That money does not circulate at all at present. But it is not very important whether there is more or less in circulation; the main point is that it should circulate freely.

We have seen that money is only a measure of value because it possesses value itself; that if it is scarce, it has greater value; and that it has a smaller value if it is plentiful.

If there is twice the amount of money in commerce, we will give for a good two ounces of this metal instead of one; and if there is half the quantity of money, we will only give half an ounce instead of a whole ounce. In the first case, an owner who would put out his land to farm for fifty ounces, would let it for a hundred; and in the second he would

let it for twenty-five. But with a hundred ounces he will only do what he did with fifty; just as with fifty he will only do what he did with twenty-five. So he would be deceiving himself if he thought himself richer in one of these cases than in the other. His income is always the same, whether the coin is smaller or greater. Whether one counts it at a hundred ounces, or fifty, or twenty-five, nothing is changed; since with these various ways of counting, one can only ever make the same consumption.

So one sees that it is fairly unimportant whether there is plenty of money, and that it would ever be a good thing if there were less. Indeed commerce would be carried on more conveniently. Would it not be dreadfully awkward if silver were as common as iron.

All products come from cultivated land. So one can consider farmers as the first reservoirs of all the money that circulates.

They spread some on the lands for the expenses of cultivation, another part, at different times, is carried bit by bit to the towns, where the farmers buy worked materials which they cannot find in their villages. Finally, a last portion is carried to the towns, in large sums, for the payment of the leases.

The landowners therefore form other reservoirs, from which money spreads among the artisans who work for them; among the merchants from whom they buy, and among the farmers who come to the town to sell their foodstuffs.

The merchant, who plans to make bulk purchases, becomes in his turn a reservoir as he sells his goods; and it is the same with the artisan, who needs to build up a stock in order to be able to supply himself with raw materials.

I agree that the merchant and the artisan can buy on credit, to pay later at different dates. But whether they pay when they buy, or only pay later, they must necessarily keep back a proportion of what they sell each day, if they do not want to fail to meet their undertakings. They therefore have to accumulate.

It would be beneficial for the use of credit to become established, since then a merchant and an artisan, without money, could keep an inventory, the one of merchandise, the other of raw materials; and, consequently, a larger number of actively occupied men would join together in advancing trade. For that to happen good faith must bring confidence. This is especially what happens in republics which have, shall we say, habits of simplicity and frugality.

The merchant and the artisan can do nothing without money, or at least without credit. The same does not hold true of the farmers. If they need the one or the other for the goods they buy in the town, they do not have the same need in providing for the expenses of cultivation; because they can pay all the country-dwellers who work for them with the grain they harvest, with the drinks they make, with the animals they raise. Custom sets the wages they owe, and the foodstuffs they hand over are valued at the market's prices.

So one spends no money in the country, or one spends little; and as one can only earn on the one side what someone spends on the other, it must be the case that those who work for the farmers earn little money, or earn none at all. Money thus circulates less in the countryside than elsewhere.

The consequence is, in the last analysis, that the towns form large reservoirs which money enters and from which it issues by a self-sustaining movement, or one which constantly renews itself.

Let us suppose that half our tribe lives in the town, where we have seen that the landowners consume more than they did in their villages, and where, in consequence, they will consume more than half the product of the land.

To settle our ideas, let us value the produce of all the land at two thousand ounces of silver. On this assumption, since the inhabitants of the town consume more than half of all products, they will need more than a thousand ounces of silver to buy everything necessary for their subsistence. I make the assumption that they need twelve hundred, and I say that if this sum is enough for them, it will be enough to support commerce throughout the tribe. That is, it will pass to the farmers to return to the landowners; and as this cycle will only finish to begin again, it will always be with the same quantity of money that exchanges are made in the town and in the country. From that fact one could speculate that the amount of money that commerce needs depends mainly on the amount of consumption in the towns; or that this amount of money is almost equal to the value of the products that the towns consume.

It is at least certain that it could not be equal in value to the product of all the lands. Indeed, although we have evaluated this product at two thousand ounces of silver, it would not be enough to give our tribe these two thousand ounces to give it a value in silver equal to the product of all its lands. Silver would lose all the more of its value as it became more

available: the two thousand ounces would only be worth twelve hundred. So it is in vain that one would put a larger amount of silver into trade. Whatever this quantity was, it could only ever have a value roughly equal to the value of the products consumed in the towns.

Indeed, as the wealth of the countryside is in products, the wealth of the towns is in silver. Now, if in the towns, where we assume that at the end of each year consumption had been paid for with twelve hundred ounces, we suddenly spread out another eight hundred, it is clear that the silver will lose its value in proportion to its increased plentifulness. So people will pay twenty ounces, or near enough, for what they used to pay twelve; and consequently the two thousand will only have the value of twelve hundred, or near enough. I say *near enough* since these proportions do not fix themselves by exact, geometric calculations.

The amount of silver needed for trade must also vary according to circumstances.

Let us assume that the payment of leases and that of everything on credit takes place once a year; and that to liquidate them, the debtors need a thousand ounces of silver; there would have to be, in relation to these payments, a thousand ounces of silver in circulation.

But if these payments were made half-yearly, half this amount would be enough, because five hundred ounces, paid twice, equal a thousand paid once. One can see that if these payments were made in four equal terms, two hundred and fifty ounces would suffice.

To make the calculation easier I am omitting the small, daily disbursements which are made in ready money. But people will no doubt say that I am establishing nothing precise about the quantity of money in circulation.* I would reply that my sole purpose is to show that internal trade can be conducted, and it is, following the customs of countries, with less money in circulation as with more; and it is not otiose to comment on it, in these days when people imagine that a state is only rich in proportion as it has more money.

Often little money is needed in trade, and credit takes its place. Established in different countries, the traders or dealers send each

* It is estimated that the money which circulates in the states of Europe is in general equal to at least half the product of the land, and at most to two-thirds, *Essai sur la nature du Commerce*, Book 2 Chapter 3 [Cantillon 1755]. I have drawn the basis of this chapter from this work, and several observations of which I have made use in other chapters. It is one of the best works I know on this subject: but I am far from knowing them all.

other goods which command a higher price in the places to which they are carried, and in continuing to sell the goods they stock, each for his own account, they all sell for each other's accounts the goods they have received. By this means they can make an extensive trade without requiring silver to circulate between them. Because in valuing the merchandise entrusted to them, according to the current price, they will only have to pay for whatever some have supplied beyond that; yet again one can meet obligations towards them by sending them other merchandise. So it is that the largest enterprises are often those where silver circulates in the least quantity.

But money is needed for daily expenses: it is needed to pay the wages of artisans who live by work from day to day. It is needed for the small merchants who only buy and sell retail and who need their capital to come back to them continuously.

It is in small channels that circulation takes place more perceptibly and more rapidly. But the faster it is, the more the same pieces of coin pass and pass again frequently through the same hands; and as, in such a case, one coin takes the place of many, it is clear that this smaller trade can carry on with a quantity of coin which gets less as the circulation speeds up. So, in small channels one needs little money because it circulates rapidly; and in large ones even less is needed, as often it hardly circulates at all.

We may conclude that it is impossible to say anything with confidence about the precise amount of money circulating which is, or which should be, in commerce. I might have put it far too high when I supposed it roughly equal to the value of the products which are consumed annually in the towns. Since at the beginning of January each citizen certainly does not have all the money he will need in the course of the year; but because, as he is spending it, he is earning it, one can appreciate that, at the year's end, the same coins have come back many times into the towns, just as they left them a good many times.

The circulation of money would be very slow if one always had to change it at great expense in the distant places where one might need it. Therefore it would matter to be able to make it pass in some way over very great distances. This is what one achieves by means of exchange which we are going to deal with.