

**ON THE CAUSES AND
CONSEQUENCES OF THE PRESENT
MONETARY CRISIS: OR, THE FIRST
PRINCIPLES OF POLITICAL ECONOMY
APPLIED TO THE GOLD SUPPLIES**

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On the causes and consequences of the present monetary crisis: or, The first principles of
Political Economy Applied to the Gold Supplies by Anonymous

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ANONYMOUS

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PREFACE.

THE writer of the following remarks cannot plead youth or inexperience in extenuation of error. He took some part in the discussion which followed the publication of the memorable Report of the Bullion Committee in 1810, and was well acquainted with Mr. Ricardo and Mr. Huskisson. For many years he was Private Secretary to the Finance Secretary of the Treasury, and subsequently Secretary to the Parliamentary Commission of Inquiry into the Revenue of the United Kingdom, of which Mr. (afterwards Lord) Wallace was Chairman, and the late Sir Frankland Lewis an active member. On leaving this Commission he was one of two who had the direction of the Commissariat Department, then under the Treasury. He took peculiar interest in the arrangements connected with the supply of

money to the military chests, and in the measures necessary to introduce the English currency into the Colonies. He was, in fact, the first who pointed out the mistake in the valuation of the dollar, which for so many years prevented the success of that important measure. On the reduction in the Commissariat Department he retired, and became a Director of one of the largest Country Banks in England, taking the management of the London department. The subject of finance, currency, and banks has, therefore, been familiar to him for nearly half a century.

The present work, he is quite aware, contains rather general principles and results than the process of reasoning and the details by which they were arrived at; to have gone at length into the subject would have required volumes, which he has neither leisure nor inclination to write.

The greater part of what he has now printed was written in May, 1854, and, he believes, read by some of his friends; but he made no converts, and therefore withheld the publication until the symp-

toms of that reaction which he thinks inevitable had become decided.

Whilst *apparent* prosperity continues, very few are disposed even to read, much less to weigh and consider, opinions entirely in opposition to the popular mode of thinking and writing. That the writer's conclusions are correct he fears painful experience will prove. He can, however, with great truth say, that he is prepared to rejoice as much as any man should it be found that he is entirely and altogether mistaken.

18th May, 1857.

The reaction which the writer anticipated having become decided in America, he thinks it desirable to publish what he has written. Two or three notes have been added, taken from the evidence given before the Committee of the House of Commons on the Bank Acts, recently published.

10th October, 1857.

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ON THE
CAUSES AND CONSEQUENCES OF THE
PRESENT MONETARY CRISIS.

CHAPTER I.

INTRODUCTION.—FIRST PRINCIPLES.

If the principles of political economy, as now generally received, were correct, would they not have enabled us to predict, with some degree of certainty, the consequences of the vast influx of gold which has been going on for seven years, as well as to explain the cause of the high rate of interest on money, which has prevailed both in time of war and peace, for nearly half that period?

To discuss these two subjects in any moderate space it will be necessary to throw aside a great many collateral arguments, and to take for granted many disputed points. An appeal must be made from the usually received views of political econo-

mists to the first principles of the science, and to the plain common sense of mankind. Not that we are disposed to think lightly of political economy; on the contrary, we are amongst its warmest admirers, and especially do we venerate its admirable founder, Adam Smith. We do not forget, however, that he printed his great work in 1775. Since that time we have had the French Revolution and its assignats, the Bank Restriction Act and its working, and we have now the gold discoveries and their produce: events which have at least added to our experience, if not to our knowledge.

At the time Adam Smith wrote, and for many years afterwards, it is well known that the truths he so ably put forth were entirely disregarded; they made their way very slowly, and it was not until after the peace of 1815 that they obtained distinct and extensive legislative action.

On the question of labour, the foundation-stone of his great work, he thus expresses himself:—

“Labour, therefore, is the real measure of the exchangeable value of all commodities. The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What everything is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people. What is bought with money or with goods is purchased with labour

as much as what we acquire by the toil of our own body. That money, or those goods, indeed save us that toil. They contain the value of a certain quantity of labour, which exchange for what is supposed at the time to contain the value of a certain quantity. Labour was the first price, the original purchase-money that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased, and its value, to those who possess it and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command."

Whilst the fundamental truth thus so well expressed has been universally acknowledged, no writer in modern times has attempted to push it to its legitimate consequences.

In Adam Smith's own efforts to show how largely the productive powers of labour were increased by the division of labour, it is generally admitted that he overstated the case. But since 1775 machinery, steam, and the other discoveries of science, have done so much for the productive powers of labour, that the mere division of labour, as a means of adding to its productive power, has been thrown entirely into the shade. Even the article of pins, to which Adam Smith refers, as showing the vast advantage of this division, may now be quoted to show the far greater advantages of machinery.

The enormous increase in this productive power