

Book XXII. Of Laws in Relation to the Use of Money

1. The Reason of the Use of Money. People who have little merchandise, as savages, and among civilised nations those who have only two or three species, trade by exchange. Thus the caravans of Moors that go to Timbuctoo, in the heart of Africa, have no need of money, for they exchange their salt for gold. The Moor puts his salt in a heap, and the Negro his dust in another; if there is not gold enough, the Moor takes away some of his salt, or the Negro adds more gold, till both parties are agreed.

But when a nation traffics with a great variety of merchandise, money becomes necessary; because a metal easily carried from place to place saves the great expenses which people would be obliged to be at if they always proceeded by exchange.

As all nations have reciprocal wants, it frequently happens that one is desirous of a large quantity of the other's merchandise, when the latter will have very little of theirs, though with respect to another nation the case is directly opposite. But when nations have money, and proceed by buying and selling, those who take most merchandise pay the balance in specie. And there is this difference, that, in the case of buying, the trade carried on is in proportion to the wants of the nation that has the greatest demands; while in bartering, the trade is only according to the wants of the nation whose demands are the fewest; without which the latter would be under an impossibility of balancing its accounts.

2. Of the Nature of Money. Money is a sign which represents the value of all merchandise. Metal is taken for this sign, as being durable, [1] because it is consumed but little by use; and because, without being destroyed, it is capable of many divisions. A precious metal has been chosen as a sign, as being most portable. A metal is most proper for a common measure, because it can be easily reduced to the same standard.

Every state fixes upon it a particular impression, to the end that the form may correspond with the standard and the weight, and that both may be known by inspection only. The Athenians, not having the use of metals, made use of oxen,[2] and the Romans of sheep; but one ox is not the same as another ox in the manner that one piece of metal may be the same as another.

A specie is the sign of the value of merchandise, paper is the sign of the value of specie; and when it is of the right sort, it represents this value in such a manner that as to the effects produced by it there is not the least difference.

In the same manner, as money is the sign and representative of a thing, everything is a sign and representative of money; and the state is in a prosperous condition when on the one hand money perfectly represents all things, and on the other all things perfectly represent money, and are reciprocally the sign of each other; that is, when they have such a relative value that we may have the one as soon as we have the other. This never happens in any other than a moderate government, nor does it always happen there; for example, if the laws favour the dishonest debtor, his effects are no longer a representative or sign of money. With regard to a despotic government, it would be a prodigy did things there represent their sign. Tyranny and distrust make every one bury their specie;[3] things therefore are not there the representative of money.

Legislators have sometimes had the art not only to make things in their own nature the representative of specie, but to convert them even into specie, like the current coin. Cæsar, when he was dictator, permitted debtors to give their lands in payment to their creditors, at the price they were worth before the civil war.[4] Tiberius ordered that those who desired specie should have it from the public treasury on binding over their land to double the value[5] Under Cæsar the lands were the money which paid all debts; under Tiberius ten thousand sesterces in land

became as current money equal to five thousand sesterces in silver. The Magna Charta of England provides against the seizing of the lands or revenues of a debtor, when his movable or personal goods are sufficient to pay, and he is willing to give them up to his creditors; thus all the goods of an Englishman represent money.

The laws of the Germans constituted money a satisfaction for the injuries that were committed, and for the sufferings due to guilt. But as there was but very little specie in the country, they again constituted this money to be paid in goods or chattels. This we find appointed in a Saxon law, with certain regulations suitable to the ease and convenience of the several ranks of people. At first the law declared the value of a sou in cattle; [6] the sou of two tremises answered to an ox of twelve months, or to a ewe with her lamb; that of three tremises was worth an ox of sixteen months. With these people money became cattle, goods, and merchandise, and these again became money.

Money is not only a sign of things; it is also a sign and representative of money, as we shall see in the chapter on exchange.

3. Of ideal Money. There is both real and ideal money. Civilised nations generally make use of ideal money only, because they have converted their real money into ideal. At first their real money was some metal of a certain weight and standard, but soon dishonesty or want made them retrench a part of the metal from every piece of money, to which they left the same name; for example, from a livre at a pound weight they took half the silver, and still continued to call it a livre; the piece which was the twentieth part of a pound of silver they continued to call a sou, though it is no more the twentieth part of this pound of silver. By this method the livre is an ideal livre, and the sou an ideal sou. Thus of the other subdivisions; and so far may this be carried that what we call a livre shall be only a small part of the original livre or pound, which renders it still more ideal. It may even happen that we

have no piece of money of the precise value of a livre, nor any piece exactly with a sou, then the livre and the sou will be purely ideal. They may give to any piece of money the denomination of as many livres and as many sous as they please, the variation may be continual, because it is as easy to give another name to a thing as it is difficult to change the thing itself.

To take away the source of this abuse, it would be an excellent law for all countries who are desirous of making commerce flourish to ordain that none but real money should be current, and to prevent any methods from being taken to render it ideal.

Nothing ought to be so exempt from variation as that which is the common measure of all. Trade is in its own nature extremely uncertain; and it is a great evil to add a new uncertainty to that which is founded on the nature of the thing.

4. Of the Quantity of Gold and Silver. While civilised nations are the mistresses of the world, gold and silver, whether they draw it from among themselves, or fetch it from the mines, must increase every day. On the contrary, it diminishes when barbarous nations prevail. We know how great was the scarcity of these metals when the Goths and Vandals on the one side, and on the other the Saracens and Tartars, broke in like a torrent on the civilised world.

5. The same Subject continued. The bullion drawn from the American mines, imported into Europe, and thence sent to the East, has greatly promoted the navigation of the European nations; for it is merchandise which Europe receives in exchange from America, and which she sends in exchange to the Indies. A prodigious quantity of gold and silver is therefore an advantage, when we consider these metals as merchandise; but it is otherwise when we consider them as a sign, because their abundance gives an alloy to their quality as a sign, which is chiefly founded on their scarcity.

Before the first Punic war, [7] copper was to silver as 960 to 1; [8] it is at present nearly as 731/2 to 1. When the proportion shall be as it was formerly, silver will better perform its office as a sign.

6. The Reason why Interest was lowered one-half after the Conquest of the Indies. Garcilasso informs us [9] that in Spain after the conquest of the Indies the interest, which was at ten per cent, fell to five. This was a necessary consequence. A great quantity of specie being all of a sudden brought into Europe, much fewer persons had need of money. The price of all things increased, while the value of money diminished; the proportion was then broken, and all the old debts were discharged. We may recollect the time of the System, [10] when everything was at a high price except specie. Those who had money after the conquest of the Indies were obliged to lower the price or hire of their merchandise, that is, in other words, their interest.

From this time they were unable to bring interest to its ancient standard, because the quantity of specie brought to Europe has been annually increasing. Besides, as the public funds of some states, founded on riches procured by commerce, gave but a very small interest, it became necessary for the contracts of individuals to be regulated by these. In short, the course of exchange having rendered the conveying of specie from one country to another remarkably easy, money cannot be scarce in a place where they may be so readily supplied with it by those who have it in plenty.

7. How the Price of Things is fixed in the Variation of the Sign of Riches. Money is the price of merchandise or manufactures. But how shall we fix this price? or, in other words, by what piece of money is everything to be represented?

If we compare the mass of gold and silver in the whole world with the quantity of merchandise therein contained, it is certain that every commodity or merchandise in particular may be compared to a certain

portion of the entire mass of gold and silver. As the total of the one is to the total of the other, so part of the one will be to part of the other. Let us suppose that there is only one commodity or merchandise in the world, or only one to be purchased, and that this is divisible like money; a part of this merchandise will answer to a part of the mass of gold and silver; the half of the total of the one to the half of the total of the other; the tenth, the hundredth, the thousandth part of the one, to the tenth, the hundredth, the thousandth part of the other. But as that which constitutes property among mankind is not all at once in trade, and as the metals or money which are the sign of property are not all in trade at the same time, the price is fixed in the compound ratio of the total of things with the total of signs, and that of the total of things in trade with the total of signs in trade also; and as the things which are not in trade to-day may be in trade to-morrow, and the signs not now in trade may enter into trade at the same time, the establishment of the price of things fundamentally depends on the proportion of the total of things to the total of signs.

Thus the prince or the magistrate can no more ascertain the value of merchandise than he can establish by a decree that the relation 1 has to 10 is equal to that of 1 to 20. Julian's lowering the price of provisions at Antioch was the cause of a most terrible famine.[11]

8. The same Subject continued. The Negroes on the coast of Africa have a sign of value without money. It is a sign merely ideal, founded on the degree of esteem which they fix in their minds for all merchandise, in proportion to the need they have of it. A certain commodity or merchandise is worth three ma-coutes; another, six macoutes; another, ten macoutes; that is, as if they said simply three, six, and ten. The price is formed by a comparison of all merchandise with each other. They have therefore no particular money; but each kind of merchandise is money to the other.

Let us for a moment transfer to ourselves this manner of valuing things,

and join it with ours: all the merchandise and goods in the world, or else all the merchandise or manufactures of a state, particularly considered as separate from all others, would be worth a certain number of macoutes; and, dividing the money of this state into as many parts as there are macoutes, one part of this division of money will be the sign of a macoute.

If we suppose the quantity of specie in a state doubled, it will be necessary to double the specie in the macoute; but if in doubling the specie you double also the macoute, the proportion will remain the same as before the doubling of either.

If, since the discovery of the Indies, gold and silver have increased in Europe in the proportion of 1 to 20, the price of provisions and merchandise must have been enhanced in the proportion of 1 to 20. But if, on the other hand, the quantity of merchandise has increased as 1 to 2 -- it necessarily follows that the price of this merchandise and provisions, having been raised in proportion of 1 to 20, and fallen in proportion of 1 to 2 -- it necessarily follows, I say, that the proportion is only as 1 to 10.

The quantity of goods and merchandise increases by an augmentation of commerce, the augmentation of commerce by an augmentation of the specie which successively arrives, and by new communications with freshly-discovered countries and seas, which furnish us with new commodities and new merchandise.

9. Of the relative Scarcity of Gold and Silver. Besides the positive plenty and scarcity of gold and silver, there is still a relative abundance and a relative scarcity of one of these metals compared with the other.

The avaricious hoard up their gold and silver, for as they do not care to spend, they are fond of signs that are not subject to decay. They

prefer gold to silver, because as they are always afraid of losing, they can best conceal that which takes up the least room. Gold therefore disappears when there is plenty of silver, by reason that every one has some to conceal; it appears again when silver is scarce, because they are obliged to draw it from its confinement.

It is then a rule that gold is common when silver is scarce, and gold is scarce when silver is common. This lets us see the difference between their relative and their real abundance and scarcity, of which I shall presently speak more at large.

10. Of Exchange. The relative abundance and scarcity of specie in different countries forms what is called the course of exchange.

Exchange is a fixing of the actual and momentary value of money.

Silver as a metal has value like all other merchandise, and an additional value as it is capable of becoming the sign of other merchandise. If it were no more than mere merchandise, it would lose much of its value.

Silver, as money, has a value, which the prince in some respects can fix, and in others cannot.

1. The prince establishes a proportion between a quantity of silver as metal, and the same quantity as money, 2. He fixes the proportion between the several metals made use of as money. 3. He establishes the weight and standard of every piece of money. In fine, 4, he gives to every piece that ideal value of which I have spoken. I shall call the value of money in these four respects its positive value, because it may be fixed by law.

The coin of every state has, besides this, a relative value, as it is compared with the money of other countries. This relative value is

established by the exchange, and greatly depends on its positive value. It is fixed by the general opinion of the merchants, never by the decrees of the prince; because it is subject to incessant variations, and depends on a thousand accidents.

The several nations, in fixing this relative value, are chiefly guided by that which has the greatest quantity of specie. If she has as much specie as all the others together, it is then most proper for the others to regulate theirs by her standard: and the regulation between all the others will pretty nearly agree with the regulation made with this principal nation.

In the actual state of the globe, Holland is the nation we are speaking of. Let us examine the course of exchange with relation to her.

They have in Holland a piece of money called a florin, worth twenty sous, or forty half-sous or gros. But, to render our ideas as simple as possible, let us imagine that they have not any such piece of money in Holland as a florin, and that they have no other but the gros: a man who should have a thousand florins should have forty thousand gros; and so of the rest. Now the exchange with Holland is determined by our knowing how many gros every piece of money in other countries is worth; and as the French commonly reckon by a crown of three livres, the exchange makes it necessary for them to know how many gros are contained in a crown of three livres. If the course of exchange is at fifty-four, a crown of three livres will be worth fifty-four gros; if it is at sixty, it will be worth sixty gros. If silver is scarce in France, a crown of three livres will be worth more gros; if plentiful, it will be worth less.

This scarcity or plenty, whence results the mutability of the course of exchange, is not the real, but a relative, scarcity or plenty. For example, when France has greater occasion for funds in Holland than the Dutch of having funds in France, specie is said to be common in France

and scarce in Holland: and vice versa.

Let us suppose that the course of exchange with Holland is at fifty-four. If France and Holland composed only one city, they would act as we do when we give change for a crown: the Frenchman would take three livres out of his pocket, and the Dutchman fifty-four gros from his. But as there is some distance between Paris and Amsterdam, it is necessary that he who for a crown of three livres gives me fifty-four gros, which he has in Holland, should give me a bill of exchange for fifty-four gros payable in Holland. The fifty-four gros is not the thing in question, but a bill for that sum. Thus, in order to judge of the scarcity or plenty of specie, [12] we must know if there are in France more bills of fifty-four gros drawn upon Holland than there are crowns drawn upon France. If there are more bills from Holland than there are from France, specie is scarce in France, and common in Holland; it then becomes necessary that the exchange should rise, and that they give for my crown more than fifty-four gros; otherwise I will not part with it; and vice versa.

Thus the various turns in the course of exchange form an account of debtor and creditor, which must be frequently settled, and which the state in debt can no more discharge by exchange than an individual can pay a debt by giving change for a piece of silver.

We will suppose that there are but three states in the world, France, Spain, and Holland; that several individuals in Spain are indebted to France, to the value of one hundred thousand marks of silver; and that several individuals of France owe in Spain one hundred and ten thousand marks: now, if some circumstance both in Spain and France should cause each to withdraw his specie, what will then be the course of exchange? These two nations will reciprocally acquit each other of a hundred thousand marks; but France will still owe ten thousand marks in Spain, and the Spaniards will still have bills upon France, to the value of ten thousand marks; while France will have none at all upon Spain.

But if Holland was in a contrary situation with respect to France, and in order to balance the account must pay her ten thousand marks, the French would have two ways of paying the Spaniards: either by giving their creditors in Spain bills for ten thousand marks upon their debtors in Holland, or else by sending specie to the value of ten thousand marks to Spain.

Hence it follows that when a state has occasion to remit a sum of money to another country, it is indifferent, in the nature of the thing, whether specie be conveyed thither or they take bills of exchange. The advantage or disadvantage of these two methods solely depends on actual circumstances. We must inquire which will yield most gros in Holland-money carried thither in specie, or a bill upon Holland for the like sum.[13]

When money of the same standard and weight in France yields money of the same standard and weight in Holland, we say that the exchange is at par. In the actual state of specie[14] the par is nearly at fifty-four gros to the crown. When the exchange is above fifty-four gros, we say it is high; when beneath, we say it is low.

In order to know the loss and gain of a state in a particular situation of exchange, it must be considered as debtor and creditor, as buyer and seller. When the exchange is below par, it loses as a debtor, and gains as a creditor; it loses as a buyer and gains as a seller. It is obvious it loses as debtor; suppose, for example, France owes Holland a certain number of gros, the fewer gros there are in a crown the more crowns she has to pay. On the contrary, if France is creditor for a certain number of gros, the less number of gros there are in a crown the more crowns she will receive. The state loses also as buyer, for there must be the same number of gros to purchase the same quantity of merchandise; and while the exchange is low, every French crown is worth fewer gros. For the same reason the state gains as a seller. I sell my merchandise in Holland for a certain number of gros; I receive then more crowns in

France, when for every fifty gros I receive a crown, than I should do if I received only the same crown for every fifty-four. The contrary to this takes place in the other state. If the Dutch are indebted a certain number of crowns to France, they will gain; if this money is owing to them, they will lose; if they sell, they lose; and if they buy, they gain.

It is proper to pursue this somewhat further. When the exchange is below par; for example, if it be at fifty instead of fifty-four, it should follow that France, on sending bills of exchange to Holland for fifty-four thousand crowns, could buy merchandise only to the value of fifty thousand; and that on the other hand, the Dutch sending the value of fifty thousands crowns to France might buy fifty-four thousand, which makes a difference of $\frac{8}{54}$, that is, a loss to France of more than one-seventh; so that France would be obliged to send to Holland one-seventh more in specie or merchandise than she would do were the exchange at par. And as the mischief must constantly increase, because a debt of this kind would bring the exchange still lower, France would in the end be ruined. It seems, I say, as if this should certainly follow; and yet it does not, because of the principle which I have elsewhere established; [15] which is that states constantly lean towards a balance, in order to preserve their independency. Thus they borrow only in proportion to their ability to pay, and measure their buying by what they sell; and taking the example from above, if the exchange falls in France from fifty-four to fifty, the Dutch who buy merchandise in France to the value of a thousand crowns, for which they used to pay fifty-four thousand gros, would now pay only fifty thousand, if the French would consent to it. But the merchandise of France will rise insensibly, and the profit will be shared between the French and the Dutch; for when a merchant can gain, he easily shares his profit; there arises then a communication of profit between the French and the Dutch. In the same manner the French, who bought merchandise of Holland for fifty-four thousand gros, and who, when the exchange was at fifty-four, paid for them a thousand crowns, will be obliged to add one-seventh more in

French crowns to buy the same merchandise. But the French merchant, being sensible of the loss he suffers, will take up less of the merchandise of Holland. The French and the Dutch merchant will then both be losers, the state will insensibly fall into a balance, and the lowering of the exchange will not be attended with all those inconveniences which we had reason to fear.

A merchant may send his stock into a foreign country when the exchange is below par without injuring his fortune, because, when it returns, he recovers what he had lost; but a prince who sends only specie into a foreign country which never can return, is always a loser.

When the merchants have great dealings in any country, the exchange there infallibly rises. This proceeds from their entering into many engagements, buying great quantities of merchandise, and drawing upon foreign countries to pay for them.

A prince may amass great wealth in his dominions, and yet specie may be really scarce, and relatively common; for instance, if the state is indebted for much merchandise to a foreign country, the exchange will be low, though specie be scarce.

The exchange of all places constantly tends to a certain proportion, and that in the very nature of things. If the course of exchange from Ireland to England is below par, and that of England to Holland is also under par, that of Ireland to Holland will be still lower; that is, in the compound ratio of that of Ireland to England, and that of England to Holland; for a Dutch merchant who can have his specie indirectly from Ireland, by way of England, will not choose to pay dearer by having it in the direct way. This, I say, ought naturally to be the case; but, however, it is not exactly so. There are always circumstances which vary these things; and the different profit of drawing by one place, or of drawing by another, constitutes the particular art and dexterity of the bankers, which does not belong to the present subject.

When a state raises its specie, for instance, when it gives the name of six livres, or two crowns, to what was before called three livres, or one crown, this new denomination, which adds nothing real to the crown, ought not to procure a single gros more by the exchange. We ought only to have for the two new crowns the same number of gros which we before received for the old one. If this does not happen, it must not be imputed as an effect of the regulation itself, but to the novelty and suddenness of the affair. The exchange adheres to what is already established, and is not altered till after a certain time.

When a state, instead of only raising the specie by a law, calls it in, in order to diminish its size, it frequently happens that during the time taken up in passing again through the mint there are two kinds of money -- the large, which is the old, and the small, which is the new; and as the large is cried down as not to be received as money, and bills of exchange must consequently be paid in the new, one would imagine then that the exchange should be regulated by the new. If, for example, in France, the ancient crown of three livres, being worth in Holland sixty gros, was reduced one-half, the new crown ought to be valued only at thirty. On the other hand, it seems as if the exchange ought to be regulated by the old coin; because the banker who has specie, and receives bills, is obliged to carry the old coin to the mint in order to change it for the new, by which he must be a loser. The exchange then ought to be fixed between the value of the old coin and that of the new. The value of the old is decreased, if we may call it so, both because there is already some of the new in trade, and because the bankers cannot keep up to the rigour of the law, having an interest in letting loose the old coin from their chests, and being sometimes obliged to make payments with it. Again, the value of the new specie must rise, because the banker having this finds himself in a situation in which, as we shall immediately prove, he will reap great advantage by procuring the old. The exchange should then be fixed, as I have already said, between the new and the old coin. For then the bankers find it to their interest to send the old out of the kingdom, because by this method they

procure the same advantage as they could receive from a regular exchange of the old specie, that is, a great many gros in Holland; and in return, a regular exchange a little lower, between the old and the new specie, which would bring many crowns to France.

Suppose that three livres of the old coin yield by the actual exchange forty-five gros, and that by sending this same crown to Holland they receive sixty, but with a bill of forty-five gros, they procure a crown of three livres in France, which being sent in the old specie to Holland, still yields sixty gros; thus all the old specie would be sent out of the kingdom, and the bankers would run away with the whole profit.

To remedy this, new measures must be taken. The state which coined the new specie would itself be obliged to send great quantities of the old to the nation which regulates the exchange, and, by thus gaining credit there, raise the exchange pretty nearly to as many gros for a crown of three livres out of the country. I say to nearly the same, for while the profits are small the bankers will not be tempted to send it abroad, because of the expense of carriage and the danger of confiscation.

It is fit that we should give a very clear idea of this. Mr. Bernard, or any other banker employed by the state, proposes bills upon Holland, and gives them at one, two, or three gros higher than the actual exchange; he has made a provision in a foreign country, by means of the old specie, which he has continually been sending thither; and thus he has raised the exchange to the point we have just mentioned. In the meantime, by disposing of his bills, he seizes on all the new specie, and obliges the other bankers, who have payments to make, to carry their old specie to the mint; and, as he insensibly obtains all the specie, he obliges the other bankers to give him bills of exchange at a very high price. By this means his profit in the end compensates in a great measure for the loss he suffered at the beginning.

It is evident that during these transactions, the state must be in a dangerous crisis. Specie must become extremely scarce -- 1, because much the greatest part is cried down; 2, because a part will be sent into foreign countries; 3, because every one will lay it up, as not being willing to give that profit to the prince which he hopes to receive himself. It is dangerous to do it slowly; and dangerous also to do it in too much haste. If the supposed gain be immoderate, the inconveniences increase in proportion.

We see, from what has been already said, that when the exchange is lower than the specie, a profit may be made by sending it abroad; for the same reason, when it is higher than the specie, there is profit in causing it to return.

But there is a case in which profit may be made by sending the specie out of the kingdom, when the exchange is at par; that is, by sending it into a foreign country to be coined over again. When it returns, an advantage may be made of it, whether it be circulated in the country or paid for foreign bills.

If a company has been erected in a state with an immense number of shares, and these shares have in a few months risen twenty or twenty-five times above the original purchase value; if, again, the same state established a bank, whose bills were to perform the office of money, while the legal value of these bills was prodigious, in order to answer to the legal value of the shares (this is Mr. Law's System), it would follow, from the nature of things, that these shares and these bills would vanish in the same manner as they arose. Stocks cannot suddenly be raised twenty or twenty-five times above their original value without giving a number of people the means of procuring immense riches in paper: every one would endeavour to make his fortune; and as the exchange offers the most easy way of removing it from home, or conveying it whither one pleases, people would incessantly remit a part of their effects to the nation that regulates the exchange. A continual

process of remittances into a foreign country must lower the exchange. Let us suppose that at the time of the System, in proportion to the standard and weight of the silver coin, the exchange was fixed at forty gros to the crown; when a vast quantity of paper became money, they were unwilling to give more than thirty-nine gros for a crown, and afterwards thirty-eight, thirty-seven, &c. This proceeded so far, that after a while they would give but eight gros, and at last there was no exchange at all.

The exchange ought in this case to have regulated the proportion between the specie and the paper of France. I suppose that, by the weight and standard of the silver, the crown of three livres in silver was worth forty gros, and that the exchange being made in paper, the crown of three livres in paper was worth only eight gros, the difference was four-fifths. The crown of three livres in paper was then worth four-fifths less than the crown of three livres in silver.

11. Of the Proceedings of the Romans with respect to Money. How great soever the exertion of authority had been in our times, with respect to the specie of France, during the administration of two successive ministers, still it was vastly exceeded by the Romans; not at the time when corruption had crept into their republic, nor when they were in a state of anarchy, but when they were as much by their wisdom as their courage in the full vigour of the constitution, after having conquered the cities of Italy, and at the very time that they disputed for empire with the Carthaginians.

And here I am pleased that I have an opportunity of examining more closely into this matter, that no example may be taken from what can never justly be called one.

In the first Punic war the as, [16] which ought to be twelve ounces of copper, weighed only two, and in the second it was no more than one. This retrenchment answers to what we now call the raising of coin. To

take half the silver from a crown of six livres, in order to make two crowns, or to raise it to the value of twelve livres, is precisely the same thing.

They have left us no monument of the manner in which the Romans conducted this affair in the first Punic war; but what they did in the second is a proof of the most consummate wisdom. The republic found herself under an impossibility of paying her debts: the as weighed two ounces of copper, and the denarius, valued at ten ases, weighed twenty ounces of copper. The republic, being willing to gain half on her creditors, made the as of an ounce of copper, [17] and by this means paid the value of a denarius with ten ounces. This proceeding must have given a great shock to the state; they were obliged therefore to break the force of it as well as they could. It was in itself unjust, and it was necessary to render it as little so as possible. They had in view the deliverance of the republic with respect to the citizens; they were not therefore obliged to direct their view to the deliverance of the citizens with respect to each other. This made a second step necessary. It was ordained that the denarius, which hitherto contained but ten ases, should contain sixteen. The result of this double operation was, that while the creditors of the republic lost one-half, [18] those of individuals lost only a fifth; [19] the price of merchandise was increased only a fifth; the real change of the money was only a fifth. The other consequences are obvious.

The Romans then conducted themselves with greater prudence than we, who in our transactions involved both the public treasure and the fortunes of individuals. But this is not all: their business was carried on amidst more favourable circumstances than ours.

12. The Circumstances in which the Romans changed the Value of the Specie. There was formerly very little gold and silver in Italy. This country has few or no mines of gold or silver. When Rome was taken by the Gauls, they found only a thousand-weight of gold [20] And yet the

Romans had sacked many powerful cities, and brought home their wealth. For a long time they made use of none but copper money; and it was not till after the peace with Pyrrhus that they had silver enough to coin money:[21] they made denarii of this metal of the value of ten ases,[22] or ten pounds of copper. At that time the proportion of silver was to that of copper as 1 to 960. For as the Roman denarius was valued at ten ases, or ten pounds of copper, it was worth one hundred and twenty ounces of copper; and as the same denarius was valued only at one-eighth of an ounce of silver,[23] this produced the above proportion.

When Rome became mistress of that part of Italy which is nearest to Greece and Sicily, by degrees she found herself between two rich nations -- the Greeks and the Carthaginians. Silver increased at Rome; and as the proportion of 1 to 960 between silver and copper could be no longer supported, she made several regulations with respect to money, which to us are unknown. However, at the beginning of the second Punic war, the Roman denarius was worth no more than twenty ounces of copper;[24] and thus the proportion between silver and copper was no longer but as 1 to 160. The reduction was very considerable, since the republic gained five-sixths upon all copper money. But she did only what was necessary in the nature of things, by establishing the proportion between the metals made use of as money.

The peace which terminated the first Punic war left the Romans masters of Sicily. They soon entered Sardinia; afterwards they began to know Spain; and thus the quantity of silver increased at Rome. They took measures to reduce the denarius from twenty ounces to sixteen,[25] which had the effect of putting a nearer proportion between the silver and copper; thus the proportion, which was before as 1 to 160, was now made as 1 to 128.

If we examine into the conduct of the Romans, we shall never find them so great as in choosing a proper conjuncture for performing any extraordinary operation.

13. Proceedings with respect to Money in the Time of the Emperors. In the changes made in the specie during the time of the republic, they proceeded by diminishing it: in its wants, the state entrusted the knowledge to the people, and did not pretend to deceive them. Under the emperors, they proceeded by way of alloy. These princes, reduced to despair even by their liberalities, found themselves obliged to degrade the specie; an indirect method, which diminished the evil without seeming to touch it. They withheld a part of the gift and yet concealed the hand that did it; and, without speaking of the diminution of the pay, or of the gratuity, it was found diminished.

We even still see in cabinets a kind of medals which are called plated, and are only pieces of copper covered with a thin plate of silver.[26] This money is mentioned in a fragment of the 77th book of Dio.[27]

Didius Julian first began to debase it. We find that the coin of Caracalla[28] had an alloy of more than half; that of Alexander Severus of two-thirds;[29] the debasing still increased, till in the time of Gallienus nothing was to be seen but copper silvered over.[30]

It is evident that such violent proceedings could not take place in the present age; a prince might deceive himself, but he could deceive nobody else. The exchange has taught the banker to draw a comparison between all the money in the world, and to establish its just value. The standard of money can be no longer a secret. Were the prince to begin to alloy his silver, everybody else would continue it, and do it for him; the specie of the true standard would go abroad first, and nothing would be sent back but base metal. If, like the Roman Emperors, he debased the silver without debasing the gold, the gold would suddenly disappear, and he would be reduced to his bad silver. The exchange, as I have said in the preceding book,[31] has deprived princes of the opportunity of showing great exertions of authority, or at least has rendered them ineffectual.

14. How the Exchange is a Constraint on despotic Power. Russia would have descended from its despotic power, but could not. The establishment of commerce depended on that of the exchange, and the transactions were inconsistent with all its laws.

In 1745 the Czarina made a law to expel the Jews, because they remitted into foreign countries the specie of those who were banished into Siberia, as well as that of the foreigners entertained in her service. As all the subjects of the empire are slaves, they can neither go abroad themselves nor send away their effects without permission. The exchange which gives them the means of remitting their specie from one country to another is therefore entirely incompatible with the laws of Russia.

Commerce itself is inconsistent with the Russian laws. The people are composed only of slaves employed in agriculture, and of slaves called ecclesiastics or gentlemen, who are the lords of those slaves; there is then nobody left for the third estate, which ought to be composed of mechanics and merchants.

15. The Practice of some Countries in Italy. They have made laws in some part of Italy to prevent subjects from selling their lands in order to remove their specie into foreign countries. These laws may be good, when the riches of a state are so connected with the country itself that there would be great difficulty in transferring them to another. But since, by the course of exchange, riches are in some degree independent of any particular state, and since they may with so much ease be conveyed from one country to another, that must be a bad law which will not permit persons for their own interest to dispose of their lands, while they can dispose of their money. It is a bad law, because it gives an advantage to movable effects, in prejudice to the land; because it deters strangers from settling in the country; and, in short, because it may be eluded.

16. The Assistance a State may derive from Bankers. The banker's business is to change, not to lend, money. If the prince makes use of them to change his specie, as he never does it but in great affairs, the least profit he can give for the remittance becomes considerable; and if they demand large profits, we may be certain that there is a fault in the administration. On the contrary, when they are employed to advance specie, their art consists in procuring the greatest profit for the use of it, without being liable to be charged with usury.

17. Of Public Debts. Some have imagined that it was for the advantage of a state to be indebted to itself: they thought that this multiplied riches by increasing the circulation.

Those who are of this opinion have, I believe, confounded a circulating paper which represents money, or a circulating paper which is the sign of the profits that a company has or will make by commerce, with a paper which represents a debt. The first two are extremely advantageous to the state: the last can never be so; and all that we can expect from it is that individuals have a good security from the government for their money. But let us see the inconveniences which result from it.

1. If foreigners possess much paper which represents a debt, they annually draw out of the nation a considerable sum for interest.

2. In a nation that is thus perpetually in debt, the exchange must be very low.

3. The taxes raised for the payment of the interest of the debt are an injury to the manufactures, by raising the price of the artificer's labour.

4. It takes the true revenue of the state from those who have activity and industry, to convey it to the indolent; that is, it gives facilities for labour to those who do not work, and clogs with difficulties those

who do work.

These are its inconveniences: I know of no advantages. Ten persons have each a yearly income of a thousand crowns, either in land or trade; this raises to the nation, at five per cent, a capital of two hundred thousand crowns. If these ten persons employed one-half of their income, that is, five thousand crowns, in paying the interest of a hundred thousand crowns, which they had borrowed of others, that still would be only to the state as two hundred thousand crowns; that is, in the language of the algebraists, $200,000 \text{ crowns} - 100,000 \text{ crowns} + 100,000 \text{ crowns} = 200,000$.

People are thrown perhaps into this error by reflecting that the paper which represents the debt of a nation is the sign of riches; for none but a rich state can support such paper without falling into decay. And if it does not fall, it is a proof that the state has other riches besides. They say that it is not an evil, because there are resources against it; and that it is an advantage, since these resources surpass the evil.

18. Of the Payment of Public Debts. It is necessary that there should be a proportion between the state as creditor and the state as debtor. The state may be a creditor to infinity, but it can only be a debtor to a certain degree, and when it surpasses that degree the title of creditor vanishes.

If the credit of the state has never received the least blemish, it may do what has been so happily practised in one of the kingdoms of Europe; [32] that is, it may require a great quantity of specie, and offer to reimburse every individual, at least if they will not reduce their interest. When the state borrows, the individuals fix the interest; when it pays, the interest for the future is fixed by the state.

It is not sufficient to reduce the interest: it is necessary to erect a sinking-fund from the advantage of the reduction, in order to pay every year a part of the capital: a proceeding so happy that its success increases every day.

When the credit of the state is not entire, there is a new reason for endeavouring to form a sinking-fund, because this fund being once established will soon procure the public confidence.

1. If the state is a republic, the government of which is in its own nature consistent with its entering into projects of a long duration, the capital of the sinking-fund may be inconsiderable; but it is necessary in a monarchy for the capital to be much greater.

2. The regulations ought to be so ordered that all the subjects of the state may support the weight of the establishment of these funds, because they have all the weight of the establishment of the debt; thus the creditor of the state, by the sums he contributes, pays himself.

3. There are four classes of men who pay the debts of the state: the proprietors of the land, those engaged in trade, the labourers and artificers, and, in fine, the annuitants either of the state or of private people. Of these four classes the last, in a case of necessity one would imagine, ought least to be spared, because it is a class entirely passive, while the state is supported by the active vigour of the other three. But as it cannot be higher taxed, without destroying the public confidence, of which the state in general and these three classes in particular have the utmost need; as a breach in the public faith cannot be made on a certain number of subjects without seeming to be made on all; as the class of creditors is always the most exposed to the projects of ministers, and always in their eye, and under their immediate inspection, the state is obliged to give them a singular protection, that the part which is indebted may never have the least advantage over that which is the creditor.

19. Of lending upon Interest. Specie is the sign of value. It is evident that he who has occasion for this sign ought to pay for the use of it, as well as for everything else that he has occasion for. All the difference is that other things may be either hired or bought; while money, which is the price of things, can only be hired, and not bought.[33]

To lend money without interest is certainly an action laudable and extremely good; but it is obvious that it is only a counsel of religion, and not a civil law.

In order that trade may be successfully carried on, it is necessary that a price be fixed on the use of specie; but this should be very inconsiderable. If it be too high, the merchant who sees that it will cost him more in interest than he can gain by commerce will undertake nothing; if there is no consideration to be paid for the use of specie, nobody will lend it; and here too the merchant will undertake nothing.

I am mistaken when I say nobody will lend; the affairs of society will ever make it necessary. Usury will be established, but with all the disorders with which it has been constantly attended.

The laws of Mahomet confound usury with lending upon interest. Usury increases in Mahometan countries in proportion to the severity of the prohibition. The lender indemnifies himself for the danger he undergoes of suffering the penalty.

In those eastern countries, the greater part of the people are secure in nothing; there is hardly any proportion between the actual possession of a sum and the hopes of receiving it again after having lent it: usury, then, must be raised in proportion to the danger of insolvency.

20. Of Maritime Usury. The greatness of maritime usury is founded on two things: the danger of the sea, which makes it proper that those who

expose their specie should not do it without considerable advantage, and the ease with which the borrower, by means of commerce, speedily accomplishes a variety of great affairs. But usury, with respect to landmen, not being founded on either of these two reasons, is either prohibited by the legislators, or, what is more rational, reduced to proper bounds.

21. Of Lending by Contract, and the State of Usury among the Romans.

Besides the loans made for the advantage of commerce, there is still a kind of lending by a civil contract, whence results interest or usury.

As the people of Rome increased every day in power, the magistrates sought to insinuate themselves in their favour by enacting such laws as were most agreeable to them. They retrenched capitals; they first lowered, and at length prohibited, interest; they took away the power of confining the debtor's body; in fine, the abolition of debts was contended for whenever a tribune was disposed to render himself popular.

These continual changes, whether made by the laws or by the plebiscita, naturalised usury at Rome; for the creditors, seeing the people their debtor, their legislator, and their judge, had no longer any confidence in their agreements: the people, like a debtor who has lost his credit, could only tempt them to lend by allowing an exorbitant interest, especially as the laws applied a remedy to the evil only from time to time, while the complaints of the people were continual, and constantly intimidated the creditors. This was the cause that all honest means of borrowing and lending were abolished at Rome, and that the most monstrous usury established itself in that city, notwithstanding the strict prohibition and severity of the law.[34] This evil was a consequence of the severity of the laws against usury. Laws excessively good are the source of excessive evil. The borrower found himself under the necessity of paying for the interest of the money, and for the danger the creditor underwent of suffering the penalty of the law.

22. The same Subject continued. The primitive Romans had not any laws to regulate the rate of usury.[35] In the contests which arose on this subject between the plebeians and the patricians, even in the sedition on the Mons Sacer, nothing was alleged, on the one hand, but justice, and on the other, the severity of contracts.[36]

They then only followed private agreements, which, I believe, were most commonly at twelve per cent per annum. My reason is, that in the ancient language of the Romans, interest at six per cent was called half-usury, and interest at three per cent, quarter-usury.[37] Total usury must, therefore, have been interest at twelve per cent.

But if it be asked how such great interest could be established among a people almost without commerce, I answer that this people, being very often obliged to go to war without pay, were under a frequent necessity of borrowing: and as they incessantly made happy expeditions, they were commonly well able to pay. This is visible from the recital of the contests which arose on this subject; they did not then disagree concerning the avarice of creditors, but said that those who complained might have been able to pay, had they lived in a more regular manner.[38]

They then made laws which had only an influence on the present situation of affairs: they ordained, for instance, that those who enrolled themselves for the war they were engaged in should not be molested by their creditors; that those who were in prison should be set at liberty; that the most indigent should be sent into the colonies; and sometimes they opened the public treasury. The people, being eased of their present burdens, became appeased; and as they required nothing for the future, the senate was far from providing against it.

At the time when the senate maintained the cause of usury with so much constancy, the Romans were distinguished by an extreme love of frugality, poverty, and moderation: but the constitution was such that

the principal citizens alone supported all the expenses of government, while the common people paid nothing. How, then, was it possible to deprive the former of the liberty of pursuing their debtors, and at the same time to oblige them to execute their offices, and to support the republic amidst its most pressing necessities?

Tacitus says that the law of the Twelve Tables fixed the interest at one per cent.[39] It is evident that he was mistaken, and that he took another law, of which I am going to speak, for the law of the Twelve Tables. If this had been regulated in the law of the Twelve Tables, why did they not make use of its authority in the disputes which afterwards arose between the creditors and debtors? We find no vestige of this law upon lending at interest; and let us have ever so little knowledge of the history of Rome, we shall see that a law like this could not be the work of the decemvirs.

The Licinian law, made eighty-five years after that of the Twelve Tables,[40] was one of those temporary regulations of which we have spoken. It ordained that what had been paid for interest should be deducted from the principal, and the rest discharged by three equal payments.

In the year of Rome 398, the tribunes Duellius and Menenius caused a law to be passed which reduced the interest to one per cent per annum.[41] it is this law which Tacitus confounds with that of the Twelve Tables,[42] and this was the first ever made by the Romans to fix the rate of interest. Ten years after,[43] this usury was reduced one-half,[44] and in the end entirely abolished;[45] and if we may believe some authors whom Livy had read, this was under the consulate of C. Martius Rutilius and Q. Servilius, in the year of Rome 413.[46]

It fared with this law as with all those in which the legislator carries things to excess: an infinite number of ways were found to elude it. They enacted, therefore, many others to confirm, correct, and temper it.

Sometimes they quitted the laws to follow the common practice; at others, the common practice to follow the laws; but in this case, custom easily prevailed.[47] When a man wanted to borrow, he found an obstacle in the very law made in his favour; this law must be evaded by the person it was made to succour, and by the person condemned. Sempronius Asellus, the prætor, having permitted the debtors to act in conformity to the laws,[48] was slain by the creditors for attempting to revive the memory of a severity that could no longer be supported.[49]

I quit the city, in order to cast an eye on the provinces.

I have somewhere else observed that the Roman provinces were exhausted by a severe and arbitrary government.[50] But this is not all; they were also ruined by a most shocking usury.

Cicero takes notice that the inhabitants of Salamis wanted to borrow a sum of money at Rome, but could not, because of the Gabinian law.[51] We must, therefore, inquire into the nature of this law.

As soon as lending upon interest was forbidden at Rome, they contrived all sort of means to elude the law;[52] and as their allies,[53] and the Latins, were not subject to the civil laws of the Romans, they employed a Latin, or an ally, to lend his name, and personate the creditor. The law, therefore, had only subjected the creditors to a matter of form, and the public were not relieved.

The people complained of this artifice; and Marius Sempronius, tribune of the people, by the authority of the senate, caused a plebiscitum to be enacted to this purport, that in regard to loans the laws prohibiting usury between Roman citizens should equally take place between a citizen and an ally, or a citizen and a Latin.[54]

At that time they gave the name of allies to the people of Italy properly so called, which extended as far as the Arno and the Rubicon,

and was not governed in the form of a Roman province.

It is an observation of Tacitus[55] that new frauds were constantly committed, whenever any laws were passed for the preventing of usury. Finding themselves debarred from lending or borrowing in the name of an ally, they soon contrived to borrow of some inhabitant of the provinces.

To remedy this abuse they were obliged to enact a new law; and Gabinius[56] upon the passing of that famous law, which was intended to prevent the corruption of suffrages, must naturally have reflected that the best way to attain his end was to discourage the lending upon interest: these were two objects naturally connected; for usury always increased at the time of elections,[57] because they stood in need of money to bribe the voters. It is plain that the Gabinian law had extended the *Senatus Consultum* of Marcus Sempronius to the provinces, since the people of Salamis could not borrow money at Rome because of that very law. Brutus, under fictitious names, lent them some money[58] at four per cent a month,[59] and obtained for that purpose two *Senatus Consulta*; in the former of which it was expressly mentioned that this loan should not be considered as an evasion of the law,[60] and that the governor of Sicily should determine according to the stipulations mentioned in the bond of the Salaminians.

As lending upon interest was forbidden by the Gabinian law between provincials and Roman citizens, and the latter at that time had all the money of the globe in their hands, there was a necessity for tempting them with the bait of extravagant interest, to the end that the avaricious might thus lose sight of the danger of losing their money. And as they were men of great power in Rome, who awed the magistrates and overruled the laws, they were emboldened to lend, and to extort great usury. Hence the provinces were successively ravaged by every one who had any credit in Rome: and as each governor, at entering upon his province, published his edict[61] wherein he fixed the rate of interest in what manner he pleased, the legislature played into the hands of

avarice, and the latter served the mean purposes of the legislator.

But the public business must be carried on; and wherever a total inaction obtains, the state is undone. On some occasions the towns, the corporate bodies and societies, as well as private people, were under the necessity of borrowing -- a necessity but too urgent, were it only to repair the ravages of armies, the rapacity of magistrates, the extortions of collectors, and the corrupt practices daily introduced; for never was there at one period so much poverty and opulence. The senate, being possessed of the executive power, granted, through necessity, and oftentimes through favour, a permission of borrowing from Roman citizens, so as to enact decrees for that particular purpose. But even these decrees were discredited by the law; for they might give occasion to the people's insisting upon new rates of interest, which would augment the danger of losing the capital, while they made a further extension of usury.[62] I shall ever repeat it, that mankind are governed not by extremes, but by principles of moderation.

He pays least, says Ulpian, who pays latest.[63] This decides the question whether interest be lawful; that is, whether the creditor can sell time, and the debtor buy it.

1. The salt made use of for this purpose in Abyssinia has this defect, that it is continually wasting away.

2. Herodotus, Bk. i, tells us that the Lydians found out the art of coining money; the Greeks learned it from them: the Athenian coin had the impression of their ancient ox. I have seen one of those pieces in the Earl of Pembroke's cabinet.

3. It is an ancient custom in Algiers for the father of a family to have a treasure concealed in the earth. -- Laugier de Tassis, History of the

Kingdom of Algiers.

4. Cæsar, *De Bello Civ.*, iii.

5. Tacitus, *Annals*, vi. 17.

6. *The Laws of the Saxons*, 18.

7. See chapter 12 of this book.

8. Supposing a mark of eight ounces of silver to be worth forty-nine livres, and copper twenty sols per pound.

9. *History of the Civil Wars of the Spaniards in the West Indies*.

10. In France, Law's project was called by this name.

11. Socrates, *History of the Church*, ii. 17.

12. There is much specie in a place when there is more specie than paper; there is little, when there is more paper than specie.

13. With the expenses of carriage and insurance deducted.

14. In 1744.

15. See book xx. 23.

16. Pliny, *Natural History*, xxxiii, art. 13.

17. *Ibid.*

18. They received ten ounces of copper for twenty.

19. They received sixteen ounces of copper for twenty.
20. Pliny, xxxiii, art. 5.
21. Freinshemius, dec. 2, v.
22. Ibid. They struck also, says the same author, half denarii, called quinarii; and quarters, called sesterces.
23. An eighth, according to Budæus; according to other authors, a seventh.
24. Pliny, Natural History, xxxiii, art. 13.
25. Ibid.
26. See Father Joubert, Science of Medals, p. 59, Paris, 1739.
27. Extract of Virtues and Vices.
28. See Savote, part II, 12, and Le Journal des Savants of the 28th of July, 1681, on a discovery of fifty thousand medals.
29. See Savote, *ibid.*
30. *Ibid.*
31. Chapter 21.
32. England.
33. We do not speak here of gold and silver considered as a merchandise.
34. Tacitus, Annals, vi. 16.

35. Usury and interest among the Romans signified the same thing.
36. See Dionysius Halicarnassus, who has described it so well.
37. Usuræ semisses, trientes, quadrantēs. See the several titles of the digests and codes on usury, and especially Leg. 17, with the note, ff. de usuris.
38. See Appian's speech on this subject, in Dionysius Halicarnassus, v.
39. Annals, vi. 16.
40. In the year of Rome 388. -- Livy, vi. 25.
41. Unciaria usura. -- Ibid., vii. 16.
42. Annals, vi. 16.
43. Under the consulate of L. Manlius Torquatus and C. Plautius, according to Livy, vii. 27. This is the law mentioned by Tacitus, Annals, vi.
44. Semiunciaria usura.
45. As Tacitus says. Annals, vi.
46. This law was passed at the instance of M. Genucius, tribune of the people. -- Livy, vii, towards the end.
47. Verteri jam more foenus receptum erat. -- Appian. On the Civil War, i.
48. Permisit eos legibus agere. -- Ibid.; and the Epitome of Livy, lxiv.

49. In the year of Rome 663.

50. Book xi. 19.

51. Letters to Atticus, v. 21.

52. Livy, xxxv. 7.

53. Ibid.

54. In the year 561 of Rome. -- See Livy, xxv. 7.

55. Annals, vi. 16.

56. In the year 615 of Rome.

57. See Letters to Atticus, iv. 15, 16.

58. Ibid., vi. i.

59. Pompey having lent 600 talents to King Ariobarzanes, made that prince pay him thirty Attic talents every thirty days. -- Ibid., v. 21, vi. 1.

60. Ut neque Salaminis, neque cui eis dedisset, fraudi esset. -- Ibid.

61. Cicero's edict fixed it to one per cent a month, with interest upon interest at the expiration of the year. With regard to the farmers of the republic, he engaged them to grant a respite to their debtors; if the latter did not pay at the time fixed, he awarded the interest mentioned in the bond. -- Ibid., vi. 1.

62. See what Lucretius says, in the 21st letter to Atticus, v. There was even a general Senatus Consultum, to fix the rate of interest at one per

cent per month. See the same letter.

63. Leg. 12, ff. de verb. signif.