

MONEY
AND ITS RELATIONS TO PRICES

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*BEING AN INQUIRY INTO THE CAUSES,
MEASUREMENT, AND EFFECTS OF CHANGES IN
GENERAL PRICES*

BY

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PREFACE

THE material contained in this Book was collected for a course of lectures delivered by the author last summer as Newmarch Lecturer in Statistics at University College, London. The manuscript has since been re-written, some of the reasoning re-cast, and the figures revised.

The authorities, to whom reference has been made, are severally mentioned in the footnotes; and it only remains here to express a special debt of gratitude to two writers, to whom every student of the subject must feel that he owes peculiar acknowledgment. The name of Dr. Soetbeer is a household word in modern monetary statistics; and his fame is placed beyond dispute. The present author's obligations to him may be discovered in many passages. To Jevons' *Investigations in Currency and Finance* he is equally indebted; and a closer study of that book has confirmed his conviction that it may rank with the famous Report of the Bullion Committee among the classic productions of monetary science. If the earlier Report, in which the hand of Ricardo can be clearly traced, supplied the answer to the vexed problem of its day, it is no less indisputable that the intelligent study of

the questions suggested by later movements of prices is impossible apart from an acquaintance with the *Investigations* of Jevons.

In dealing with matters, which have been, and are, the subject of embittered controversy, the author can hardly hope that his conclusions will command the approval or assent of all his readers. To claim freedom from bias would be an assumption, which would disprove itself by its very utterance; but he can honestly declare that he has avoided, rather than sought, debatable assertions, and that such opinions of this nature, as he may have expressed, are the result of an attempt to study the facts, and of reflection on the various, and sometimes opposite, explanations put forward by different inquirers.

L. L. P.

ORIEL COLLEGE, OXFORD,
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CONTENTS

CHAP.	PAGE
I. THE MEASUREMENT OF CHANGES IN PRICES	i
II. THE ECONOMIC EFFECTS OF CHANGES IN PRICES - - - - -	37
III. THE RISE OF PRICES CONSEQUENT ON THE DISCOVERY OF AMERICA - - - - -	70
IV. THE FALL OF PRICES DURING THE EARLIER PART OF THE NINETEENTH CENTURY -	104
V. THE RISE OF PRICES CONSEQUENT ON THE DISCOVERIES OF GOLD IN CALIFORNIA AND AUSTRALIA - - - - -	138
VI. THE FALL OF PRICES DURING THE LAST TWENTY YEARS - - - - -	170

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CHAPTER I.

THE MEASUREMENT OF CHANGES IN PRICES.

SCIENTIFIC circles have been recently agitated over the discovery of a new element in the atmosphere; and the votaries of those moral and political studies, among which Economics claims a place, must have watched with interest, not unmingled with envy, the process by which the existence of that new element has been established. For the story of this latest addition to our scientific knowledge reads somewhat in this strain. In the course of researches in his laboratory the attention of the distinguished physicist,¹ with whose name the discovery is associated, was attracted to the presence of some disturbing influence, to which a place could not be assigned in the recognised scientific order. When suspicion had been thus aroused, a series of experiments was instituted, with the co-operation of another eminent scientist;² and those experiments were conducted, on the hypo-

¹ Lord Rayleigh.

² Professor Ramsay.