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W. STANLEY JEVONS

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MONEY AND THE MECHANISM OF EXCHANGE.

BY

W. STANLEY JEVONS, M.A., F.R.S.,

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PREFACE.

In preparing this volume, I have attempted to write a descriptive essay on the past and present monetary systems of the world, the materials employed to make money, the regulations under which the coins are struck and issued, the natural laws which govern their circulation, the several modes in which they may be replaced by the use of paper documents, and finally, the method in which the use of money is immensely economized by the cheque and clearing system now being extended and perfected.

This is not a book upon the currency question, as that question is so often discussed in England. I have only a little to say about the Bank Charter Act, and upon that, and other mysteries of the money market, I refer my readers to the admirable essay of Mr. Bagehot

on "Lombard Street," to which this book may perhaps serve as an introduction.

There is much to be learnt about money before entering upon those abstruse questions, which barely admit of decided answers. In studying a language, we begin with the grammar before we try to read or write. In mathematics, we practice ourselves in simple arithmetic before we proceed to the subtleties of algebra and the differential calculus. But it is the grave misfortune of the moral and political sciences, as well shown by Mr. Herbert Spencer, in his "Study of Sociology," that they are continually discussed by those who have never laboured at the elementary grammar or the simple arithmetic of the subject. Hence the extraordinary schemes and fallacies every now and then put forth.

Currency is to the science of economy what the squaring of the circle is to geometry, or perpetual motion to mechanics. If there were a writer on Currency possessing some of the humour and learning of the late Professor De Morgan, he could easily produce a Budget of Currency Paradoxes more than rivalling De Morgan's Circle-Squaring Paradoxes. There are men who spend their time and fortunes in endeavouring to convince a dull world that poverty can be abolished by the issue of

printed bits of paper. I know one gentleman who holds that exchequer bills are the panacea for the evils of humanity. Other philanthropists wish to make us all rich by coining the national debt, or coining the lands of the country, or coining everything. Another class of persons have long been indignant that, in this age of free trade, the Mint price of gold should still remain arbitrarily fixed by statute. A member of Parliament lately discovered a new grievance, and made his reputation by agitating against the oppressive restrictions on the coinage of silver at the Mint. No wonder so many people are paupers when there is a deficiency of shillings and sixpences, and when the amount merely of the rates and taxes paid in a year exceeds the whole sum of money circulating in the kingdom.

The subject of money as a whole is a very extensive one, and the literature of it would fill a very great library. Many changes are now taking place in the currencies of the world, and important inquiries have been lately instituted concerning the best mode of constituting the circulating medium. The information on the subject stored up in evidence given before Government Commissions, in reports of International Conferences, or in researches and writings of private individuals, is quite appalling in extent. It has been my purpose to

extract from this mass of literature just such facts as seem to be generally interesting and useful in enabling the public to come to some conclusion upon many currency questions which press for solution. Shall we count in pounds, or dollars, or francs, or marks? Shall we have gold or silver, or gold *and* silver, as the measure of value? Shall we employ a paper currency or a metallic one? How long shall we in England allow our gold coinage to degenerate in weight? Shall we recoin it at the expense of the State or of the unlucky individuals who happen to hold light sovereigns?

In America the questions are still more important and pressing, involving the return to specie payments, the future regulation of the paper currency, its partial replacement by coin, and the exact size and character of the American dollar, regarded in relation to international currency. Germany is in the midst of a great, and probably a sound and successful, reorganization of the currency, both metallic and paper. In France the great debate upon the double *versus* the single standard is hardly yet terminated, and active measures are being taken to place the paper issues on a convertible basis. Among the other countries of Europe—Italy, Austria, Holland, Belgium, Switzerland, the Scandinavian kingdoms and Russia—there is hardly one which is not at