No. 3.

"Ubi mel ibi apes."—*Plautus.*

To argue fairly, or with effect, it is above all things essential that the subject should be clearly defined, and that, when certain premises are laid down, they should be of such a character as to render it possible to accept them without challenge. Arguments based on a mistaken assumption of facts, and conclusions deduced from premises which are fallacious, must, of necessity, be alike worthless and deceptive. The course of such a discussion must be unsatisfactory, and the conclusions arrived at are not likely to be more correct than would be the verdict of a jury required to try some involved civil case, in which the issues submitted bore no relation to the facts disclosed in evidence, or were totally irreconcilable with them. Now, in the subject prescribed for this Essay, there is an assumption which cannot be reconciled with fact. The *Gazette* states the subject to be "The means of securing the permanent settlement of the mining population of New Zealand, and for fixing within the Colony the capital which is being drained away from the gold fields, as shown in the great excess of exports over imports, at the Ports of the exclusively gold-mining districts." Such is the theme; but while the first subject—the means of settling the mining population—is a clear and intelligible issue, the second subject to be treated of in the Essay is neither one or the other. The assumption is that an excess of exports over imports, at certain places, shows a drain of capital from the Colony; but this assumption is so evidently incorrect, and so contrary to fact, that it is utterly impossible to argue fairly on such premises. If the naked fact of the imports at certain ports being less than the exports, shows anything at all in relation to the financial condition of the Colony as a whole—if any reliable conclusion on the subject can be drawn from the fact—the *prima facie* deduction is directly opposed to the assumption of the theme for these Essays, if, by the term "capital" realized and appreciable wealth is meant, and not undeveloped wealth; of course, every ounce of gold raised and exported is so much taken from our mineral stores; but the idea that the drain of capital alluded to, can mean a diminution of the actual amount of gold in the bosom of the earth, is so manifestly absurd that such an interpretation need not be more than alluded to. A drain of capital from the Colony, or the gold fields, must be taken to mean a lessening of the appreciable national wealth—a process which, if allowed to continue unchecked, would, in the end, result in national bankruptcy. Do the facts stated show that such a process is now going on in this Colony? It is true that at the ports indicated the only export is gold, and the limitation of the comparison between exports and imports, to the gold-mining ports, would seem to indicate an idea that it is the peculiar nature of the article exported which makes its export injurious to the Colony. Such an idea might have met with support some centuries ago, but it is scarcely maintainable at the present day. It entirely overlooks the broad distinction which exists between money (or gold) and money's worth, and the fact that the process of buying and selling is but a species of barter—the exchange of a certain amount of metal for a certain amount of some other commodity. It was such an idea which led to the old system of measuring the wealth of individuals or States by the actual amount of the precious metals in their possession, instead of by the true standard—the quantity of their disposable products, and the number and value of the articles with which they can, if need be, buy the precious metals. It was the prevalence of this idea, as to the special or factitious value of gold, which dictated the policy, as obvious as it was once universal, of attempting to increase or preserve national wealth, by forbidding the exportation, but encouraging the importation of the precious metals. Cicero* alludes to the prohibition of the exportation of the precious metals from Rome during the Republic; and this prohibition was frequently renewed, though with little effect, under the Emperors. Probably no State in modern Europe but has, at some period, indulged in similar prohibitions. England did so prior to the Conquest, and several enactments of the same kind were passed at various subsequent periods. As late as 1512 an Act (3rd, Henry VIII., cap. 1) declares that any person carrying over sea any coins, plate, or jewels, shall forfeit double their value. If the fact of the export being gold makes an excess of exports over imports show a drain of capital, then the remedy is plain and simple, in theory if not in practice—to forbid the exportation. Practically, of course, such a thing would be impossible; but those who look on gold as differing from wool as an export, or rather at the export of the one article having a different effect on the financial condition of the Colony to the export of the other, and who base arguments on such comparisons as that of the present theme, seem to ignore the fact—the all-important fact—that every ounce of gold raised represents an actual increase in the national capital, equal to the excess of its value over the labour or cost of its production—that for every ounce of gold exported, an equivalent, in money, is brought into the Colony, and that if the production of the gold has yielded a profit to the miner, the actual wealth of the Colony has been correspondingly increased. The fallacy of any comparison of the kind made between exports and imports is at once seen from the fact that, while the gold exported figures in the exports, the money imported to pay for the gold is not in any way included in, or represented by, the imports. These imports consist of consumable goods of foreign manufacture, and their value, *at the place of production*, is sent out of the Colony in money, and sent without appearing amongst the exports. The fact that the value of exports exceeds that of imports, goes therefore to show that what in the "mercantile system" of political economy was termed the "balance of trade" is largely in favour of the Colony. Lord Bacon, and other believers in this once universal but now entirely exploded theory, measured the progress of national wealth entirely by this "balance of trade," and assuming that where the exports of a country exceeded the imports, the difference was represented by an influx and accumulation of money, they accepted such a difference as the best and most convincing proof of national prosperity. It took a long time, and much labour, to show the fallacy of this very natural theory; and even within the last century finance ministers used, as the "correct thing," when making financial statements, to refer to the excess of exports over imports as proof of the prosperity of England. This theory, and the one already alluded to as having suggested the prohibition of the export of the precious metals, arose from exactly the same causes—a tendency to ascribe a factitious

* "Exportari aurum non oportere, cum sæpe antea senatus, tum me consule, gravissime judicavit."—*Orat. pro L. Flacco*, sec. 28.