

supposition, a fixpence is in effect advanced to be a shilling: upon the present supposition, a shilling has in effect sunk down to a fixpence. And here again it ought to be observed, that tho' the price is augmented, there is no real alteration in the value of commodities. A bullock that, some years ago, could have been purchased for ten pounds, will at present yield fifteen. The vulgar ignorantly think, that the value of horned cattle has risen in that proportion. The advanced price may, in some degree, be occasioned by a greater consumption; but it is chiefly occasioned by a greater quantity of money in circulation *.

Combining all the circumstances, the result is, that if the quantity of goods and of money continue the same, the price will be in proportion to the demand. If the demand and quantity of goods continue the same, the price will be in proportion to the quantity of money. And if the demand and quantity of money continue the same, the price will fall as the quantity increases, and rise as the quantity diminishes.

These speculative notions will, I hope, enable us with accuracy to examine, how industry and commerce are affected by variations in the quantity of circulating coin. It is evident, that arts and manufactures cannot be carried on to any extent, without coin.

* It is commonly thought, that the rate of interest depends on the quantity of circulating coin; that interest will be high when money is scarce, and low when money abounds. But whatever be the cause of high or low interest, I am certain that the quantity of circulating coin can have no influence. Supposing, as above, the half of our money to be withdrawn, a hundred pounds lent ought still to afford but five pounds as interest; because if the principal be doubled in value, so is also the interest. If, on the other hand, the quantity of our money be doubled, the five pounds of interest will continue to bear the same proportion to the principal as formerly.