

## CHAPTER X.

### *Money and Exchange.*

In the early days, after the introduction of private property, men exchanged their superfluous commodities and possessions for others which they had need of. Afterwards gold and silver became the common measure of the price of all goods; and in order that people might not be deceived the idea was conceived of stamping upon pieces of gold and of silver, by the authority of the State, the image of the Prince or some other design, which would be the seal and the guarantee of their value. This practice is widely in use and is of inestimable convenience. It is easy to see how much it facilitates commerce. Nations or their rulers can not give too much attention to so important a matter.

§ 105. Introduction of money.

Since the imprint put upon money is to be the guarantee of the standard of its weight and fineness, it is clear from the start that everyone can not be allowed indiscriminately to coin it. Frauds would become so common that public confidence in the value of money would soon be lost and the usefulness of money would be at an end. Money is coined by the authority and in the name of the State or of the Prince who is surety for it. He should therefore be careful to coin a sufficient quantity of it for the needs of the country and should see that it be good money, that is, that its intrinsic value be proportionate to its extrinsic or face value.

§ 106. Duties of a nation or prince on the subject of money.

It is true that under urgent necessity the State would have the right to order its citizens to take money at a price higher than its real value. But as foreigners will not take it at that price, the Nation gains nothing by this expedient; the evil is glossed over for a time, but not removed. This excess of value arbitrarily added to money constitutes a real debt on the part of the sovereign to the individual citizens, and if perfect justice is to be done, all such money, when the crisis is past, should be bought back at the expense of the State and paid for in other specie of standard value; otherwise this kind of tax, imposed in a time of necessity, would unjustly fall upon those only who received the depreciated coin. Besides, experience has shown that expedients of this kind are hurtful to commerce, inasmuch as they destroy the confidence of foreigners and of the citizens, raise proportionately the price of goods, and by inducing people to lock up or to send abroad the older good specie, suspend the circulation of money. Hence it is the duty of every Nation and of every sovereign to hold back, as far as possible, from so dangerous a policy, and to have recourse rather to taxes and to extraordinary contributions for the relief of pressing needs of the State.

Since the State is the guarantor of the soundness of the money in circulation, it belongs to the public authority alone to coin it. Those who counterfeit it violate the rights of the sovereign, whether they make it after the same standard of value or not. They are called *counterfeiters*, and the crime they commit is reasonably regarded as a serious one; for if they use alloy in their coin they rob both the public and the Prince, and if they make good coin they usurp the right of the sovereign. They are not apt to make good coin unless there be a profit from coining it, in which case they rob the State of a gain which belongs to it. In any case they do an injury to the sovereign; for since the public faith guarantees the money, the sovereign alone should have the right to coin it. Hence the right of coining the

§ 107. Their rights in this matter.

is put among the *royal prerogatives*, and Bodin<sup>(a)</sup> relates that when Sigismund Augustus, King of Poland, granted the privilege to the Duke of Prussia in 1543, the estates of the realm passed a decree in which was inserted the statement that the King could not grant that privilege, since it was inseparably connected with the crown. The same author observes that although formerly several lords and bishops of France had the privilege of coining money, they were always regarded as acting under the authority of the King, who finally withdrew all those privileges because of abuses.

§ 108. Wrongs which one nation may do to another on the subject of coin.

From the principles we have just laid down it is easy to draw the conclusion that if one Nation counterfeits the money of another, or if it permits counterfeiters to do so, and protects them, it does a wrong to that Nation. But ordinarily criminals of this class find refuge nowhere, all princes being equally interested in exterminating them.

§ 109. Exchange, and the laws of commerce.

There is another custom of more recent date and of no less advantage to commerce than the use of money. It consists in *exchange*, or the business of banking, by means of which a merchant can remit from one end of the world to another immense sums of money almost without expense and, if he wishes, without risk. For the same reasons that sovereigns ought to protect commerce, they are obliged to maintain this custom by good laws which shall secure the interests of all merchants, whether foreigners or citizens. In general, it is equally the interest and the duty of every Nation to establish wise and just commercial laws.

(a) De la République, Liv. 1, Ch. x.