

are of the highest importance, and are often absolute conditions to the well-being of mankind. No one can over-estimate the effect of justice, truth, integrity, self-restraint. Inferior only to these moral virtues are the mental qualities of culture, refinement, courtesy, and taste. The persons who exhibit these qualities, they whose characters are known for these virtues, are benefactors of mankind. The communities which are thoroughly imbued with these sentiments, whose domestic and foreign policy is guided by morality and good feeling, are of incalculable service to the cause of human progress. It is to the steady growth of such principles, and to such practices, that we must refer all the civilization by which modern society is characterized. It is in the hope that such principles and practices will be extended, that men can look forward to the civilization of the world.

These facts, however, are mentioned in order that they may not seem to be forgotten in a manual which is treating some of the facts of human life from another point of view. It will be found that the inferences of political economy are in complete harmony with the laws or experiences on which morality is founded, and that though the inquiry is narrowed, it is only different in degree from that which discusses the sanctions of duty and right. The subject of a treatise on political economy is, the services which men render to each other; but those services only on which a price can be put, and which are rendered in order that such a price may be put on them—or, to be more exact, that a tantamount service should be given in exchange for them. Hence we must recognize how it is that a person is able to render such a service,

what it is which fixes its price, and what are the circumstances under which mutual services of individuals are most easily given and received.

There will be no voluntary exchange of these services unless the exchange affords a benefit to both the parties who enter into it at the time when the exchange is effected. One person may have it in his power, under particular circumstances, to make what is called a 'hard bargain' with another; that is, may exact more for what he renders than would ordinarily be given by any one, or would generally be given by the person with whom he makes his exchange. But at the instant at which the exchange is made, the bargain is an advantage to the person who is subjected to 'hard terms.' Of course we must not understand by the power which one man has over another, any force, compulsion, or fraud, but only such arrangements as are free; that is, such as may be accepted or refused at the discretion of the persons negotiating the exchange. The laws of every country prohibit force, and afford remedies against fraud. Unless this were done, society would not hold together. But they have also, from time to time, (always indeed ineffectually) tried to prevent or annul contracts which are made under circumstances unfavourable to one of the parties. Thus most legislatures have sought to restrain usury in the interest of borrowers, to fix prices in the interest of purchasers, to control wages in the interest of employers, and sometimes, but rarely, to fix minimum rates of wages, or to find employment, in the interest of labourers.

All these attempts have failed in the long run. The endeavour to lower the rate of interest, has in effect raised its rate. Regulations fixing prices have caused

great fluctuations in prices; and so, for reasons which we shall see hereafter, have on the whole raised prices. The control of wages has been oppressive, without being effectual; and all attempts to find employment, or to raise wages above the rate at which they would naturally stand, have diminished employment, and so diminished wages.

If therefore we are to understand the very elements of political economy, we must get rid of the impression, that if the contract be voluntary and the service be mutual, one man's gain is another's loss. This view of human society, and of international commerce, has been the cause of infinite evils to mankind. It has introduced into the laws of various countries, regulations intended to grant privileges to certain classes, and to restrict the action of others by way of protection or compensation. It has induced a jealous foreign policy, and put a multitude of restrictions on trade. It has been so inveterate a fallacy, that it affected the judgment of men like Bacon: it still misleads the energies of communities which are otherwise intelligent. The real truth is exactly the reverse; for one man's gain in all acts of free exchange is another man's gain.

It will not be difficult to explain the origin of this error. It arose partly from an ancient mistake about the nature of wealth, partly from the manifest effect of certain bargains.

For many ages an impression prevailed that wealth was money, and that the true policy of a state was to secure as much of the precious metals as possible. If therefore, from this view, a nation or an individual gave money in exchange for goods, it seemed that the giver became

poorer, the receiver richer. We have now learnt that, although the exchange of money against goods and services is familiar, the real exchange is between goods and services, goods and goods; and that money only measures values, and enables the recipient to postpone the completion of his part in the exchange. Money seemed to be wealth, because of all values it is the best understood, most easily finds a purchaser, and for a short time at least varies least in value.

Again, some transactions between man and man are completed only by gain on one side, loss on another. If one man makes a wager with another, the occurrence of the event on which the wager depends does involve loss and gain. The same reasoning applies to what are called stock exchange transactions. Here, however, it is plain that there is no mutual service, and therefore, in an economical sense, no exchange. The business of a merchant or other intermediary between producers and consumers contains in it some elements of risk or speculation. Occasionally the transactions of a trader are so speculative, that we call them by analogy, gambling engagements. But the analogy is only partial. The trader, whatever be his personal motives, does a service to society. He may try to obtain a larger advantage than ordinary, either by his being able to anticipate an urgent demand for the article in which he deals, or by his temporary control of the market; but he can effect his end only by satisfying the demands or controlling the necessities of others. He could achieve neither of these conditions unless he offered something which others are willing or anxious to have. He can reach his customer only through his inclination to buy. A speculation in

trade is not a wager; but because the man who speculates does incur a risk, and may make a large gain, or suffer a loss in the long run, his acts, by a figure of speech, are grouped with the doings of those who merely make bets with each other. But even such trading transactions are exceptional. In the great majority of cases the trader, like the producer, desires to run as little risk as possible. He knows that the risk of failure is generally understated, the chances of success over-estimated, and that he is quite as likely to be misled by a sanguine temper, as to be justified in predicting the course of the market, in consequence of his intelligence and activity. Most business is managed cautiously.

## CHAPTER II.

### *The Cause of Value.*

JUST as there are very important services of which no true economical estimate can be given, so there are objects of great importance which are not appraised, because they are unlimited, and cannot therefore be appropriated. A supply of air is necessary for human life; but air, owing to natural agencies, is universally distributed under ordinary circumstances. So is water in temperate and thinly-peopled regions. Hence these objects have no market value. Air however must be artificially supplied in deep mines and in crowded rooms. In such places air bears a price. An artificial supply of water is needed in densely-peopled towns, and in certain manufactories. Ice has no