Olinus Farrer Esq
from the Author

VIEWS

ON

THE SUBJECT

OF

CORN AND CURRENCY.

BY T. JOPLIN.

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TO

SIR T. B. LETHBRIDGE, Bart., M. P.

Dear Sir,

As the following Essay was partly written at your instance, permit me to address it to you. Indeed you have taken so decided and so effective a part in the Question of the Corn Laws, that it could be addressed to no one with more propriety.

Your Speech on the question of admitting into consumption the foreign corn in warehouses, on payment of a duty of ten shillings per quarter,—a measure which placed the landed interest in a situation of some delicacy, was one of the most judicious and able speeches made during the last session of Parliament.

This Essay will, I have little doubt, exhibit the marks, and need the apology, of being hastily written.

It was my intention to have taken more time in its composition; but not expecting Parliament to meet until February, the undertaking was not commenced when it was summoned for the dispatch of business in November, and I was compelled, in the midst of other occupations which could not be suspended, to complete it in three or four weeks, so that it might be published some little time before the meeting of Parliament, if possible, as the corn laws would be the first subject considered.

The science of political economy is in so crude a state, and so much error is blended with the truths which it contains, that no reference can be made to received opinions without producing obscurity rather than illustration. Any work, therefore, on any branch of the subject, if calculated to be useful, must begin with first principles.

This is more particularly necessary in considering the question of the corn laws; with regard to which, the views generally entertained, both by political economists and the public, are as erroneous as can well be imagined.

I have, therefore, commenced with first principles, but they are treated so briefly, that I am afraid it is necessary to claim more than ordinary attention in considering them.

The general principles which regulate the price of corn, have never been properly analyzed. If we confine ourselves to the very able Report of Mr Jacob, or the very eloquent Pamphlet of Mr Whitmore, as well as to the equally able productions of many other writers, we should not discover that money had any thing to do with its price: yet I am persuaded that both those highly gifted individuals would at once say that it was an indispensible ingredient in the composition, of which price is the result, though they have totally overlooked it.

That the price of corn chiefly depends upon the supply and demand, is, indeed, the natural opinion which proceeds from common observation; and as it is the basis upon which the speculations of most writers on the subject are founded, it may likewise be considered the vulgar error of political economy.

This Essay endeavours to point out the effect of the money in circulation upon the price of corn; and the conclusions that are come to on the subject of the corn laws, though so very opposite to the notions generally entertained, you will perceive are the natural result of the mode of examining the question which has been adopted.

I am, Dear Sir,

Your faithful and obedient Servant,

THOMAS JOPLIN.

The brief and hasty manner in which this Essay has been written, has given rise to many obscurities which might have been avoided. If after the first paragraph, page 43, ending with the words "into circulation," the reader will turn to the following, it will, perhaps, make the sense of that part clearer.

When the banks do issue to excess, it is by advances upon home-bills or other local securities, or by their customers withdrawing their deposits, for the purpose of employing or spending the money, without the banks withdrawing their loans to the public to the same extent. Thus it will be seen that there is a wide difference between a London bill and a home-bill —the supply and demand for the one has reference to the state of the currency,—the demand for money upon the other to the value of capital. If the banks charge less interest for money than it is worth, they may have as many home-bills as they please; but if they were to give a premium for London bills, they could not obtain more than the balance of payments brought to the district. The knowledge of bankers on the subject of currency is, in general, quite confounded, by their not understanding the difference in principle between these two classes of bills. They conceive an application for money on home-bills to be as great a proof of the want of circulating medium by the country, as an application for it on London bills. The distinction between a demand for capital and a demand for currency the most intelligent bankers have never been able, with any correctness, to perceive.

VIEWS,

&c.

There is no natural Price for Corn in Money; its Price in Money is determined by the Quantity of Money in Circulation.

There is no natural price for corn in money, though there is in labour;—there is nothing in soil, or climate, that has any connexion with money; and it is not more natural for the price of corn to be at 20s. per quarter in any country, than at 60s. or 80s., or any other price. The price of corn, or provisions, in labour, or commodities the produce of labour, is probably pretty much the same all over the world, where the supply of labour is proportioned to the means of subsistence, and this is the case in all old countries where civilization exists.

The natural price of labour in provisions, is a quantity equal to the support of a family, and the purchase besides of those luxuries which habit has rendered necessary. Thus if, on the average, two-thirds of the wages of labour are expended in provisions, and one-third in other necessaries, then the natural value of corn and other provisions in labour, is a quantity of provisions equal to three days' consumption, in exchange for the labour of two days; and whatever be the price of corn, the average price of labour will bear that proportion to it. A man will work for as much money in two days as will feed his family for three; and the surplus, after providing his family with two days' food, will be applied to the purchase of other necessaries.

That the money prices of food and labour are always proportioned to each other, is a fact too well known to need much illustration. In England, with wheat at 60s. per quarter in the maritime towns, the average price of agricultural labour is probably eighteen pence to two shillings per day. In 1825, the President of the Government of Dantzic (see No. 11 of Appendix to Mr Jacob's Report) gives the price of agricultural labour in that country at five-pence per day, when the average price of wheat at Dantzic was about 20s. per quarter. In France, the money price of labour is higher than in Poland, and less than in England, and so is corn; and in Upper Egypt, Mr Belzoni states the ordinary wages of labour at about two-pence per day,* upon which sum the labourer must be able to live, or he could not labour; and the price of wheat, in all probability, would therefore not be 10s. per quarter.

As the prices of corn and labour are thus always proportioned to each other, the price of corn in money, it is evident, cannot be determined by the cost of its production in money, for the cost of producing it depends upon the price of itself. If it takes a certain quantity of labour to produce a given quantity of corn, the corn cannot be produced without that amount of labour, and the labourer cannot live without the food

* Belzoni's Travels.

necessary for his support. No alteration in the money price of corn can diminish the quantity of labour necessary to grow the corn, or the quantity of food necessary to support the labourer. In so far, therefore, as the cost of producing corn depends upon labour, and materials the produce of labour, and of the soil on which the corn is cultivated, it cannot be produced at one price more than another. Land which will not produce corn at 20s. per quarter, will not produce it at 60s., and *vice versa*. The price of corn, in short, is never determined by the cost of production. It always corresponds with, and indeed regulates the prices of every article of native produce, and is the best test by which the scale of prices in any country may be known.

There is no opinion better established, though it is seldom consistently maintained, than that the general scale of prices existing in every country, is determined by the amount of money which circulates in it. If the amount of the currency of a country be doubled, it is well known that its scale of prices will be doubled, and *vice versa*. The average price of corn being determined by the cost of production, and always being upon a par with the existing scale of prices, the price of it must consequently be determined by the currency. This will also be very evident when we consider that the price of bread corn and labour exists in different parts of Europe, in countries of equal natural fertility, in every scale of proportion from 15s. or 20s. to 70s. per quarter for wheat.

Therefore, to determine the principles which fix the amount of currency in every country, is necessary in any disquisition, having reference to the price of corn, *The Principles which determine the Amount of Currency explained.*

"Money" observes Hume, "is not properly speaking, one of the subjects of commerce; but only the instrument which men have agreed upon to facilitate the exchange of one commodity for another. If we consider any one kingdom by itself, it is evident that the greater or less plenty of money is of no consequence; since the prices of commodities are always proportioned to the plenty of money, and a crown in Henry VII.'s time, served the same purpose as a pound does at present."

Money comes into a country in general by means of its foreign trade, and it is only with reference to its foreign trade, that the quantity of it can be of any importance. The labourer does not benefit by cheap corn, if his wages are low in proportion, nor the landlord by his high rents, if every article of expenditure be high in the same degree; and this is the case with the price of all commodities, as far as they consist in labour and materials, the native produce of that soil from which his rent is derived. But with foreign commodities it is different, the scale of prices in one country do not govern those of another.

The trade of all nations with each other must consist in an exchange of commodities, but in conducting the trade, their respective sales and purchases are made for money. In our trade with Russia, a ton of hemp is not directly bartered for so many yards of broad cloth, though in point of fact, so many yards of broad cloth may be given for it. The hemp is sold for so

much money to the English merchant, the cloth sold for so much money to the merchant in Russia, and by the contrivances of merchants in drawing bills upon each other, the broad cloth is made to pay for the hemp without any money passing between the two nations, the same as if the one commodity had been directly bartered for the other. Thus though the foreign trade of every nation is merely a barter of commodities, money is the medium by which that barter is conducted, and it is in fixing the limits and regulating the terms of this barter, that the quantity of money in each country is determined.

Let us suppose that two inland nations were in communication, who had only manufactured commodities to exchange with each other, which they produced in equal perfection as to quality; but that one which we shall term A, in consequence of the superior power of its machinery, could sell them one third cheaper than the other B, after the carriage from one country to the other was deducted. It is evident that it would be the interest of the consumers in the latter to purchase the commodities of the former, but not the converse, and of course that exchange of commodities between them could not take place, to which all trade in the end must be confined. But this would not enter into the consideration of the consumers in B. Finding the commodities of A cheaper than their own, they would purchase them, and they would have to be paid for with money which would have to be sent to A. This would have the effect of raising the price of labour in one country, and of lowering it in the other, and thereby increasing the price of the manufactures of A, and lowering those of B. Still, however, the demand for the goods of the former by the latter would continue so long as they were in any degree cheaper than its own. But at last the price of labour would become proportioned to its respective productive powers in the two countries: in A it would become three or four times as high as in B. The price of their respective commodities would thus be rendered equal, and the inducement of cheapness, which made it the interest of the consumers in B to import them from A, be done away.

If we suppose those nations had no other foreign trade, the money transmitted from one to another would have no other effect than that of altering their scales of prices. The wealth of A would not be increased, nor that of B diminished by the operation. Prices in A would be higher; but every thing would be high in the same proportion. If the labourer got more wages in money, every article of his consumption would have risen in the same degree; if the landowner got more rent, he would not be able to live better, as every article of his expenditure would be dearer in a similar ratio,—and in B the same would be the case. Cheapness of corn would be accompanied by an equal reduction in the price of labour and of every other article, and the nation would not be poorer by the change in the value of money, which would have taken place.

Neither would the productive powers of the soil, the amount of population, nor the manufacturing skill of either nation be affected. When the prices were settled to their respective levels, all would go on as before. The simple effect would be, that nature, by means of their currencies and their respective scales of prices, would have put an end to a trade which did not consist in an exchange of commodities.

Let us even suppose a more extreme case. If the manufacturing skill of A, instead of three or four times, had enabled it to produce its manufactures three or four hundred times as cheap as B, there is nothing impossible in the supposition that the prices in one country might, without any inconvenience to either, except in the progress of the change, rise three or four hundred times above those of the other. The power of expressing relative value by money being fully equal to the ability of magnifying the productive powers of labour by machinery. In such case all the gold, and perhaps all the silver, would be sent from B to A; but copper would come to supply the place of gold, and be just as useful.

When extreme cases of this kind actually occur, it is between barbarous countries that have nothing to sell, and those which are more civilized: the latter absorbing all the circulating medium which the former may be possessed of. Barbarous countries are always willing to purchase the manufactures of civilized states, so long as they have any thing to give for them, whether it be gold and silver or commodities. Countries which have nothing to sell, consequently never have a circulating medium. They neither have the means of purchasing it, nor the power of retaining it, should they happen to have any. The quantity of circulating medium and scale of prices in a country, are perhaps the best test of the degree of civilization it has attained.

In civilized parts of the globe, however, these extreme cases do not occur. It generally happens that every nation can produce some commodities with which to purchase to a greater or less extent those of other nations, for which it has a demand; and if, in the case we have just supposed, B produced some commodity which A did not, or A was in the habit of importing commodities from other countries, it would obtain an increased power of purchasing these commodities by their becoming relatively cheaper than its own. Thus, if B produced raw silk, and A did not, and must purchase it of B at the cost of its production, whatever that might be, by the scale of prices in B being lowered, the cost of its production in money would be lowered, while the monied income of the consumers in A being increased, they would be able to consume much more silk than before, though not more of their own produce. The price of the manufactures in A would be kept at that level which would admit of as many being exported to B as would pay for the silk required in return.

It is thus, by means of the currency, that the foreign trade of every country is brought to balance in commodities; and the quantity of currency and scale of prices in every country, is determined by the demand which exists for its produce by foreign nations, compared with the demand it has for their commodities in return.

The inclination on the part of all the world to purchase the manufactures of this nation, must be greater than the inclination which its inhabitants can have to purchase the commodities of other nations in return. The demand of some hundred millions of people for articles of the greatest beauty and utility, must be greater, so far as their inclinations are concerned, than the demand of eighteen or twenty millions of people for raw produce, or for articles in general of inferior

workmanship. Hence the prices in Great Britain must be higher than the rest of the world, to reduce the demand of other nations to a level with the demand which it may have for their commodities in return. This is the natural consequence of superior manufacturing skill, and the reason why prices have always been higher in manufacturing states than in others.

It is the Interest of a Manufacturing State to keep up its Scale of Prices.

The advantages obtained by an elevation of prices in any country is thus an increased power of consuming foreign commodities, and *vice versa;* and as articles of luxury are seldom the produce of any one country, but are collected from all parts of the globe, those nations whose scale of prices is the highest, are always enabled to live in the greatest luxury: luxuries with them being relatively cheap, though as regards their own produce, no advantage is gained.

Mr Hume partly perceived this principle, but did not make the full application of it. He observes, as we have before quoted, "If we consider any one kingdom by itself, it is evident that the greater or less plenty of money is of no consequence, since the prices of commodities are always proportioned to the plenty of money, and a crown in Harry the Seventh's time served the same purpose as a pound does at present. It is only the *public,*" he goes on to say, "which draws any advantage from the great plenty of money, and that only in its negotiations with foreign states. And this is the reason why all rich "and trading countries, from Carthage to Great Bri-"tain and Holland, have employed mercenary troops "which they hired from their poorer neighbours. "Were they to make use of their native subjects, they "would find less advantage from their superior riches, "and from their great plenty of gold and silver, since "the pay of all their servants must rise in proportion to "the public opulence."—*Essay on Money.*

It was very natural for Mr Hume, whose attention was much more engaged with the history of nations than with their domestic economy, to suppose that it was only in the hire of foreign troops that abundance of money and high prices in a country, were of use to it. But it is evident that the power of purchasing a greater quantity of the military labour of foreign nations, would be equally extended to their domestic labour, and other native produce. The relative cheapness of labour generally would be regulated by, and consequent upon, the lower scale of prices existing in those countries, and must pervade every thing which might be purchased from them, as well as military services.

England does not grow tea, sugar, coffee, cotton, hemp, mahogany, drugs, dye-woods, and a thousand articles which contribute to the luxuries and comforts of life, and the less she gives of her own produce for them, the greater quantity of them she has the power of consuming. A quarter of corn which sells for 60s. in England, will purchase twice the amount of foreign commodities which a quarter of corn will do that sells at 30s. in France; and a country gentleman in England will, as regards foreign luxuries, live twice as well in England as in many parts of France. It is her interest, therefore, to sell her manufacturing labour, and

produce of every kind, as dear, and purchase her commodities as cheap as she can. The workman who can perform twice the work of any of his fellow labourers, demands higher wages in consequence. A manufacturer who, by some improvement in his machinery, can manufacture cheaper than his neighbour, endeavours to reap the profit of that improvement himself, by keeping up the price of his goods. He does not give all the benefit to the consumer; he takes as much of it to himself as he can. This is as prudent in millions of men as in one, and the obvious policy of a manufacturing nation to pursue in trading with others.

The Proprietors of the Soil are the chief Gainers by the manufacturing Skill of the Nation.

It may indeed be observed, that neither the labourer nor the manufacturer can gain from any general improvement in machinery, by which the productive powers of labour are increased. The competition of both the workmen and the master manufacturers reduces every article to the lowest price at which it can be produced, and the consumers, both domestic and foreign, are the only gainers by any improvements in machinery, after the secret of the first inventor has transpired, or his patent has terminated.

This is no doubt true, but it is not the manufacturers, it is the proprietors of the soil who are the chief gainers by these improvements, and this both in the greater cheapness of the manufactures they consume, and in the increased scale of prices relative to those of foreign countries to which these improvements give rise: the greater cheapness of the manufactures causing an increased foreign demand for them, which must be checked and brought to its proper level, by a proportioned increase in the monied price of labour, effected by means of the currency and the price of corn.

Man may be said to be as much the produce of the soil as any other animal. The real wages of his labour are paid in it, and the produce of his labour is as much the produce of the soil as if the goods manufactured by him had been grown upon it,—as if the materials had been put into the ground, and had sprung up webs of cloth and bales of cotton. His wages in the necessaries of life, do not vary, as we have before stated, with the average prices of them, and it is of no importance to him as regards the actual necessaries of life, what the average price of them may be. It is only of importance to the proprietors of the soil. It neither induces the rich to eat more food, nor compels the poor to eat less. The rich at all times consume what they wish, aud the remainder is consumed by the labouring poor, and this the rich cannot prevent by any regulations whatsoever.

High Prices the Interest of the Labourer, as well as of the Landed Proprietor.

There is nothing but the fertility of the seasons can affect the wages of labour in the actual necessaries of life. I am now speaking of the labour of a nation as of one man. Changes in the currency will alter the channels of consumption, but can never affect the total quantity consumed. The produce of the soil is perishable,—it must be brought to market, and be consumed by the existing population, who can obtain neither more nor less than the whole, whatever be the scale of prices by which it is distributed, or the fiscal regulations under which consumption may take place.

It is by many thought that taxes are a burthen to the poor, but it is not in the power of man to burthen the poor, or reduce the real wages of labour. The wages of labour depend upon the proportion of labourers there are, compared with that portion of the income of society, in the necessaries of life, which must be divided amongst them by means of a demand for labour; and nothing which does not affect this income, can affect them.

Though it be quite unimportant to the labourer what be the average prices of a country as regards the necessaries, it is his interest, with reference to the luxuries of life, that the general scale of prices should be as high as possible. Food for himself and family is always the first object of the labourer's solicitude, and to which, in every country, the greatest portion of his wages must be applied. If we take this upon the average at two thirds, and suppose that the other third is appropriated to the purchase of those luxuries and comforts which habit has made necessary, the amount of comforts enjoyed by the labouring poor in this country, and in others where the scale of prices is only one third of what they are with us, may be thus estimated. For every guinea received by the labourer in England, seven shillings would be received by him in the countries where the scale of prices was one third of ours. In England consequently 14s. would be applied to the purchase of food, and 7s. to luxuries; and where the scale was one third of ours, 4s. 8d. would be applied to the purchase of food, and 2s. 4d. to the purchase of luxuries. Now 14s. would not purchase more food than the 4s. 8d., but the 7s. would purchase three times as many luxuries as the 2s. 4d. Colonial produce is as dear in other parts of Europe as in England, keeping out of view the duties to which each state may respectively subject it, and so of course are British manufactures, though from the lightness of their carriage they are sold as cheap in many other countries as in remote parts of our own.

Thus the luxuries enjoyed by the labourer in England, will be three times as great as in the countries where corn is at one-third of the price: and it is consistent with experience, that in all manufacturing states where high prices have existed, the labouring poor have uniformly enjoyed the greatest proportion of the comforts of life. The interests of the poor, and those of the rich, are not therefore opposed to each other, as has been supposed, but are intimately united.

All who live upon the Soil, contribute to the Wealth of the Proprietor of it.

It has not been unusual to consider that the proprietor of land has a separate interest from that of the manufacturer, and, in consequence, to divide the nation into the agricultural and commercial interests, as being opposed to each other: but all who live upon the soil, contribute to the wealth of the proprietor of it. In ancient times, his wealth consisted in his power: he used to keep armies of fighting men with the produce of his estates, and gratified his taste for dominion by ruling his vassals and retainers, and his taste for enterprise by making war upon his neighbours. But now his soldiers are turned into weavers and spinners, commanded by capitals all equally devoted to his service, though independent of his power.

By means of their skill, he is enabled to turn the produce of his estate into manufactured commodities of the most beautiful workmanship, which can be transported at light expence, and sold at a high price in any part of the world. A quarter of corn, it is probable, represented by many articles of manufacture, may be carried to China for a shilling.

In most commodities, no doubt, the cost of their manufacture consists as much in the profits of capital, or accumulated labour, as in the manual labour actually spent upon them. But these profits, like the higher salaries given to the officers of an army, are spent in the purchase of domestic labour, and the produce of the soil, and commodities the produce of both; so that the lacquey, who waits upon the rich capitalist, may be said to contribute his labour to the manufacture of those commodities, out of the profits of which he is supported; or, if the profits are saved, and lent to others at interest, they will be spent in giving employment to labour, or in the consumption of the produce of the soil, in one way or other; so that whether the cost of commodities consist in labour or in profits, they still represent the produce of the soil. Even if the profits be hoarded, it makes no difference. The person who hoards money gives away his right of consumption to others. By contracting the currency, he reduces prices, and gives the power of consumption which he has saved, to those who possess the money which remains in circulation; and as much of the produce of the soil is actually consumed if the money be hoarded, as if it were spent; when money which is hoarded, is brought into circulation again, neither is consumption increased, an elevation of prices takes place, and the holders of the money in previous circulation are deprived of their power of consuming that amount of commodities which the money brought into circulation will purchase.

The real Demand for Labour cannot be increased without an increased Supply of the Necessaries of Life.

The demand which any nation has for articles of foreign luxuries cannot exceed, as we have before stated, a given amount. Though silk, sugar, cotton, &c. be ever so cheap, the demand by each individual must be confined to his power of consuming, or to his means of purchasing them. Hence there must always be a limit to the importation of foreign luxuries by any nation, however cheap they may be supplied.

But if a nation, as we have likewise observed, possesses a great manufacturing superiority, and is enabled to cheapen the produce of its labour by multiplying its powers, the demand of other nations for its manufactures, which may be sent to any part of the world with the greatest facility, can only be restrained within equal limits, by an excess in the price of labour commensurate with its superior value and productive powers, and this excess in price is produced by means of the circulating medium brought into the country in payment for the manufactures, until the demand is reduced to its

proper limits. Thus, for example, if at any given scale of prices, say sixty shillings per quarter for wheat, and other things in proportion, the inhabitants of Great Britain were disposed to spend 40 millions out of their income in the purchase of articles of foreign luxury and convenience, they would have 40 millions of manufactured commodities, and no more, to dispose of to foreigners. But suppose the foreign demand for our manufactures, at that scale of prices, amounted to 50 millions, of goods,—in the first instance, 50 millions would, no doubt, be exported; but ten millions of money would in consequence be imported, and this would depress the prices of foreign commodities, and raise the prices of our own. Our consumption of foreign commodities would by this means be increased. But let us suppose that this increase was not more than proportioned to the fall in their price, and that though our consumption was greater, our monied demand stood at 40 millions as before. In this case, if the ten millions of money imported did not increase the price of our manufactures, so as to reduce the foreign demand for them to 40 millions, another balance of payments would arise in our favor, and a fresh importation of money would take place, and this would continue until prices were sufficiently high to depress the foreign demand to the limits required.

The effect of this would of course be as we have before stated, that in the barter of commodities in which money acts only the part of an instrument or measure, by which to facilitate and adjust the real transactions they represent, we should obtain a larger quantity of commodities on the one hand, and give a smaller quantity for them on the other.

We have hitherto proceeded on the supposition that the labour we have to dispose of is confined to that which our own income will employ and our own soil support; and it will be proper to observe, that the quantity of labour which a nation can support, and which its income will supply, are precisely equal. No nation can increase the demand for its own labour beyond the power of feeding it. The demand for labour proceeds from income, and income from the soil. Whatever changes income may assume, and however it may be disguised by means of its representative money, it is derived from and consists in the necessaries of life, which must be in existence before that demand for labour to which it gives rise.

Nor will a demand for labour by other nations, not paid for in the necessaries of life, but in money, increase the real demand for labour in the country; for though the money imported causes a demand for labour on the one hand, it reduces in an equal degree the power of commanding labour possessed by the money in previous circulation, and by this means the one balances the other.

A real increase in the demand for labour must always be produced or accompanied by an increase in the necessaries of life. If, when wheat we shall say rose above 60s. per quarter, the importation of corn into this country was allowed, then, in the event of a demand for our manufactures at that scale of prices, exceeding our demand for foreign commodities to the extent of ten millions, instead of prices rising to check the demand, before probably one million of money had been received, the price of corn would rise sufficiently to cause an importation of it. In this case the

further importation of money would cease, and instead of such an increase of prices as would reduce the demand for our manufactures to forty millions, we should import the necessaries of life instead of money, and employ the additional labour required to furnish the extra ten millions of manufactures. In this way the real demand for our labour would be increased, while the general scale of prices would be prevented from rising.

The ultimate Advantage of a regular Importation of foreign Corn to a manufacturing Population problematical.

This increased demand for labour would by many be considered a blessing, and though at the moment it would no doubt be a great advantage to the manufacturing labourer, in the end the supply of such labour would become proportioned to the extra demand for it, and the labourer would be no better off than before. A population would grow up proportioned to and dependent upon the continuance of this trade, and whether this would be in itself any advantage, is somewhat problematical.

That a manufacturing population is highly instrumental to the wealth and comfort of the rest of the nation, is abundantly evident: but when we consider the wretchedness which it generally exhibits, and the vicissitudes to which it is exposed, we are slow to pronounce that an increase of manufacturing population is abstractly a good.

During the period it is increasing, great additional comfort is experienced, and marriages take place, and large families are reared, in consequence of this additional comfort: but this is a temporary good. The question to be considered is, whether the additional population, after the increase has taken place, is desirable? If the end be bad,—if we thereby obtain a wretched population, whose means of subsistence is precarious,—by encouraging such a trade, we may be acting the part of a drunkard, who sacrifices his constitution to the immediate pleasures of intoxication; but if the end be good, there can, of course, be no objection to the comfort and happiness that will accompany the means.

It is not the Interest of this Country to entirely exclude the Importation of foreign Corn.

When a manufacturing nation permits the importation of the necessaries of life, the supply of manufacturing labour becomes unlimited; for there is no end to an increase of population. Any demand, therefore, for manufactures at such a scale of prices as will produce an importation of the necessaries of life, may be supplied by any nation to any extent. By such importation, however, it is evident a stop would be put to that elevation of prices, which is the means of wealth to a manufacturing state.

Did a nation possess the exclusive power of manufacturing, and had no cause to fear competition from other states, it would be its true interest to prevent the importation of corn altogether, and allow its scale of prices to rise as high as the demand for its manufac-

tures by foreign nations would elevate them. But this exclusive power not being possessed, though it would undoubtedly be productive of temporary advantage in a manufacturing state to prevent the importation of corn, it might ultimately prove very injurious to it. Excessive price would encourage a competition by other countries, which might have never been experienced; and when once competition was established, the demand for our manufactures might be diminished, and our scale of prices be reduced far beneath the level at which they might otherwise have been maintained. Assuming it, therefore, to be our policy to keep prices as high in this country as possible—a policy which cannot be doubted, it would by no means, for that purpose, be judicious totally to exclude the importation of corn.

A Tax upon foreign Corn a Tax upon Foreigners, and in Principle the best Tax that can be imposed by a Nation.

Before corn can be imported, prices must evidently be raised sufficiently high over those of the country from whence the corn is brought, to cover the charges of bringing it. If, for instance, the expence of bringing corn to Great Britain from Poland, inclusive of transportation from the interior to the sea, be equal to one-third of the value of it, then the prices in Great Britain must exceed those of Poland by one-third, before an importation can take place. Now Polish corn of the same quality would sell as well in England as English corn, but Polish timber, hemp, flax, and other productions of that country, which England would purchase from it at any rate, would be obtained, as regarded the original cost, at one-third less, in consequence of the difference in the scale of prices, and as it is our interest to obtain the hemp and timber we consume as low as possible, the higher the freight and charges the better; if instead of amounting to one-third of the value of the corn, they were to amount to one half or two-thirds, we should purchase our hemp and timber proportionably cheaper.

Nor would it make any difference as regards the scale of prices in the two countries, whether the charges consisted in freight or in duty. The effect would be the same, with this difference to the government, that it would gain a revenue by one charge and none by the other.

Such a duty would also possess the advantage of being exclusively a tax upon foreigners. The demand for foreign corn is always the result of an extensive foreign demand for our manufactures, and nothing can be more preposterous than to suppose that the chief effect of such a demand, which is universally admitted to be a desirable object, is to tax the people of this country with the freight and other charges of bringing the additional quantity of corn necessary to support the labour by which it is supplied; yet if the freight is not a tax upon the people of this country, no more would a duty.

Both the freight and duty in short upon foreign corn is paid for in the price of the manufactures exported in payment for it. It would not be more improper to say, that the miller paid the charges upon bringing the corn to be ground at his mill, out of his own pocket,

than that the people of this country paid the charges upon bringing corn to this country out of theirs. If, instead of being turned into manufactures, the corn imported from Poland was turned into flour and sent back in that state, it is evident that the cost of the corn and all the charges upon it would have to be included in the price of the flour, and its being turned into the produce of manufacturing labour instead of flour does not alter the principle.

The cost of corn when represented by the produce of manufacturing labour is of course materially enhanced by the profits of capital, and it will serve to give us clear ideas upon the subject if we attempt to form an estimate of what the cost of its transmutation into manufactures may amount to, commencing with its selling price in the interior of Poland.

Price at Warsaw, say -	30*s.*
Carriage and Charges from Warsaw to England - - -	20
Duty in England, say -	10
	60
Profits of corn merchants and miller, say 10 per cent. - -	6
	66
Profit of Baker, say about 10 per cent.	7
	73
Profit of the different manufacturers and merchants in the various processes which the manufactured commodity may have to pass through, say about 25 per cent. or - -	17

Brought forward	90s.
Profits of merchants, excise duties, &c.	10
	100

If we suppose this estimate correct, it will be seen that the corn which sold at Warsaw for 30s. before it assumes that shape in which it can be returned to Warsaw again is worth 100s. Three-tenths of it will of course only be returned to Warsaw in payment for the corn, and the remainder will be consumed by this government, and by those who have gained a title to their respective shares of it by bringing it to England, and by furnishing the skill and capital which conducted it through its different processes ere it became embodied in, and represented by, manufactures.

Should the Poles, instead of our manufactures, take the same amount of colonial produce, or the produce of other countries, in payment for their corn, then a similar amount of manufactures would have to be exported in purchase of the colonial or other produce with which they were paid, and the countries from which such produce was obtained, and to which the manufactures were exported, would pay the tax. The Polander would thus, in all probability, get as good or a much better price in commodities, not the produce of Great Britain, for his corn, as he could have done by selling it direct to those countries, could he even have it delivered carriage free: for however reasonable its price may be in Poland compared with its price in this country, it is probably not lower than in the majority of those countries from whence foreign commodities are received. Hence, as corn is chiefly paid for in colonial and other foreign produce, it is

not a tax which the foreign growers of corn have a right to complain of.

It will thus be seen that this country will gain a double advantage by a tax upon corn. It will obtain a revenue paid exclusively by the foreign consumers of our manufactures, and it will enhance our scale of prices compared with those of other countries, by which we shall be enabled to sell the produce of our own land and labour, which we have to part with, dearer, and purchase that of foreign nations cheaper in consequence.

Notwithstanding the prejudices which have existed on the subject of taxing foreign corn, it is thus not too much to say, that it is the only perfectly unobjectionable tax that can be levied,—that it is an injury to no one, and a benefit to all; and the only rational question for consideration on the subject, is, to determine the highest amount which our manufacturing superiority will allow us to impose, without destroying that foreign demand for our manufactures, which renders an importation of foreign corn necessary.

Our present Corn Laws founded upon the Error that high Prices must be the Result of Scarcity; and an Alteration of them necessary.

The fundamental error upon which our present corn laws is founded, and which has been the rock that all persons have, more or less, split upon, who have hitherto discussed the subject, is, that high prices produced by the exclusion of foreign corn must be the result of scarcity, whereas our corn laws are nothing more than regulations of currency.

That there is a necessity for an alteration of them will consequently be evident upon a moment's consideration. They provide that, when wheat rises to 80s. per quarter, which is more than three times the price at which it can now be imported, corn shall be admitted duty free: that is to say, when we have obtained from other countries in exchange for our manufactures a sufficient quantity of currency to depreciate its value, and raise prices to the level of 80s. per quarter for wheat, the ports shall be thrown open, and a demand for corn created, to be paid for in currency, which shall take it out of the country again: for when prices shall have risen to that level, there will probably not be a greater want of corn in the country, than when it was at half the price. At the moment of the ports being opened, we might not have a demand for a single bushel: the rise in prices would have checked the foreign demand for our manufactures, and have kept it at that amount which we can supply by means of the labour that our own soil will support; and it is out of the question to suppose that such a sudden influx of corn, as would be produced by the opening of the ports at these high prices, would create an instantaneous demand for labour equal to its own consumption.

The demand for labour adequate to the consumption of imported corn, is produced indirectly, and by slow degrees. The wants of the two ends of the globe must be adjusted and accommodated to each other, in order to produce a regular demand for, and consumption of foreign corn. These sudden and overwhelming changes are apt as much to derange consumption as to promote it

The supply of corn thus artificially produced would, therefore, have to be paid for in currency, and a great fall of prices would be the result. The ports would then be closed again, until the currency found its way back into the country, when the same consequences would follow as before. Thus the effect of our present corn laws, provided the demand for our manufactures would raise prices to a level with 80s. per quarter for wheat, would only be to keep the currency in a continual state of derangement.

A Tax upon Corn a Regulation of Currency, and the same Effects as regards our internal Transactions, may be produced by altering the Standard of the Coin, as by imposing a Duty on foreign Corn.

It is now indeed universally admitted that the present corn laws must be altered, and a fixed and permanent duty imposed; and the point for consideration is, how high the duty ought to be.

With regard to this, there are great differences of opinion, which a proper knowledge of the subject may reconcile. A tax upon corn, as we have shown, is a regulation of currency, by which a duty is levied upon foreigners, and the exchangeable value of our commodities in our trade with foreign nations improved; and it likewise fixes the value of that money in which the taxes are paid, and the contracts of society fulfilled.

Thus there are two questions to be considered, which may be said to be independent of each other: namely—At what scale of prices we should deal with foreigners and what scale we should fix for our internal transactions?

It is presuming these questions indissolubly united, that has given rise, in a great measure, to the difference of opinion which exists: they are, however, in reality separate questions, or may be rendered so. We may have one scale of prices for our internal transactions, and another for our foreign trade, without much difficulty.

Let us suppose that, with reference to the taxes and the contracts of society, the scale of prices ought to be on a level with 60s. per quarter for wheat, and that 60 millions of currency be required to keep them at that level; all then that is necessary, is to keep 60 millions in circulation. But if, at the same time, with reference to our foreign trade, the prices ought not to exceed a rate corresponding to 50s. per quarter for wheat, and that 50 millions of currency only would be necessary; then we must impose such a tax as will keep prices at 50s. per quarter, and of course keep 50 millions of money in the country at the present standard: but to make these 50 millions amount to 60 in our home transactions, we must coin five sovereigns into six. This would, however, be altering the standard of the coin, which has always been considered an objectionable measure.

If the existing Scale of Prices ought to be preserved, and a sufficient Tax upon foreign Corn cannot be imposed for that Purpose, an Alteration of the Standard of the Coin recommended.

The value of the sovereign, however, is of no importance whatever. The use of money is to fix prices,

and the prices are the object of consideration, and not the money. They are as easily fixed by bank notes not worth more than a penny each, as by a sovereign, and, except with reference to the effect upon prices, it is quite immaterial whether the sovereign be heavier or lighter than at present.

It has hitherto been always a crime to lower the standard of the coin, for it has uniformly been done with a view to defraud the public creditor. It has likewise, in the same proportion, disturbed the existing contracts of society, and robbed one half of the community for the benefit of the other. But the fraud consisted not in giving the public creditor a coin which, though less in weight, was of the same value in commodities as that in which the debt had been contracted; but in giving him a coin of less real value in commodities, than the one he ought to have received. The crime further consisted in deranging all the contracts between man and man,—not in preserving them free from derangement; and it would be as wrong to alter them by preserving the standard, as by changing it. If you break a person's leg, it is immaterial to him whether you do it by throwing him in at the window, or out of it.

If, therefore, it be considered that the existing scale of prices, which corresponds to about 60s. per quarter, ought to be preserved; but that, at the same time, such a tax cannot be laid upon corn as would keep them at that level,—the standard of the coin ought to be altered for that purpose. It would be absurd to derange the substance, in order to preserve the integrity of the shadow: make a real alteration in the value of money in circulation, to prevent a nominal one. A corn tax would keep the currency depreciated in one way; an alteration of the standard in another: but, in both cases, the sovereign would be of the same real value in our internal dealings. The only difference would be, that by altering the standard, the prices of all foreign commodities would be raised 20 per cent.: this would be the only effect observable: whereas if the real standard of value and scale of prices were altered from 60s. to 50s., a great deal of injustice would be committed, and distress produced.

A Scale corresponding to sixty Shillings per Quarter for Wheat, the proper Scale for an equitable Adjustment of Contracts.

It seems indeed to be generally admitted, that after the extreme fluctuations to which our scale of prices has been subject from the state of our currency, the point of equitable adjustment is a level corresponding to about 60s. per quarter for wheat. Our prices, on the average of the first twenty years of the present century, were about 80s. per quarter for wheat; and when our present corn laws were enacted in 1815, it seemed to be laid down as indisputable, that corn ought to be maintained at about that price, and they were framed with a view to secure it.

The general opinion maintained at the time was, that this price was a proper one, arising, there can be little doubt, from a feeling that it was, in point of fact, an equitable adjustment of the then existing contracts.

If a proprietor of land, calculating upon the permanency of a scale of prices corresponding with 80s.

per quarter, left his estate, burthened with annuities and mortgages equal to half the returns from it,—a reduction of prices of from 80s. to 60s. per quarter, would take from the heir one half of his income at least. If his estate left him £10,000 at 80s., and he had to pay £5,000 per annum out of it, it would leave him at 60s. £7,500, reducing his income to £2,500; and at 50s. £6,250, reducing him to £1,250 per annum, and so on.

If a person, therefore, is compelled to pay his engagements in a currency 25 per cent. more valuable than that in which he contracted them, and this would be the case with all existing money contracts entered into from 1800 to 1820, he has surely suffered enough by alterations in the currency.

Sir James Graham says, and he may be presumed to be good authority on the subject, that the great majority of proprietors of land in this country have their estates encumbered.

"Nor are the fatal effects," observes he likewise, "of "the sudden contraction of the currency peculiar to our "times or country; for in France, under Lewis XIV., "when the currency had been depreciated 27 per cent., "and when an attempt was made to restore its value by "reducing its amount, we find that the remedy was worse "than the disease; that universal distress was the con-"sequence; that all pecuniary contracts which had "been previously made, were raised one-third against "the party who had to pay the money; that the re-"storation of full value was a death-blow to the debtor; "that the people were reduced to despair by the efforts "of the government to draw all the monies to them-"selves; and that there was scarcely a proprietor of "land who did not see his patrimony melt away,

"without possessing the slightest means of preven-
"tion.

"This is the present fate of the land-owners of this "country; they are striving in vain against engage- "ments which they cannot meet. Creditors in general "receive an undue proportion of earnings; and a sure, "but destructive revolution, is in progress, by which, "if it be not arrested, the ancient aristocracy of these "realms must ultimately be sacrificed to creditors and "annuitants."—*Address to the Land-owners.*

Sixty shillings per quarter for wheat has the advantage also of being the scale to which the value of all things have accommodated themselves, and with which the public is satisfied. I presume, therefore, most practical statesmen will agree that it is the scale that should be preserved, if possible; that to alter it again would be equally unjust and impolitic.

Reasons for thinking that high Prices cannot be maintained by a Duty on foreign Corn.

If 60s. or upwards can be maintained by imposing a tax upon foreign corn, it would be highly desirable: but there is every reason to believe that our manufacturing superiority is not so great as has been supposed. It is a well-known fact that Saxony can compete with us in the production of woollen cloths, and other countries in cotton, our two most staple articles of manufacture; and it is very much to be doubted, therefore, whether we could successfully impose a very heavy duty. If we could not manufacture cheaper than other countries notwithstanding such a duty, it would not keep up prices if it were imposed, and it would be nonsense to impose it. Ministers appear to think that 10s. or 12s. per quarter is the utmost that can be levied; and as they have the best information on the subject, and are resolved to maintain that opinion against the landed interest of the country, and of course at the risk of their places, I presume they have good grounds for it.

When it is considered how small a quantity of manual labour is contained in many of our manufactures, the price of manual labour, in money, it might be thought, was of little importance in the cost of them. But the price of manual labour determines the price, if we may so term it, of capital or accumulated labour; and if the price of manual labour be high, the price of capital will be high also. Thus, if labour, &c. be twice as high in England as in Saxony, the same buildings and machinery will cost twice as much in the former as in the latter; and the same quantity of cloth which would be charged with the profit upon two hundred pounds in England, would only be charged with the profit upon one hundred pounds in Saxony. The interest of capital, and the scale of profits, may perhaps be higher in Saxony than in England, but they cannot be twice as high. When manufactures and commerce prosper, capital soon becomes plentiful. Interest of money is as low in Hamburgh as in England, and lower in Holland than in either. We cannot therefore, I think, build much upon our superior capitals, as some have supposed, but must lower our scale of prices to the foreign consumer before it is too late. This is the interest of the landed proprietor if it is the interest of this country; for to other classes as a permanent measure, it is a matter comparatively unimportant.

Nature of our Currency explained.

Any regulations that may be adopted for the welfare of this country, will be rendered in a great measure nugatory, so long as its currency remains in its present state.

It has been the source of almost all the evils with which this country has been of late years afflicted, and until the system is altered, we can never enjoy uninterrupted prosperity.

It is unnecessary to repeat, that it mostly consists of notes or obligations to pay on demand the current coin of the realm, which are issued by the Bank of England and seven or eight hundred country banks, and which are received by the public, in all payments, with the same facility as they would receive the metallic money which the notes represent.

It is almost equally unnecessary to observe, that paper money, as regards the effect of money upon prices, answers all the purposes of metallic money, and that for every practical purpose, a pound note of the Bank of England, or any bank in undoubted credit, is the same as a sovereign.

In explaining the nature of our currency, it will be proper that it should be kept in mind, that the only object for which money can be legitimately put into circulation, is to adjust prices with a view to bring our foreign trade to a balance in commodities. If we had no paper money, the metallic money current, when in

its most perfect state, would be an amount precisely sufficient for this purpose. The amount would be stationary, and not capable of either increase or diminution: for people do not destroy metallic money, and they cannot multiply it.

Before the adoption of paper money, the metallic money in circulation would of course be a quantity sufficient to fix our scale of prices at such a level as that our trade would balance in commodities. At that time bankers would be exclusively dealers in floating capital, or the savings of income, which they would borrow from those who had it to lend, and lend to those who wished to borrow.

Legitimately a banker can never lend money which has not been saved out of income. Money saved represents commodities which might have been consumed by the party who saves it. Interest is paid for the use of the commodities and not for the money. The money is merely the order or cheque by which the commodities are transferred by the party who has saved them, to the party who has borrowed them.

But if money should not be saved out of the income, but be obtained in any other way, it will still answer all the purpose to the party borrowing it, of that which represents income saved. He will equally obtain commodities for it; and will pay the lender of it interest for the amount of commodities it will command.

When bankers first began to issue paper money, it did not represent the savings of income, and two effects would be produced by such issues. They would create a capital which had not been saved out of income, and they would increase the circulating medium beyond its proper amount, and of course raise prices beyond that level at which our trade would balance in commodities.

The former of these, it is evident, would be effected by means of the latter. The money lent would give the borrower the command of a certain portion of those commodities which formed the income of society; but by the rise in prices the holders of the money in previous circulation, would be deprived of the power of purchasing commodities to an equal extent. Thus the banker would lend the person who borrowed his notes, a part of the income of society, by taking it from the possessors of the money in previous circulation, who were its rightful owners. The transaction would be a fraud committed on the public by the authority of the law, and the credit of the parties who issued the notes.

It is pretty evident, however, that when paper was first issued, the effects were universally beneficial. Capital was raised by it when it was wanted. The loans of a banker are always well employed. The money would be lent to the most able, enterprising, and industrious manufacturers and merchants. By this means a stimulus doubtless would be given to trade, and such a general advantage derived from it, as in all probability would more than compensate the holders of the money in previous circulation for the loss they incurred. The rise in prices also, that would take place, if not too great, and calculated to give on the other hand, too great a check to the foreign demand for our commodities, would be an excess on the side of national wealth.

That, however, which is vicious in principle, cannot be continued as a system without proving baneful in

practice. We may take powerful stimulants occasionally with advantage, but we cannot attempt to support the system by such means, without injuring it.

The banks make a point, more especially the English country banks, of issuing their paper in discounting commercial bills at short dates. These are the least permanent securities which a banker has offered to him, and the most unsteady foundation upon which his issues could rest. They contain obligations upon the face of them to return the banker his money, and deprive the country of its currency in two or three months; and if this be not done, it arises from the banker re-issuing his notes upon a fresh succession of bills after the current ones are paid off. It is not at all times, however, that a regular succession of bills are offered for discount, and not always that they can be taken by the banker.

By repeated issues upon such securities, all the gold coin, notwithstanding, was in the end driven out of the country; and the continuance of the currency in circulation came to depend upon the uncertain fabric of a bill circulation. Instead of a gold currency, which was in its most perfect state when our trade balanced in commodities, and when the amount of it was fixed and unchangeable, our scale of value, by which all the foreign and domestic transactions of the country were regulated, and the wheels of consumption kept in their proper order, and which ought, if possible, to be as fixed as the sun-dial, came to depend upon the credit of bankers with the public, and the credit of the public with the bankers, upon the supply of bills, the value of capital, and innumerable contingencies, which ought no more to affect the amount of currency in circulation, than the motions of the sun.

The consequence of this has been that changes have continually occurred; sometimes we have had very high prices, and sometimes very low; and, instead of our trade balancing in commodities, the gold has continually flowed into the country, or out of it, in torrents; besides the panics we have repeatedly experienced, and from the effects of one of which we are now suffering.

Of these last we need say little; the glaring defect in any currency that can be driven out of circulation in the manner ours was during the late panic, requires no commentary, and is sufficiently understood. Steps have been taken by ministers, and there can be little doubt they will be followed up by others, to prevent a recurrence of the evil.

But the nature and cause of the changes which take place in the amount of issues of the banks when they are in good credit, are but little known, and will require explanation.

The income of society must be consumed, and any party saving money or income, lends it out again to others, on the best terms he can obtain, or otherwise places it in his banker's hands, who does so. Metallic money, as we have before observed, is neither created nor cancelled; and when saved, must be lent out on the best terms that can be had for it. In places where there are no usury laws, it is sometimes as low as two per cent., and sometimes as high ten. It is a commodity for which there is always a demand, at one price or another, and that price, or rate of interest, is determined by the supply compared with the demand.

But with a paper currency issued at pleasure by a great many bankers, all ignorant of the amount of each

others' issues, the savings of income can never be distinguished. With a metallic currency, a banker knows that the money in his possession consists of the savings of income, which he may safely lend out on the best terms he can obtain; but with our paper currency, a banker can never know whether his own notes on hand, represent income which has been saved or not: he, consequently, can never know the real value of capital, and is compelled to deal with his customers at one fixed rate of interest. This, with the great majority of country bankers, has all along been five per cent., and some banks, such as the bank of England, and the Scotch banks, at one time reduced the rate of interest they charged to four per cent.

The very obvious consequence of this is, that when the real value of capital is under the rate fixed, and the currency is not forced, as it were, into circulation, by the savings of income being lent at their market value, it contracts: the notes which represent the income saved, are paid into the banks, but are not lent out again; and on the other hand, when the real value of capital is above the fixed rate,—when the demand for capital is greater than the savings of income, the currency comes to be issued in excess;—the bankers lend more money than they ought to lend.

To this there are checks, but not very efficacious ones. All banks by law are compelled to pay their notes in gold on demand; but as notes answer all the purpose at home of metallic money, so long as the public have confidence in the banks that issue them, gold is never wanted in exchange for notes unless the balance of payments is against the country, and money is wanted to send abroad. In that case, as the notes will only pass current at home, gold must be obtained in exchange for them for the purpose of being remitted abroad. These remittances are always made from London, to which place all gold coming from abroad is likewise imported. Hence if a person in Yorkshire had to send £500 in gold to Hamburgh, his power of remitting would consist in the possession of £500 in country bank notes payable in gold. He would not, however, demand gold in Yorkshire of the country banker for the purpose, but would obtain from him a bill upon London, and with the proceeds or money received for it, he would obtain the gold he required. Or he might send the bill upon London at once to Hamburgh, and leave the party in Hamburgh to whom it was sent, to get the gold from London for it. This he would do by disposing of it to a foreign banker or bill dealer, who pursued the trade of buying and selling foreign bills and remitting money between different countries, as the balance of payments may be.

If the bill was not paid in gold, it would be paid in the notes of the Bank of England, payable in gold on demand, and from the Bank of England the gold would be obtained to be sent to Hamburgh. Thus in practice the Bank of England pays its notes in gold, and all the country banks pay theirs by bills upon London.

On the other hand, if a person in Yorkshire had to receive £500 in gold from Hamburgh, the party in Hamburgh, instead of sending the gold to Yorkshire, would purchase a bill upon London with it of a foreign banker or bill dealer, who would send the money to London to pay the bill with, and this bill the party in Hamburgh would send to his correspondent in Yorkshire, who would discount it with the country banker

for his notes, which would answer his purpose just as well as the gold.

Thus when the country banker has a demand for a bill upon London, it is the same to him as a demand upon the Bank of England for gold is to it; and when he receives a supply of bills upon London, it is the same as the Bank of England receiving a supply of gold. They are equally a proof of redundancy or deficiency in the circulation, and render a contraction of issues necessary on the one hand, or supply the means of extending them on the other. There is this difference, however, between the Bank of England and the country banks: the former makes nothing by its stock of gold, but the latter make interest by the money they have in London, and it is of course their object to keep their stock of money in London as large as possible. When therefore they experience an excessive demand for bills upon London, they must contract their issues for fear it should continue; and when they receive an excessive supply of bills upon London, they will issue their notes upon such bills to any amount, as the Bank of England may safely issue its notes to any extent in purchase of gold; so a country banker may safely issue his notes in the purchase of bills upon London.

If instead of remitting £500 to Hamburgh, the person in Yorkshire had to send it to Bristol in consequence of the balance of payment being against Yorkshire in favour of Bristol, he would purchase a bill upon London of his banker, which he would remit, and it would be discounted by the party receiving it for the notes of the Bristol banker. As the Bristol banker would give his own notes for the bill, he would not send to London for the gold for it, as the foreign banker in

Hamburgh would have to do, but would employ the money in London at interest.

Thus, in the case of a remittance arising out of an internal balance of payments, the issues of the bankers in one place are reduced and the circulation diminished, and in another their issues are increased and the circulation extended, the same as if so much gold had been remitted from one district to the other. But in London no change in the circulation takes place: one banker merely turns over, by means of the bill, a part of his funds in London to the other. The funds of the Yorkshire banker would be reduced £500, and those of the Bristol banker would be increased in that amount.

When, however, money is received from or remitted abroad, the case is different. The £500 received from Hamburgh would add to the circulation of London as well as Yorkshire. It would either be coined at the Mint, or sold to the Bank of England for its notes. The money would be put into circulation, and be so much currency added to the circulation of the metropolis, and so much additional capital employed in the purchase of stock, or in some other manner, on account of the banker in Yorkshire. The money would be due to, and ought to be sent to Yorkshire, but the Yorkshire banker would purchase it with his notes, and keep it in London for his own advantage. The reverse of this would be the case if the money were sent from Yorkshire to Hamburgh; it would not only curtail the circulation of Yorkshire, but would reduce that of London likewise, and take so much capital out of the London market. Hence, when the balance of payments is in favour of the nation, money is plentiful in London and interest low; and when against it, capital becomes scarce, and the interest of money rises, without the other parts of the country being affected in the same degree.

The over-issues of the country bankers are always made by their advancing capital. They can never issue to excess by purchasing bills upon London for real transactions. They only in that case supply the place with their notes of the metallic money, which would otherwise be received and put into circulation.

When the banks issue to excess, and the excess is general, an elevation of prices takes place, a reduced demand for our manufactures is the consequence, and the balance of payments is turned against the country. This produces a demand upon the country banks for bills upon London, and upon the Bank of England for gold, by which they are both compelled to contract their issues.

This check, however, takes a year or two before it operates. The foreign demand for our manufactures, cannot be affected at once; the consumption of nations has to be altered first, and this takes some time to effect. In the mean while prices continue above their proper level, and when the check does operate, it generally produces the opposite extreme.

With a trade in corn it will operate more quickly, and the balance of payments be more readily turned against us. But when we have a foreign corn trade with our present currency, we shall always be vacillating between the extremes of great importations, and perhaps no importations at all, produced by our currency alone; whereas were it metallic, or such a currency as we shall hereafter point out, the prices would be stationary, and the demand steady.

If the issues of any one bank, or district of banks, exceed, or are less in proportion than those of other parts of the country, the excess or deficiency is corrected by the internal balance of payments.

Every county, or district, either exports or imports corn and cattle to or from other parts of the kingdom, and a rise or fall in any district of a shilling or two a quarter on the one, or a half-penny per pound on the other, produced by the issues of banks, will, it is evident, direct the channel of exportation or importation accordingly. Now, when we consider the small amount of the circulation, compared with the amount of consumption it promotes, we shall perceive that a balance of payments would thus be produced, which would soon correct any inequality that might exist. This check operates probably in a month or two, and by this means a just proportion is, in some degree, preserved between the issues of the banks in different parts of the kingdom.

When there are more banks than one in a district, they act more instantaneously as a check upon each other. Money must be borrowed for the purpose of actual consumption, before it can increase prices, and if a bank does lend a thousand pounds too much, and there should be two or three more banks in the place, it would only be allowed to enjoy its regular proportion of such increase. If the general circulation was four hundred thousand pounds, and its proportion was one hundred thousand, although the general circulation might be increased one thousand pounds, the other banks would soon obtain their proportion of it. Three fourths of the notes issued in excess would find their way into the other banks, who would demand bills upon London for them, and issue their own instead. The

bank which issued the £1,000 too much, would thus have to meet it by transferring £750 of its funds in London to the other banks. This is sufficient to prevent any bank issuing in excess, so far as it can see that it is doing so. But if all the banks increase their issues in the same proportion, then they are no check upon each other, and may issue to excess without inconvenience.

Excessive issue can, therefore, only take place by all the banks throughout the country increasing their issues at the same time, and this can only be produced by an increase in the value of capital, and a general and simultaneous increase of demand for it throughout the country.

The value of capital, however, is continually either increasing or diminishing the general issues of the country banks above or below their proper level, and this combined with the want of confidence, or panics, by which the credit of the bankers is so often affected, renders our paper currency in its present state, the worst perhaps, that ever existed. It is continually producing the most tremendous changes in the value of property, and giving the most violent shocks to both our domestic and foreign commerce.

Similar effects, though on a smaller scale, must, no doubt, be often produced by the operations of particular banks. But a private banker may be compelled to contract his issues, and contract them to the great inconvenience of his customers, without its being generally known. The effect, like a storm in a tea cup, will only drown a few harmless flies, which are too weak to escape its influence.

Bankers, indeed, have the idea that their issues are always called forth by the natural wants of the country, and that it is high prices that cause a demand for their notes, and not their issues which create high prices and *vice versa.* The principle is absurd, but it is the natural inference to be deduced from their local experience. They find themselves contracted in their issues, by laws which they do not understand, and are consequently led to attribute the artificial movements of the currency to the hidden operations of nature, which they term the wants of the county.

The Notes of the Bank of England do not regulate the issues of the Country Banks.

Our currency could not have remained so long in its present state, had it not been considered to be established on sound principles. The most enlightened opinion on the subject, was, that the Bank of England being compelled to pay in gold, would always keep its issues at their proper amount; and that the issues of the Bank of England, by means of the internal trade of the country, governed and regulated those of the country banks.

Both these views were erroneous. A demand for gold can never prevent an excess of issues, for the demand does not occur until long after the excess has taken place; and that the issues of the Bank of England do not govern those of the country banks, is best proved by a comparison of their circulation with that of the Bank of England.

For this purpose, I shall quote a table, from Sir James Graham's pamphlet.—*Table 2. Page 30.*

That very intelligent writer entertains the opinion, that the issues of the Bank of England govern those of the country banks; and in order to support his opinion, very candidly gives the following table, which, upon examination, will be found to prove the views which he as well as other persons of great ability have adopted on that point, to be completely erroneous:—

Date.	*Amount of Bank of England issue from July to Dec. inclusive.*	*Amount of Country Bank Paper in circulation on the 10th Oct, of each Year inclusive.*
1809,	19,641,640	23,702,493
1810,	24,188,605	23,893,868
1811,	23,094,046	21,453,000
1812,	23,351,496	19,944,000
1813,	24,107,445	22,597,000
1814,	28,291,832	22,709,000
1815,	26,618,213	19,011,000
1816,	26,681,398	15,096,000
1817,	29,210,035	15,898,000
1818,	26,487,859	20,507,000
1819,	24,697,407	17,366,875

By this table it will be seen, that there is not the least correspondency between them. In 1810, the circulation of the Bank of England was increased, without any corresponding increase in the issues of the country banks: in 1811 and 1812, the circulation of the country banks fell, without a similar fall in that of the Bank of England. In 1814, the Bank of England circulation rose as much as four millions, without any rise in that of the country banks. In 1815, 1816, and 1817, a contraction of the issues of the country banks took place to the extent of seven millions, while the Bank circulation was reduced only two millions, and in the latter year was higher than ever. In 1818, the country bank circulation rose again, while that of the Bank of England fell; and in 1819, if the issues of the Bank of England in gold had been given as well as in notes, it would have appeared that its circulation had been extended, while that of the country banks was again reduced.

The issues of the country banks in short, act upon each other, but they do not at all act upon the Bank of England, and those of the Bank of England so little upon them compared with other causes, as not to be worth notice.

When the balance of payments, which affects both, is either for or against the nation, it does not affect the Bank of England first, as some have supposed, and through it, the country banks. It acts upon the country banks first, and through them, upon the Bank of England, in the manner we have already explained.

The Circulation of the Country Banks is that by which Prices are affected.

The circulation of the country banks is also that by which prices are chiefly affected; for though the circulation of the Bank of England in gold and notes together, is equal to that of all the country banks put together, Ireland inclusive, yet it consists chiefly of a description of notes which do not immediately act upon prices. One half of the circulation of London consists of notes of 20l. and upwards, a great part being notes from a hundred pounds to a thousand pounds each, whereas nine-tenths of the country bank circulation consist of notes under 20l. Even the sovereigns

and small notes of the Bank of England are employed in large payments. A great part of them continually lie in the hands of the private bankers, and upon them is superinduced a circulation by payments made with cheques, which would otherwise be made with large notes.

Most of the transfers of property are made in London, as well as the large payments, in all the great transactions of foreign and domestic commerce, and it is the centre of a great many of the money payments of Europe, and money thus employed does not act upon prices.

It is the circulation employed in actual consumption that affects them, and this must be comparatively a very small proportion of the circulation of London.

The consumption of London, we shall take on the average at twice that of the same number of inhabitants in any other part of the nation; and it may be estimated at one-ninth or tenth of that of the united kingdom. To the consumption of London, must be added that of Lancashire, where the circulation consists chiefly of gold and Bank of England notes; and if we take the consumption of Lancashire at one-tenth likewise, it may be assumed, that the issues of the Bank of England in gold and paper have an influence on prices, equal to one-fifth of that possessed by the notes of the country banks. Thus prices must be chiefly regulated by the issues of the country banks; and this will be evident, if we compare the fluctuations in the prices of corn with the variations in the country bank circulation, in any given period.

The following table gives the issues of the Bank of England, the annual demand for stamps for the country bank notes at the stamp office, and the average price of wheat from 1810 to 1825 inclusive; 1810 being as far back as the returns from the stamp office can be relied upon. To this is subjoined an abstract from the Farmers' Magazine, of the state of the crops for the same period. The crop of one year, it must be observed, affects the price of the year following.

DATE.		*Circulation of the Bank of England.*	*Annual Demand for Stamps by the Country Bankers*	*Average Price of Wheat per Qr.*
*1810.	Jan. to June inclusive	20,894,441		
	July to December	24,188,605	10,517,519	105s.
†1811.	January to June	23,471,297		
	July to December	23,094,046	8,792,433	93
‡1812.	January to June	23,123,140		
	July to December	23,351,496	10,577,184	125
§1813.	January to June	23,939,693		
	July to December	24,107,445	12,615,509	107
‖1814.	January to June	25,511,012		
	July to December	28,291,832	10,773,875	74
¶1815.	January to June	27,155,824		
	July to December	26,618,213	7,624,949	64
A1816.	January to June	26,468,283		
	July to December	26,681,398	6,423,466	75
B1817.	January to June	27,339,768		
	July to December	29,210,035	9,075,958	94
C1818.	January to June	27,954,558		
	July to December	26,487,559	12,316,868	83
D1819.	January to June			
	July to December		5,640,313	72
E1820.	January to June			
	July to December		3,574,894	65
F1821.	January to June			
	July to December		3,987,582	54
G1822.	January to June			
	July to December		4,217,341	43
H1823.	January to June			
	July to December		4,657,589	51
I1824.	January to June			
	July to December		6,093,367	62
K1825.	January to June			
	July to December		8,755,307	68

NOTE.—In 1819, the bank began to pay off its one-pound notes in gold; and no regular account has been given of the amount of gold issued by it. It is said, however, to have been greater than the amount of notes withdrawn from circulation. The united circulation of gold and paper may be stated at twenty-seven millions, or upwards, from the years 1819 to 1823; after that, the bank increased its issues three or four millions, and withdrew the increase in the latter part of 1825.

* 1809.—Wheat, in many districts of Scotland, is not superior as to quantity, and much coarser as to quality, than the preceding year; but in England, it is generally inferior, perhaps to the extent of ¼ below a common average.

† 1810.—Taking it as a whole, the crop may be estimated as of superior quality. To be more particular, wheat almost in every case is excellent

as to grain, but in many districts it was thin on the ground, especially on clay soils, and by no means so productive as the years 1804, 5, 6, and 7.

‡ 1811.—The wheat crop is, more or less, defective in every district but more so in some districts than in others. By our accounts, it can hardly be estimated above ⅝ of an average; but what is surprising, the quality of the grain is generally good, which seldom occurs when the crop is a failing one.

§ 1812.—Perhaps it might not be far from truth to state, wheat generally as an average crop. That which was secured in September, was very good, both in quantity and quality; but that which was not gathered before October, has suffered from the wind, rain, and frost.

‖ 1813.—The crop, over the whole island, abundant in quantity, and excellent in quality. Wheat is everywhere above an average crop.

¶ 1814.—There is every reason to believe, that the late crop of wheat and oats is considerably below an average one in regard to quantity; and that wheat, in particular, is still more inferior in quality.

A 1815.—A most abundant crop of all kinds of grain has been secured in the best condition.

B 1816.—Wheat is universally reported as a defective crop, both in quantity and quality; probably still more in the latter than the former, but altogether to the extent of one-third, and in many instances one-half.

C 1817.—The wheat of this year, though greatly superior to that of last year, is not so far as we have seen, to be compared with the produce of favourable years for plumpness, colour, or weight. It is beyond all doubt, that the crop is not equal to an average one.

D 1818.—Although the stack-yards are certainly defective in bulk, the produce in grain will be found fully equal to an average crop.

E 1819.—In shallow hot soils, and in more early situations, the grain is in many respects of an inferior description. In districts where crops do not fully ripen but in very favourable seasons, and on deep moist soils, the produce good and abundant. In Scotland, the crop fully equal to an average one.

F 1820.—Taking all kinds of grain together, there can be no doubt that the produce is at least equal in quantity to that of seasons of medium fertility. Wheat especially is represented as an abundant crop, though it has suffered in some situations from mildew, and from being laid by heavy rains in the early part of the autumn; but in point of quality, it is perhaps rather inferior to the produce of the former years, even where no reason is assigned. The want of heat during the ripening is, perhaps, sufficient to account for this.

G 1821.—In quantity, taking all kinds of grain together, it will probably not be below an average; but in quality, it will. The wheat is the best crop of all, but smut, rust, and mildew, have been more general than usual.

H 1822.—Wheat seems to be everywhere a good crop; but in Scotland, it is rather below that of last year, both in quantity and quality.

I 1823.—All crops have suffered, more or less, from the bad weather, but wheat has suffered the most, and must be below an average by 20 or 25 per cent., as far as it is yet possible to ascertain the deficiency.

K 1824.—It is now generally believed, that the crop is not much short of a fair average, and the quality excellent.

1825.—All accounts at home and from abroad agree in reporting most favourably of the wheat crop. It is generally stated to be above an average.

By this table it will be seen that the rise and fall in the price of wheat, and in the demand for country bank notes, nearly correspond with each other, while the greater part of the fluctuations in the price of wheat, with one or two exceptions, could not be accounted for in any degree from the state of the crops, and as little from the state of the circulation of the Bank of England,—thus sufficiently demonstrating the dependence of prices upon the circulation of the country banks.

Causes of the Rise and Fall in the Amount of Country Bank Circulation since the Peace, accounted for.

The causes of the fluctuation in the demand for country bank notes since the peace, may likewise be easily accounted for on the principles we have explained.

During the war, the loans required by government were great, and the general demand for money excessive, but on the return of peace, government having ceased to borrow money, the supply became greater than the demand. The money which could not be employed was lodged with the banks, and the currency began to contract.

This was the commencement of a ruinous change in the value of property, and of numerous failures throughout the country. Runs upon the banks were created, and a state of mutual distrust arose, both of the public by the banks, and of the banks by the public. The banks were consequently obliged to contract their issues still further

both by prudence and necessity, and this produced the very great fall in prices which occurred in 1815 and part of 1816.

When the banks contract their issues generally, they cannot increase them again except as we have before mentioned, by means of a balance of payments, bringing gold into the kingdom, and a supply of bills upon London to the banks in the country, or by a general and simultaneous increase in the demand for capital, acting upon all the banks at the same time.

In 1816, however, there was a failing crop, and the latter effect was produced. The loss of income consequent upon a failing crop always produces a scarcity of capital, and a general demand for money upon the banks. The farmer draws out what he has in their hands, to pay his landlord—the landlord, to meet his expenditure, in consequence of many of his tenants being unable to pay him his rents, and the tradesman to pay his bills, in consequence of his not being able to obtain the payment of his debts from the agriculturist, &c.

This demand upon the banks is a consumptive demand—the money is not paid away in bulk to the parties who return it into the bank again: it is put into circulation, and an equal demand being experienced by all the banks throughout the country at the same time, every banker finds that his notes remain out, and that his circulation has increased.

A demand for money thus caused, the bankers have no power of resisting. It is chequed out of their hands by those who have money deposited with them; but being enabled to increase their issues, they are prevented the necessity which they would otherwise be under, of declining to so great an extent, to accommodate their borrowing customers upon bills, &c. with the discounts and loans they have been accustomed to receive.

The increase of issues in 1817, and rise in prices, led to a considerable importation of corn, which gave a great impulse to trade, and increased the demand for capital. This led to still further extension of issues in 1818, and a still greater importation of corn. The balance of payments was consequently turned against the country, and the Bank of England, though not compelled, being willing to supply the gold required, five or six millions were sent out of the kingdom.

This would operate as a check upon the issues of the country banks; but in addition thereto, capital became plentiful again, and the value of money began to fall below the rate of interest charged by the banks, and continued so until the year 1823. The great majority of the banks persevered in charging five per cent. interest, when they ought not probably to have charged more than two, and the country bank circulation contracted, until the price of wheat was reduced below 40s. per quarter.

Many persons blamed Mr Peel's bill, which ordered the bank to resume cash payments, for this contraction of the currency and fall in prices, but it had nothing to do with it. Mr Peel's bill was a dead letter, and of itself would not have reduced prices much below 80s. per quarter for wheat. By the contraction of the country bank circulation and fall in prices, the importation of corn was suspended, and the balance of payments turned in our favour to a great extent, and the Bank of England took the opportunity to pay off its one pound notes more rapidly than it could otherwise

have done; but this was the consequence of the contraction of the issues of the country banks, and not of Mr Peel's bill. Had our currency been as perfect as it was generally supposed to be when that bill was passed, it would have had no other effect than the framers of the measure expected from it.

In 1823, a change began to take place in the value of money, capitalists began to find better employment for it, and to draw it out of the hands of the bankers with whom they had deposited it, and this being general, the bankers involuntarily increased their issues as they had before involuntarily reduced them. The demand for money kept increasing, and the issues of the country banks increased likewise, until stopped by the panic in the latter end of 1825.

For this increase of issues the country bankers have been censured, though without justice. It has been supposed they increased their issues by encouraging hazardous speculations. I do not suppose that the imputation was true in a single instance, more at least than is the usual practice in other times. Their issues were increased, there is little doubt, by money previously deposited being drawn out of their hands. They would have gone much further in lending money in the years 1821 and 2, than in 4 and 5. The blame was due to the system, and not to the individuals. It was perhaps more criminal to contract their issues in 1821 and 1822, than to increase them in 1824 and 1825. By the former, the standard of prices was reduced below, by the latter it was only raised to its proper level.

The Changes in the Amount of the Country Banks circulation, deranged the Foreign Trade of the Country.

Every one of these changes was an alteration in the standard of value, as much as if an alteration had been made in the standard of the coin. If, instead of the amount of the money in circulation fluctuating, the sovereign, which was worth twenty shillings in 1818, had been reduced to the value of ten, in 1822, and raised again to the value of 15s. in 1825, the effect would have been precisely the same as regards our internal transactions, and much less injurious as regards our foreign trade; for it has been kept in an equal state of derangement.

In 1815 and 1816, our imports were diminished by the fall in prices, which had occurred; and the balance of payments was turned in our favour, and ten millions of gold at least, it is probable, were received. In 1818, by the excessive importation of corn, it was turned against us, and about seven millions were exported. In 1819, 20, 21, and 22, it was again in our favour, and upwards of twenty millions were imported, by which a general fall of prices, and a state of agricultural distress was produced in all the neighbouring nations, and in the United States of America. In 1824 and 1825, the balance of payments was turned against us a second time, and eight or ten millions were exported; and now it is a third time in our favour, and we are receiving gold in great quantities.

The great alterations which must have thus taken place in the amount of our exports and imports, were almost exclusively produced by the alterations in the

standard of our prices; of which one of the best proofs is, that prices in general fell during the time the money was flowing into the country, and rose during the time it was going out. This was particularly remarkable, from 1819 to 1823, when we received such large quantities during the whole period that prices were falling, which could not have been the case, had the importation been produced in the natural way.

With a proper currency and proper corn laws, it is not, indeed, probable that we should at any time have imported or exported, more than a million or two, if so much, unless it might be from the excessive importation of corn, which took place after the bad harvest of 1816. That importation, however, was much more the consequence of the addition made to the currency than of the scarcity; which is satisfactorily proved by the importation being greater in 1818, when the scarcity was over, than it was in the year before; and upon a little examination, we shall find, that the price of corn is much less affected by the state of the supply, than is commonly supposed.

The Price of Corn much less affected by the State of the Supply than is commonly supposed.

" A French author," says Smith, " of great knowledge and ingenuity, Mr Messance, receiver of the taillies in the election of St Etienne, endeavours to shew that the poor do more work in cheap than in dear years, by comparing the quantity and value of the goods made upon those different occasions, in three different manufactures—one of coarse woollens, "carried on at Elbeuf; one of linen, and another of "silk, both of which extend through the whole gene-"rality of Rouen. It appears from his account, which "is copied from registers of the public offices, that the "quantity and value of the goods made in those three "manufactures, has generally been greater in cheap "than in dear years, and that it has always been "greatest in the cheapest years. All the three seem to "be stationary manufactures, or which, though their "produce may vary somewhat from year to year, are "upon the whole neither going backwards nor for-"wards.

"It is because" observes Dr Smith, "the demand "for labour increases in years of sudden and extraor-"dinary plenty, and diminishes in those of sudden and "extraordinary scarcity, that the money price of la-"bour sometimes rises in the one and sinks in the "other.

"In a year of sudden and extraordinary plenty, "there are funds in the hands of many of the employ-"ers of industry sufficient to employ and maintain a "greater number of industrious people than had been "employed the year before; and this extraordinary "number cannot always be had. Those masters, "therefore, who want more workmen, bid against one "another in order to get them, which sometimes raises "both the real and the money prices of labour.

"The contrary of this happens in a year of sudden "and extraordinary scarcity. The funds destined for "employing industry are less than they had been the year "before. A considerable number of people are thrown "out of employment, who bid one against another, in "order to get it, which sometimes lowers both the real

"and the money prices of labour. In 1740, a year of "extraordinary scarcity, many people were willing to "work for bare subsistence. In the succeeding years "of plenty, it was more difficult to get labourers and "servants."—*Wealth of Nations.*

We have witnessed the effect of a scarcity in throwing labourers out of employment, in our own times. In 1817, it will be remembered, that the distress of the poor appeared to arise as much from want of work as from the dearness of provisions; and the subscriptions raised for their relief, were chiefly expended in giving them employment.

Now, if there be a greater demand for labour in plentiful years, it must keep up the price of provisions; and if the labourer be thrown out of employment in bad seasons, it must tend to keep down the price; for it is through the demand for labour, that the demand for provisions is chiefly caused.

This effect of a scarcity is easily explained. The farmer by losing his crop cannot pay his landlord, his landlord cannot pay his tradesman, his tradesman cannot order more goods of the manufacturer, and the manufacturer cannot employ his usual number of men; in short, a scarcity of money arises, and a kind of revolution is caused, by which a diminished consumption of manufactures is produced amongst all classes. The opposite effects, of course, are the consequences of a good harvest.

This reduces the demand for corn in bad years, and increases it in good; the effect of which must be to prevent the price of corn rising and falling in these years to so great an extent as would otherwise be the case.

We have sufficient evidence, indeed, that there are often very great differences in the crops of ordinary years, without any material effect upon prices being the consequence.

Messrs Cropper, Benson, & Co. of Liverpool, are in the habit of sending people every year throughout all the chief corn districts for the space of a thousand miles, who take a yard of corn, or some such proportion, at different places, on a principle of their own. This they measure and weigh, and by this means obtain an accurate knowledge of the comparative goodness of the crops of each year.

The following is the result of their estimate, for six years, given in evidence before the agricultural committee of 1821.

1815,—37 Winchester bushels per acre, quality good.
1816,—25 ditto, very bad in quality: nearly rotten.
1817,—33 ditto, quality not very good.
1818,—32 ditto, quality very good.
1819,—27 ditto, quality very good, but not so good as the year before.
1820,—37 ditto, sound and dry, but not so good as the two preceding years.

They consider 32 bushels per acre an average crop; they take only the best corn districts, and make no allowance for furrows and hedge rows.

If we take the produce of the wheat crop in average years at 10,000,000 of quarters, which is below the truth, their surveys will make the total produce, in each of those years, as follows:—

1815,—11,562,187	1818,—10,000,000
1816,— 7,812,500	1819,— 8,437,813
1817,—10,812,500	1820,—11,562,187

Between the years 1819 and 1820, it will be seen

that there was a difference in quantity, amounting to 3,124,374, which is nearly equal to twice the amount of the greatest importations we ever experienced; yet by the following account of these years, abstracted from the Farmers' Magazine, we shall see no reason to infer that there was any difference which must not constantly occur.

"1819.—In shallow hot soils, and in more early situations, the grain is, in many instances, of an inferior description. In districts where crops do not fully ripen but in very favourable seasons, and on deep moist soils, the produce good and abundant. In Scotland, the crop fully equal to an average on."

"1820.—Taking all kinds of grain together, there can be no doubt that the produce is at least equal in quantity to that of seasons of medium fertility. Wheat especially is represented as an abundant crop, though it has suffered in some situations from mildew, and from being laid by heavy rains in the early part of autumn; but in point of quality, it is perhaps rather inferior to the produce of the two former years, even where no reason is assigned. The want of heat and sunshine during the ripening is, perhaps, sufficient to account for this."

There is nothing in the above account which could lead to the supposition, that there was any such difference between these two years as there was in reality. There is consequently little doubt that a difference quite as great repeatedly occurs, without attracting any particular notice, or producing any material effect upon the price of corn.

Let us, however, attempt to examine the effect that this difference might have produced, for it would doubtless have some effect. The average prices from 1818 to 1822 inclusive, were as follows:—

1818,—83s.	1820,—65s.
1819,—72s.	1821,—54s.

There appears to have been on the average of the above years, a decline in price of 11s. per quarter, except in 1820, when the prices appear only to have fallen 7s. per quarter. The general fall, as we have before explained, was produced by the currency; but we may infer that the deficiency in the crop of 1819, had arrested the fall 4s. per quarter; and this is all the effect that can be traced from a deficiency in that year alone, nearly equal to the greatest importation of foreign corn we ever experienced. The superabundance of 1820 does not appear to have produced any effect whatever.

If so great a difference, as there appears occasionally to be in the amount of the crops, has thus so little influence upon the price of corn, still less would an importation have much effect, however great, unless it was paid for in currency: for foreign corn paid for in commodities, always, as we have before explained, creates a demand equal to its own consumption. But should it be paid for in money, it reduces the monied demand for corn, at the same time that it increases the supply. It throws manufacturing labour out of employment, by contracting the currency; and reduces the price of corn less by feeding the manufacturing labourer, than by starving him. Importation of foreign corn can, therefore, only materially influence the price of it, by taking the money out of the country.

Thus, whether the supply of corn be produced at home, or imported from abroad, it has much less effect upon the price of it than has been usually supposed.

In every point of view, therefore, it is clear that to the defects in our currency we can only look for the fluctuations in prices that we have experienced. To remedy these defects, is consequently the object to be attained, and we shall endeavour to point out the manner in which this may be accomplished; for until they are remedied, this country, as we have before stated, can never enjoy uninterrupted prosperity.

Plan for regulating the Currency.

Our paper currency has been substituted for, and has been supposed to represent, a metallic currency; and to make it fully what it purports to be, is the improvement required.

In order to this, three things are necessary;—first, that it should be rendered safe, and of the same real value as metallic money, to the holders of it, notwithstanding the failures of banks; secondly, that the amount of it should never either be more or less than the sum of metallic money which would be in circulation were there no paper, and that it should only increase and diminish in quantity with reference to the foreign trade of the country; and thirdly, that it should spread itself over the face of the country, in equal proportions, on the same principles as a metallic currency; so that the currency and capital of London should not be affected, in the manner it now is, by the exportation and importations of the precious metals. Now these improvements, it appears to me, would be obtained by the following plan.

1. Let chartered banking companies with sufficient

capitals be established in different parts of the kingdom.

2. Let the existing circulation be divided amongst them, government charging such interest for it as may be proper, and let them have no power of increasing or reducing their issues except in the following manner; the Bank of England being subject to the same regulations as the rest.

3. Let a Board of Commissioners be established in London, with an office for the receipt and deposit of bullion.

4. Let them grant to any person depositing bullion with them, a receipt or post-bill for its value (to be called a bullion receipt, or bullion post-bill), and let such receipt or bill be an order upon any bank to which it may be presented for payment of its amount, by a fresh issue of notes.

5. Let any person wanting to purchase bullion, take his notes to any bank, and obtain for them a draft upon the commissioners for their value in bullion (to be called a bullion bill), and let the notes be cancelled with which the draft is purchased.

6. Let these bullion bills, not only be orders upon the commissioners for bullion, but upon any bank to which they may be presented for payment of their amount, by a fresh issue of notes.

7. Let a charge be made for bullion bills, on account of government, somewhat higher than the common charge made by bankers for bills upon London.

8. Let the banks likewise pay their notes in gold on demand, cancelling the notes so paid; and let them purchase gold with their notes by a fresh issue.

9. Let government manufacture the notes, and supply the banks with them. Let it also furnish each bank with such a stock of gold as it may require, to pay its notes with.

10. Let the currency on these principles regulate itself, and let the commissioners have no power over it without the authority of parliament.

This plan, there would be little doubt, would render our currency quite as perfect as a metallic currency, in all those particulars in which a metallic is superior to a paper currency, while it would possess considerable advantages over a metallic currency in other respects.

In the first place, if the currency be issued by public banks, and be payable by government (both of which might be security for it) it has been ascertained both by the experience of the Banks of England and Ireland, and the Scotch banks, who do not offer the additional security of government, that payment of it would never be demanded in gold, except for the purpose of remitting out of the country. It would consequently, for every practical purpose, possess all the credit required.

By government paying the currency itself, the banks would be placed on the same footing with respect to the circulation assigned them, as if government had lent them the same amount of metallic money. They would lend it out on the best terms they could obtain, and they would likewise do the same with any money deposited with them.

The interest they charged would be the market price. The currency would be kept in circulation, by its being lent out at such a rate of interest as would cause a demand for the savings of income or capital which the bankers had to lend. The bankers would be simply dealers in capital, and would have no care regarding the currency, more than if it were metallic.

When an importation of the precious metals takes place, with a metallic currency, the party importing them would send the bullion to the mint, to be coined into British money, which he would put into circulation by paying his bills or debts, or making loans or purchases with it, or by placing it in the hands of his banker.

By this plan, the only difference would be, that instead of sending it to the mint, he would send it to the bullion office, and instead of getting its value in new coin, he would get an order for its value in new notes, which he would put into circulation in the same manner.

On the other hand, a redundancy in the circulation would produce an exportation of money, which would diminish or contract a metallic currency to precisely the extent of the sum exported, and by this plan notes to the amount of the sum exported would be taken out of circulation, and the effect be the same.

With a metallic currency, five times out of six, money imported would not remain in London,—it would be sent down to the country, even if it should be put into circulation in London, in the first instance, and by this plan, should the money have to be sent into the country, either the bullion receipt for it would be remitted, and its value in notes be obtained from the bank, in the part of the country to which it was sent; or if it should be cashed at the Bank of England by the person who imported the money (for he is seldom the party who has to send it to the country), the party who had to remit it to the country would obtain a bullion bill from the bank, which would answer the same purpose as a bullion receipt.

In this way the notes which represented the imported gold, would be at once circulated in that part of the country to which the gold was due, and no effect would be produced upon the circulation and London money market whatever.

Money, it may be observed, that comes into the country in payment for commodities, adds nothing to the capital of the nation; the exporter of them can only reimburse himself and replace his capital, by adding the money he has received to the currency, and depreciating the value of the whole; by this means taking from the holders of the money in previous circulation, a portion of the commodities which it would otherwise have purchased. The goods sent out of the country for the money is a loss of commodities to the nation; the money imported merely enabling the receiver of it to replace his stock of goods by robbing his neighbours.

Nothing can, therefore, be more unnatural than that an importation of money should make capital plentiful in London, and that an exportation of it should have an opposite effect. This, however, as we have before explained, is the case with our present system of currency. The gold due to the country is detained in London instead of being sent to where it is due, and gives rise to an increase of circulation both by the Bank of England and the country banks, and *vice versa*, to the great annoyance both of the London bankers and the Bank of England. The former in consequence have sometimes more capital than they can find employment for, and at others have it drawn out of their hands until they are reduced to the greatest difficulties; and the latter are sometimes called upon to increase their issues out of all proportion, and at other times to diminish them in an equally extraordinary manner; and this the bank not in general being willing to do, is in consequence put to the greatest difficulties in attempting to keep its issues at a stationary amount, by contracting and enlarging them upon commercial bills, and other securities to an equal extent.

The transmission of money, likewise, between the different parts of the country, would be effected by means of bullion bills as perfectly as by the metals which they would represent. The banks from which they were obtained would contract their issues, and the currency in their part of the country would be diminished just as much as if an equal amount of coin had been taken out of circulation, while those banks to which the bills were presented for payment, would increase their issues, and the currency in their part of the country become extended in a corresponding degree; and, except in this manner, the banks would never be able to alter the amount of their issues.

The expence of transmitting coin from one part of the country to another is considerable, and prevents its being sent, so long as bills are to be had. For this cause a metallic circulation is never altered until an actual balance of payments has rendered the transmission of money necessary, and the expence of bullion bills ought, in like manner, to be such as to prevent their being applied for while commercial bills were to be obtained; while, on the other hand, the banks ought to gain nothing by drawing them, so as to remove every

inducement to their being remitted, unless the state of the currency should require it. The charge made upon them, therefore, ought to be received by government, and ought to be, say, five shillings per cent. above the price of other bills.

The Bank of England by this plan would be placed upon the same footing as other banks, and be relieved from the responsibility of furnishing gold to meet the excessive issues of the country banks as at present.

The commissioners would have to purchase from the Bank of England its stock of gold. This they would do by assigning it a corresponding amount of circulation. If its present circulation be twenty millions, and its stock of gold ten, it only enjoys a profitable issue of ten millions; the other ten is a loss to it. It has the cost of maintaining ten million of notes which have been issued in purchase of a stock that lies dead and unprofitable in its coffers. Of this expence the government would relieve it by taking its stock of gold; and it would assign to the bank ten millions for profitable issue, and ten millions in payment for the gold, making it for the latter issue a suitable allowance, for any extra trouble occasioned, should it be necessary, besides finding the bank notes.

It will be desirable in government to find the notes itself. The notes lent to the bank in the first instance is so much capital, and has no more to do with the amount of circulation which shall remain in the district, than one person lending another a thousand pounds to build a house, has to do with it. If the circulation of any given district be, say, half a million, and government were to lend or assign to the bank in that district half a million of notes, the bank would owe government half a million of capital. These notes it would lend out to the public upon good security, and the public would be indebted to it in that sum. But if from some changes in the trade of the country, the balance of payments was turned against the district, and its circulation was reduced, the bank would still have half a million due to it, and be owing that sum to government. The circulation would be contracted by a demand for bullion bills, but this demand would have no more effect upon the debts and credits of the bank, than if notes or gold were remitted, without the parties, ~~to~~ obtain ing a bullion bill. No bank, it is probable, will have the same amount of circulation to maintain in paper and printing, as it commenced with, though it will be owing the same sum of money to government. It will, therefore, be better for government, as the expence will vary, to find the notes itself.

Government, it may also be observed, is extremely jealous of the prerogative of coining metallic money, although it merely puts an impression upon pieces of metal not its own, the quantity and value of which it has neither the power of increasing nor diminishing. This jealousy is proper; and when it is considered that paper money ought not only to have an impression upon it, in evidence of its being what it represents itself to be, but in proof that it has not been put into circulation without its being proper for it to be in circulation, it seems still more desirable that paper money should be the king's coin than metallic money.

In order, however, to prevent forgery, it seems almost necessary that government should take the printing of the notes into its own hand; for when that is

done, I am persuaded that forgery will soon be nearly, if not totally, put an end to.

Great improvements of late have been made in the art of engraving bank notes, and greater improvements may no doubt be still made. But the adoption of Messrs Perkins and Heath's invention, coupled with other regulations, would, there is little doubt, render the crime of forgery in a great measure unknown.

The Bank of England engraves its notes upon copper, and the engraving wears out after a limited number of copies are struck off. Now the first step to prevent forgery is to make it difficult, and the way to make an engraving difficult to copy is, to make it a good one. The Bank of England, however, does not re-issue its notes; and if we suppose that a good impression of a beautiful copper-plate engraving, by an eminent artist, would cost only a penny each note, that the paper, printing, registering, signing, duty, &c. would only cost three half-pence, which is, perhaps, all expences included, within the mark, and that the notes remained in circulation three months upon the average, a one-pound note circulation would cost the bank about four and a half per cent. per annum, independent of the stock of gold necessary to meet the payment of it. Since the return to cash payments, it is probable that the Bank of England could make nothing by its small note circulation at any rate; but its only chance of making a profit by it, at any time, would depend greatly upon the cheapness of the engraving; and with copper-plates, it could not have a very good note, and a cheap one.

Messrs Perkins and Heath, however, have the power of multiplying, indefinitely, any plate that may be prepared, so that each new plate shall be a perfect fac-simile of the original, by which they are enabled to furnish perfect copies, without end, of the finest engraving, or most difficult work of any kind, that can be introduced into the compass of a note. This renders it worth the expence of having a plate prepared by the first artists, which shall be so difficult and expensive to imitate, as to place it out of the reach of forgery by the class of persons who practise that trade. Forgers do not possess capital, and seldom any high degree of professional talent, both of which it is the object of Messrs Perkins and Heath to render necessary in the composition of their note, in order to imitate it successfully; and it may, perhaps, be allowed that one of their best notes could not be forged, except by a man possessing a degree of ability which would enable him to make much more money by the honest pursuit of his profession.

It is understood, also, that expression in the human countenance cannot be exactly copied by any artist, even if the work be his own, especially if the expression be of a mixed character. But, were this not the case, it would still be more difficult to forge a well-defined face than any other subject, from the circumstance of the public being much better judges of expression in countenance, and much more likely to observe minute shades of difference in such an engraving than in any other.

With a certain quantity of engraved and other work upon their notes, Messrs Perkins and Heath consider them so far at present inimitable, or beyond the reach of profitable forgery, that they have engaged to supply the Provincial Bank of Ireland, whose note was fur-

nished by them, with a new issue, should there ever be a passable forgery upon it; the cost of which would amount to several thousand pounds. It is not, however, necessary to assume that any note can be made which forgers cannot imitate: but that which cannot be accomplished without much labour by several able men, cannot be copied without considerable pains and labour by one inferior artist; and if the notes were so prepared as to render it a work of some difficulty and labour to forge them in the first instance, forgeries might, I have little doubt, be successfully prevented by adopting the following regulations. Let every country bank have two or three different notes, and the Bank of England ten or twenty, with each a well-defined head upon it of some public character, together with legible and well-known signatures; then as soon as a forgery appeared upon any one of them, let the circulation of it be instantly stopped, and the whole impression be called in, never to be issued again, and let a new note be substituted for it. This would be effected with great ease, if the public could distinguish the notes, without having to refer to their numbers, by such leading marks upon them as the heads of public men.

The forged notes ought never to be paid, for that would diminish the caution of the public in receiving them; but government ought not to relax in its search until the forger was discovered. There would thus be three or four checks to forgery, which do not now exist. First, the great difficulty and labour in forging the note; next, the difficulty of passing the forgery, in consequence of the public eye becoming familiar with the good engraving of the note forged upon, and with the head upon it in particular: for a forgery can generally be distinguished from the original even in the notes of the Bank of England; in the third place, the impossibility, were these difficulties overcome, of the forger having any currency for his note, in consequence of the whole impression of the note forged being called in the moment the forgery is discovered; and fourthly, by the certainty of prosecution, and the greater ease which notes so distinguished could be traced.

The Scotch and English banks seldom prosecute for forgery, and sometimes encourage it by paying the notes forged. If to all this we add the vigilant attention of government to the subject, and the ready adoption of improvements which might be offered, there can be little doubt that an end would be put to forgery in a very short time.

It is hardly necessary to observe, that under the system of currency proposed, publicity ought to be given to the amount of the circulation at stated periods. Every man, from the labourer to the landlord, is interested in the state of the circulation; and no one man ought to have more knowledge regarding it than another. The secrecy of the present system is one of its vices.

This plan has generally received the approbation of those who understood it. It was first published in 1823, in a work of mine, entitled, Outlines of a System of Political Economy, and was submitted to Mr Ricardo, who I was desirous should bring it forward. This he proposed to do, with improvements of his own; and the plan for a National Bank, published since his death, contains the plan with his improvements upon it. But Mr Ricardo did not understand the principles of our country bank circulation, as his alterations will shew.

Lord Liverpool referring to it, if he referred to any published plan, is reported to have said in his speech on the small note and bank bill on the 18th February, 1826, that "he admitted he preferred a metallic circu-
"lation under all circumstances, before a paper circu-
"lation; yet a system might be framed, so sound in its
"nature, and so well arranged and put together as to
"answer to a degree; but with respect to this, the ge-
"neral state of the law as it now existed offered a dif-
"ficulty. The measure he was about to propose was
"a divided or half measure, but it was rendered so by
"the charter of the Bank of England: we must and
"ought to go further and further; we would go so as
"soon as we could."—*Morning Chronicle.*

The Quarterly Review also said of it, "the details
"are ingeniously devised, and like the action of ma-
"chinery in a model, are very pretty, but give no as-
"surance that the machinery of which the materials
"are actually composed, will bear the working."—*No.* 31. *p.* 141.

Lord Liverpool, it is probable, had in his view the plan as it appeared in a series of Letters in the Courier in 1823, written by me, anonymously, in support of my own views, and re-published in October, 1825, under the title of "An Illustration of Joplin's Views on Currency." In that work it was better explained than in the Outlines of Political Economy to which the Reviewer referred.

It is no part of this plan that the public should not have gold if they wished it, but only they cannot have both. If they demand gold for paper, the paper must be cancelled, and if they demand paper for gold, the gold must be locked up. An exclusive paper currency would, however, possess a great advantage of which we have not yet spoken.

In a season of scarcity the hardships fall chiefly, as we have before explained, upon the manufacturing labourer, by throwing him out of employment; and as the importation of foreign corn gives employment to the manufacturing labourer, such importation is calculated to retrieve, at such periods, those who most require it.

But this only if the corn be paid for in commodities. If it be paid for in money, an importation, whatever benefit it may confer upon others, only increases the miseries of the manufacturers, by throwing still more of them out of employment.

In a season of scarcity, every encouragement is, of course, given to the importation of foreign corn; and the balance of payments has been generally turned against us to a great extent.

This, however, not only produces immediate injury to the unfortunate manufacturer; but the exportation of the money, sooner or later, is certain to produce a temporary fall in the price of corn; but were the circulation exclusively paper, these effects might be prevented by a temporary suspension of cash payments.

In that case, instead of money going out of the country, the exchanges would fall, and goods would be sent instead. So long as the commissioners paid gold, and persons could have whatever amount they wanted, in exchange for notes, gold would, of course, be remitted to pay for the excessive supplies of corn received; but when gold could not be obtained, there would be no other way of paying for the corn, than by sending bills drawn for goods exported. As the demand for these

bills would be consequently much greater than the supply, they would immediately rise very high, and sell, perhaps, for twenty or thirty per cent. in England, above the amount for which they were drawn. This would induce some to send goods in payment for the corn, rather than purchase a bill on these terms; and others to export them, for the sake of the profit to be made by the sale of the bill: for if they were sold for much less than they cost in England, a profit would still be gained.

To every place, indeed, an increased exportation would take place; as this state of the exchanges would only be temporary, foreign capitalists would take the opportunity of increasing their stocks of British goods; and thus a foreign demand for our manufacturers' labour, would be created, adequate to the extra importations of corn. Under these circumstances, the corn imported, to however great an extent, would be a benefit to the manufacturing classes; and every encouragement, by taking off the duty, &c., might be given to importation, without any fear of its consequences. The currency would not be contracted, and the farmer would not have both the loss of his crop and a subsequent fall of prices to contend with.

It may perhaps be observed, that if the exchanges were turned against us by a suspension of cash payments, the silver currency would be exported. This, however, could not be done to so great an extent, and it might be prevented altogether by making a temporary alteration in the standard, to correspond with the fall in the exchanges and existing value of the bank note.

The late measure of government for withdrawing the small notes from circulation, was undoubtedly a proper step with reference to the existence of our present system of currency, which system probably must exist for some time longer. But when our paper currency is put under proper regulations, and the bank note improved so as to render it in a great measure free from forgery, I am persuaded we shall for no length of time have a gold currency. The coinage will become deteriorated by wear, sovereigns will become worth less than twenty shillings, and be found extremely troublesome. The superior conveniences of a paper currency, which can never lose its value, will then become so apparent, that the first bad harvest will probably lead to the gold being withdrawn from circulation again. The starving manufacturer in the first instance, and the grumbling landlords in the next, will, there is no doubt, render any attempt or any inclination to continue it, out of the question.

Measures proposed to be adopted in the next Session of Parliament for the Admission of Foreign Corn.

If the principles we have endeavoured to establish be correct, an importation of foreign corn will be the best mode of relieving the present manufacturing distress, so long as it does no injury to the agriculturist; but the moment it ceases to be paid for in commodities, and is paid for in money, its importation becomes an injury both to the manufacturer and the agriculturist: it diminishes the employment of the one, and the income of the other. The secret, therefore, of prudential legislation in the matter, is to admit as much corn as is really wanted and no more.

The balance of payments being in our favour, would, under ordinary circumstances, be a sufficient evidence of a demand for foreign corn.

It would be a proof that the demand for our manufacturing labour was greater than the amount we had to dispose of in exchange for foreign commodities, and that more labour than our income would employ, and soil support, was required to supply such demand. But the present balance of payments may be, and to a certain extent, no doubt, is, the effect of one extreme begetting another: of imports beyond the ordinary demand producing imports beneath it. If it was the natural result of an increased demand for manufactures, our manufacturing labourers would not be in such distress. Perhaps, however, this distress may have chiefly arisen from the want of home demand, produced by the derangement or revulsion consequent on the late panic. It is necessary to the regular consumption of the income of society, that the currency by which the distribution of it is managed, should be almost unchangeable; and these shocks derange the whole frame of our internal economy, reduce the consumption of those things which can for a time be dispensed with, and throw out of employment the manufacturing labourer by whom they are prepared. It may therefore be, that the foreign demand for our manufactures is increasing, notwithstanding the want of employment now experienced by the manufacturing classes.

I have, however, little doubt that we have at any rate a very considerable demand for foreign corn, which will gradually increase with the supply of it. Our demand for it will re-produce an equal demand for colonial and other produce, and of course for the

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produce of our manufacturing labour, and the only thing to be avoided, is rushing from one extreme to the other, by admitting too large an importation in the first instance, more especially with our currency in its present state. Should it ever be determined to alter the standard of our prices from 60s. to 50s. or to any other level, it would be unwise to do it by violent means, and this an unlimited importation suddenly admitted might prove.

There is one advantage which will be felt from an importation of foreign corn, which we have never adverted to, and that is, a very great increase of revenue, independent of the direct tax upon the corn. The excise duties and every duty on consumption and expenditure, will be increased in proportion to that expenditure of income, of which it forms the basis and to which it gives rise; and these duties will probably amount to much more than the Custom House duty levied on its importation.

When, however, on the other hand, it is considered, that by encouraging the importation of corn, we give life to a manufacturing population, dependant upon its regular importation for their support, it becomes the duty of government, so far at least as it can be secured by treaties, to bind every nation, before we consent to receive its corn, not to close its ports upon us, in times of general dearth, or make any impositions upon it in times of scarcity in this country,—a practice that has been adopted by foreign states, and by which any additional encouragement to importation which we may hold out, is counteracted.

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