

From: THE WARDEN

M.D.G.

This notebook by Dr. Aggrey - an insight in thinking
it consists of notes on 3 books by Adam Smith. ^{*} (see p 16)
wh. were made in the G.L. during the period 1924-27.
* and on an introduction to them by an author about 1923.

It was bound by Christian & as far as I know, is the
only thing we have in Dr. Aggrey's handwriting.

I wonder whether old files have any memos by him?

C.S.D. 1/12

Browns' School Series.

Globe
Note Book



NAME

J. Kwegyir Aggrey
Economics: Money, Exchange & Finance

DATE

A. Brown & Sons, Limited,
Hull and York.

Notes.

The theory of money, credit and values is the central core of economics.

Course divided into six chapters.

Chapter 1 devoted to explanation of certain common expressions, wealth, value, capital, economic rent, utility etc. Land, labour, capital necessary to all production, a fourth, organising ability - co-ordinates the other three and assumes the responsibility of direction. Each of the four entitled to, and receives its share of rent, wages, interests, or profits. The Ricardian theory of rent; the working of the Laws of Increasing and Diminishing Returns. Meaning of Values.

Chapter 2. The functions and nature of money. The material, the shape, the size, the colour, the design of money, all products of an evolution hundreds and indeed thousands old dating back to the time when cattle, women, or strings of shells

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performed the functions as now performed by coins you jingle in your pocket. The Gold Standard, Gresham's Law of Circulation, the working of the Mint, of bimetallism, of decimal coinage. The Coinage Act of 1876

Chapter 3. describes the chief monetary systems of the world, France, Germany, the United States, Portugal, India, Turkey, China etc. Origin and development of paper money, its advantages and disadvantages versus metallic currency. The "Bradleys", The "Assignats" of France, the "Greenbacks" of America. The Quantity Theory of Money - the value or purchasing power of money depends on the exact ratio between the total amount in circulation and the value of goods or services offered for sale.

If you doubled the amount of money in everybody's pocket, the prices of goods would very soon be doubled.

also.

Chapters 4 + 5 deal with the Money Market, the Banking System, and the Foreign Exchanges. Banks that receive deposits, issue banknotes, finance trade. The chief distinctions between English, Scotch, French, American, and German Banks. The foundation of the Bank of England, the Bank Charter Act of 1844, the nature of bank notes, cheques, and the clearing system, bills of exchange. The rates of exchange between nations.

Chapter 6. The machinery of public finance, the principles of sound taxation. The importance of the Savings Bank. "If the people learn from this war to save, then the war is worth all it has cost us in money and material" - President Wilson.

Chapter 1.

Wealth; Production; Distribution;
Supply and demand; Value; Price.

Wealth consists of all useful and agreeable things which possess exchange value. Value, says Ricardo expanding a thought of Adam Smith, essentially differs from riches, for value depends not on abundance but on the difficulty or facility of production.

Wealth consists of all consumable utilities which require labour for their production and can be appropriated and exchanged.

Utilities may be divided into "inner" and "outer" to translate the German literally (see e.g. Adolf von Held) and again "outer" utilities may be free (e.g. sun).

light, not being the result of labour and not capable of appropriation or exchange) and "economic."

Thus Wealth, utilitas inna and outer, free and economic.

Wealth, ^{in the specific sense} therefore is the sum total of economic utilities.

Mercantile System: a policy developed in Europe at the close of the middle ages. The doctrine of the system stated in its extreme form, made wealth and money identical - the great object of a community so to conduct its dealings with other nations as to attract to itself the largest possible share of the precious metals. Each country's interest to export utmost ^{possible} quantity of its own manufactures and to import as little as possible of those of other countries, receiving the difference of the two values in gold and silver. This difference called

the Balance of Trade, and the balance favourable when more money is received than is paid. Government might resort to all available expedients - prohibition of, or high duties on, the importation of foreign wares, bounties on the export of home manufactures, restrictions on the export of the precious metals - for the purpose of securing such a balance.

The underlying principles as described by W. S. F. Roscher, may be enumerated as follows: (1) The importance of possessing a large amount of the precious metal; (2) An exaltation (a) of foreign trade over domestic, and (b) of the industry which works up materials over that which provides them; (3) the value of a dense population as an element of national strength; and (4) the employment of state action in furthering artificially the attainment of the ends proposed.

See Outlines of Economics 3rd Edition pages
42, 359, 744; 79. 745 Physiocrats.

Mercantilists: Colbert of France, Frederick
the Great of Prussia, and Cromwell (with his
Navigation Act taking supremacy from Holland)
of England.

The Physiocrats: Quesnay, a physi-
cian, Gournay, a merchant, and Turgot
the statesman the last though not counting
himself a physiocrat yet had economic
doctrines very much like theirs. Politically
they taught the doctrine of natural laws
and rights loudly proclaiming the maxim
of laissez-faire - Govt. should not
interfere with private enterprise. Economically
they exalted the importance of agriculture
and maintained that manufactures and
commerce merely changing the form or
position of raw materials, are barren
and unproductive (though useful when
subordinated to agriculture). Surplus

value - agriculture's "produit net". They advocated the impôt unique - simple direct tax levied upon land. They believed in free trade. Champions of the importance and rights of the down trodden peasantry. "Pauvres paysans, pauvre ~~le~~ royaume; pauvre royaume, pauvre poi" the borrowed motto of Quesnay's Tableau Economique the most important treatise of the Physiocratic school.

Adam Smith held up the Mercantilistic theory to scorn although he gave it its due ~~and~~ ^{and} called Cromwell's Navigation Act, as "perhaps the wisest of all the commercial regulations of England."

Adam Smith (1723 - 1790) English economist born at Kirkcaldy in Fife shire, Scotland, of Adam Smith and Margaret Douglas. Stolen by "kinkers" when three years old, rescued at once. Educated in the school of Kirkcaldy under David Miller, in 1737 to University of Glasgow, & 1740 to

Balliol College, Oxford - here he spent seven years
 friend of David Hume. 1751 elected professor of logic
 at Glasgow, 1752 transferred to chair of Moral
 Philosophy - this position for twelve years which
 position he declared to have been "by far the
 most useful, and therefore by far the happiest
 and most honourable period of his life." His
 lectures divided into four courses (1) Natural
 Theology (2) Ethics; (3) a treatment of that
 branch of morality which relates to justice,
 a subject he handled historically, after the
 manner of Montesquieu; (4) a study of
 those political regulations which are founded
 not upon the principles of justice, but that
 of expediency, and which are calculated
 to increase the riches, the power and the
 prosperity of a State. ~~From Christmas 1765~~

From Christmas 1765 to the October of
 the following year Smith returned to Paris with his
 student Duke of Buccleuch and lived in the
 society of "Quezney, Turgot, d'Alembert,

Morellet, Helvetius, Marmontel, and the duke
de la Rochefoucauld. Smith much influenced
by his contact with the members of the physiocratic
school, he and Dupont de Nemours "con-
disciples chez M. Quesnay".

His earlier book Moral Sentiments. His
masterpiece Inquiry into the Nature and Causes
of the Wealth of Nations. After the publication 1776
of the latter his friend wrote him thus:

"Enge! belle! dear Mr. Smith, I am much
pleased with your performance, and the perusal
of it has taken me from a state of great anxiety.
It was a work of so much expectation, by yourself,
by your friends, and by the public, that I
trembled for its appearance, but am now much
relieved. Not but that the reading of it neces-
sarily requires so much attention, and the
public is disposed to give so little, that I
shall still doubt for some time of its being
at first very popular, but it has depth, and
solidity, and acuteness, and is so much

illustrated by curious facts that it must at least attract the public attention."

- (d) The Annual Labour of a nation is the source from which it derives its supply of the necessaries and conveniences of life. (not the only source but emphasize this to show the difference between himself on one hand and both the mercantilists and the physiocrats on the other.)
- (e) The improvement in the productivity of labour depends largely on its division ~~and~~ (applicable more to manufactures than to agriculture).
- (f) The origin of "division of labour is in the propensity of human nature to truck, barter or exchange one thing for another."
- (g) A certain accumulation of capital a condition precedent of this division, and the degree to which it can be carried dependent

on the extent of the market.

With the establishment of division of labour each member of society must have recourse to the others for the supply of his wants: a medium of exchange thus found necessary, this money comes into use.

Exchange of goods against each other or against money gives rise to notion of value — utility value and purchasing power value or value in use, value in exchange

The measure of value. Labour the real measure of the exchangeable value of all commodities. Equal quantities of labour at all times and places, are of equal value to the labourer. Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of

all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only.¹⁴

Money, however, is in men's actual transactions the measure of value, as well as the vehicle of exchange.

In more advanced social stages price is more complex and consists in the materialization of three elements - wages, profit, and rent.

Wages are the reward of labour.

Profit arises as soon as stock, being accumulated in the hands of one person, is employed by him in setting others to work, and supplying them with materials and subsistence, in order to make a gain by what they produce.

Rent arises as soon as the land of a country has all become private property; "the landlords, like all other

men, love to reap where they never sowed, and demand a rent even for its natural produce.

Rent, wages, profits revenues by the landlords, labourers, capitalists.

Second Book. "The nature, accumulation and improvement of stock." A man's whole stock = two portions - immediate consumption, and capital or that which is employed so as to yield a revenue to its owner. Capital = Fixed and circulating. Fixed capital yields revenue without passing into other hands. Circulating = goods, raised, manufactured or purchased, as are sold for a profit and replaced by other goods.

Fixed Capital = (1) machines (2) buildings producing a revenue; (3) agricultural improvements (4) the acquired and useful abilities of all members of the society (since sometimes known as personal capital).

Circulating Capital = (1) Money,

- (2) provisions in the hands of the dealers,
 (3) materials and (4) completed work in
 the hands of the manufacturer or merchant.

Productive and ~~of~~ unproductive
 labour, first vendible, second non-vendible
 such as the perris of the magistrate, the
 soldiers, the churchmen, lawyers, physician.

Productive not equivalent to useful.

Parasimony, the source of increase of
 capital; what is annually saved is as
 regularly consumed as what is spent, but
 by a different set of persons, by productive
 labourers instead of idlers or unproductive
 labourers; and the former reproduce into
 a profit the value of their consumption.

The prodigal, encroaching on his own
 capital, diminishes as far as in him
 lies, the amount of productive labour,
 and so the wealth of the country; nor
 is this result affected by his ex-
 penditure being on home-made, as

distinct from foreign commodities. Every ^{frugal} frugal, is a public enemy; every frugal man a public benefactor.

In loans of money, it is not really the money, but the money's worth, that the borrower wants; and the lender really assigns to him the right to a certain portion of the annual produce of the land and labour of the country.

In the different employment of capital - quantity of productive labour put in motion by an equal amount varies extremely according as that amount is employed - (1) in the improvement of lands, mines or fisheries, (2) in manufactures (3) in wholesale or (4) retail trade. In agriculture "nature labours along with man."

These first two books contain Smith's general economic scheme.

3d. Book Historical spirit - calls natural order of things agriculture, manufacture, foreign commerce.

Let Book an elaborate and exhaustive polemic against the mercantile system which finally drove it from the field of science, and has exercised a powerful influence on economic legislation.