A

REPORT

ON

THE REPORTS

OF

THE BANK COMMITTEES.

BY

JOHN WHEATLEY, ESQ.

Non fumum ex fulgore, sed ex fumo dare lucem,
Cogitat.——————

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A

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&c.

I KNOW not which most to congratulate, the country on having such clever Ministers, or Ministers on being so clever as to have learnt half their lesson in twenty years. They have at last found out that there is such a thing as an excess of currency. They who so long contended that there never was too much paper, that our paper and gold were always at par, and that there was any cause but paper for the disappearance of gold, do now acknowledge that there have been times when we have had too much paper, that our paper has been below gold, and that gold has gone out when our paper has been too much. But they have still to learn the other half of their lesson; they have still to learn that there is such a thing as a deficiency of currency, that there have been times when we have had too little paper, that our paper has been above gold, and that gold has come in when our paper has been too little. They have also to learn the effects of these changes in the state of our currency on the prosperity and embarrassments of the country, and how much greater the evil of deficiency is, which produces low prices, than the evil of excess which produces high ones. But as they have come over in part to the new school, I will not ask why they have not come entirely; nor will I inquire why they, who are gifted with official intuition, which is much more valuable than natural, and ought to have been the first converts to our system, have been the last; but as better late than never, though not without a self-complacent smile at their introduction, and a partial sentiment of "parcere subjectis,"

We will give them honour due,
And admit them of our crew.

While they were lost in the heresies of the old school, and blindly bigotted to its tenets, it was impossible to do any thing with them or for them; and when in the distresses of 1814, 1815, and 1816, from the reduction of paper, they preached up the inconsistent and unnatural doctrine that our privations were the result of peace, resistance to an argument of such evil tendency became a duty, and, as one of the disciples of the new school I did my best in a letter to Lord Grenville to expose its fallacy, and explain the real cause of our difficulties. But now that ours is to be the orthodox side of the question, and we are to be the practical men, and the old school the theorists, I will endeavour, as far as I am able, to assist them in the application of the principles they have embraced, and that no disgrace may attach to us from the failure of their efforts, mark out the course they should take.

The system of currency which ought to be established is that, which is liable neither to excess nor deficiency. Our present system is liable to both. It is liable to excess because no demand can be made on the bank for gold when it is excessive, to lessen it to a just amount; and it is liable to deficiency, because country bank paper totally disappears in the event of a run. The old system was liable neither to one or the other; it was not liable to a continuance of excess, because bank notes were forced on the bank for gold to be remitted abroad, when an excess took place, which reduced them again to a proper quantity; and it was not liable to deficiency, because there was no private paper to be an object of suspicion. From 1696, when the Bank of England was established, to the close of the American war in 1783, our currency was composed of nothing but Bank of England notes and guineas, no note being issued below the value of £10. By this proportion between our paper and coin, a sufficient quantity of guineas was at all times kept in the country to form the medium of current payments, and carry on the business of retail trade, while the larger notes of the Bank of England were conveniently applied to the transactions of Government and the higher branches of commerce.

The first point of inquiry, therefore, with the Committees, should have been, what had caused a deviation from this system. When they knew that from 1696 to 1783, our money consisted of nothing but bank notes above £10 and guineas, they should have investigated for what reasons and for what good it was now composed of bank notes above £10, and small notes instead of guineas, the only difference between that and the present system being the substitution of small notes for gold. Their researches should therefore have been directed to the cause and effect of this innovation, that they might bring back our paper and coin if the alteration was wrong to its former proportion: but as Ministers were too young in their novitiate to see at once "per opaca viarum," but little is said about small notes in either of the Reports, and that little is nothing to the purpose.

As the evidence that was taken on this head occupied so small a space, I shall fill up the gap by entering into an examination of the origin of small notes, their liability to sudden decrease, the effects of their deficiency, and the propriety of continuing them as a permanent part of our system. But in this investigation it will be necessary for me to recapitulate much of what I urged against the circulation of private paper, in my remarks on currency and commerce in 1803, and in subsequent publications: and I may certainly say, had the advice which I gave sixteen years ago been followed, all the evils that have since come upon the country from a deficiency of currency would have been avoided.

Small notes originated with the country banks, which were established between the American and the late war. But little notice was taken in the first

instance of their circulation. The innovation was so gradual, that it was scarcely perceptible. The banks were at first but few in number, and did not venture for some time on the issue of any notes below £5. Guineas and Bank of England notes still composed the greater part of our currency. But by degrees the Banks grew bolder and bolder, and issued more and more of their own paper. The people became familiarised to its use. Less was seen of Bank of England notes and guineas, till at length their one and two pound notes found a ready acceptance, and gold was banished the land.

Nothing could surpass the prosperity that ensued from this increase of currency. Prices rose beyond all former precedent—rents were paid to a day—the revenue improved—trade flourished—the wages of labour increased, and it was thought that the new æra had already arrived. But unhappily, the breaking out of the war in 1793 reversed the scene, and deficiency the first began its havoc. A general run against the country banks prevailed, and as the extinction of their paper was the necessary consequence, the nation was deprived in an instant of its circulating medium, and was left without means of payment. Guineas had already taken their departure, and money was nowhere to be found. Bankruptcies on bankruptcies of every description took place, and, since the South Sea scheme, no calamity had visited us of so extended a nature. By this panic and rout among the small notes, the old materials of our currency were restored, the exchange turned in our favour, guineas were re-called, and, together with Bank of England notes, again took possession of the markets. But this deficiency was a first fault, soon pardoned and soon forgot. Like spoiled children, the country banks were scolded and punished, and then caressed the more because punishment had been inflicted. Confidence was bestowed with less reserve, seemingly for no other reason than because it was less merited, and in two years time their small notes appeared in greater quantity than before. Prices once more not only got up, but passed their former standard; the gloom of despondency wore off, and again prosperity lit up the view. The exchange of course became unfavourable, and guineas again took shipping to the continent.

But another storm was gathering in the horizon, and deficiency the second soon occurred. It is impossible for private paper to be made a secure and infallible medium of circulation. It is not gifted like Cæsar's wife. It will be suspected; and whenever four or five bankruptcies occur among the country banks, alarm becomes general, and a run prevails. This was the case in 1797.—A few banks failed, and all were distrusted. The disasters of 1793 recurred: small notes instantly disappeared, and we were left again without a circulating medium. Guineas were eagerly demanded to occupy the vacant space, but they had been so completely supplanted by the substitution of small notes before the run, that they could not be supplied in sufficient quantity. The Bank of England possessed no stores to support the drain and fill up the chasm;

and, in addition to the calamities of 1793, this establishment, which had stood for a century unshaken by commotions and rebellions, and the variable events of five wars, was compelled to apply to Government for a restriction of cash payments. In the time of need the exchange always shews itself a steady friend, and comes round to our assistance. Immediately that the run began, it turned in our favour, and was pouring in guineas when the Bank stopt payment. They soon came over in great abundance, and gold again, for a short time, obtained an ascendancy and resumed its functions. Had Government prohibited the re-appearance of small notes, and returned to the old proportion between paper and coin—to the system of allowing no note below the value of £10, the bank might immediately have re-opened with perfect security. But such was the veil of mystery that hung over the subject of currency, and such was the strange infatuation for paper, that the Bank of England, though ruined by the small notes of the country banks, now followed their example and issued small notes itself. By this policy guineas were not only supplanted in the country but supplanted in London; for when the storm blew over, and paper again put out in sufficient quantity to raise the prices of this country above the prices of others, and reduce the value of money here below its value elsewhere, as the exchange in consequence turned its back upon us, gold disappeared, and in less than two years a guinea, like a mark or angel of old, was sometimes heard and read of, but never seen.

Their doors being now shut, the Bank of England had power to issue paper to any extent, and they deserve some thanks for not pushing it to a pernicious extreme. They certainly stretched their privilege far enough; but, whatever praise is due for not riding a willing horse to death, that praise is theirs. The suspension seemed also to give fresh vigour to the country banks; they rallied with new force, and, having dislodged their rivals from all the principal towns, seemed firmly seated in power. As prices got higher and higher, and rents improved, and wages increased, the nation, satisfied with the result with the "specie recti," thought nothing of the cause, and looked on with indifference at the loss of its gold. No sinister event took place to bring the soundness of the system to another proof, till the touchstone of war in 1803, when a third crash came, and again "melted into air, into thin air," the bubble of private paper. The same successive disasters, the same destitute condition for want of money, the same bankruptcies, and the same universal embarrassment, together with the same friendly alliance of the exchange and the same temporary restoration of guineas, again occurred, as occurred in 1787 and 1793.

But they occurred with no better effect and no more salutary warning. On the contrary, the country banks, like Antæus, gained new strength by every fall. After this overthrow, they greatly augmented in number, and renewed the war—small notes against guineas—"bellum internecinum"—with desperate temerity. Guineas in vain attempted

resistance; they gave way at every onset, and fled with precipitation from the field; and such was the persecuting spirit of their adversaries, that they were routed out from every hole and corner of the kingdom, to escape as they could to the continent. Bonaparte, with unusual kindness, allowed our smuggling cutters to run into Gravelines, for the express purpose of receiving the fugitive outcasts. The country banks now sung "Io triumphe," and small notes had a long and peaceable reign. For eleven years no rebellious guinea appeared against them, or attempted to put footing on the shore to break in upon the absolute government they set up. But deficiency the fourth came at last: at last the fatal 1814, 1815, and 1816 arrived, and brought with them the long black scroll of names that were proscribed to suffer for their heedless usurpation of the empire of their rivals.

In the beginning of 1814, the country banks amounted to 940; at the end of 1816 they were no more than 752—188 were smashed in the interim. According to the reports, the amount of their notes at the beginning of 1814 was £30,000,000, which makes the average issue of each bank somewhat more than £30,000. The holders of the notes, therefore, of the 188 banks that failed, sustained a loss of £5,640,000, and this loss was principally borne by the poorer classes, with whom the notes, for the most part, rest. But the paper that was altogether withdrawn from circulation amounted by the reports to £15,000,000; no more than £15,000,000 being left to carry on payments that required £30,000,000.

For, unless prices were kept up to the standard of 1812 and 1813, when £30,000,000 was in issue, the contracts founded on those prices could not be fulfilled: nor were they fulfilled. Hence the non-payment of rents and taxes, and the reduction of wages. Hence the distress, misery, and ruin, that ran through the land. Hence the disaffection and insurrection of the people, and the consequent suspension of the Habeas Corpus Act. And why were these evils to be endured? Simply because Government thought proper to tolerate the substitution of small notes for guineas. Simply because the private paper of individuals, which never will be, and never can be, freed from suspicion, was allowed to displace, without rhyme or reason, the legal coins of the realm. But as the vast power of a deficiency of currency to create embarrassment was but little understood, these evils were imputed by Ministers, before their conversion to our principles, to a transition from a state of war to a state of peace—a fact, so generally admitted, that it wanted nothing but the confirmation of Dogberry and Verges to make it complete:

Dogberry.—Ay, marry, Sir, neighbour Verges has proved it already, and will think so soon.

Verges.—Yea, by the mass, I'm a wise man, and my wit should be suspected.

Nothing can be further from my intention than to touch, or approach with a thought of ill, the characters of the respectable individuals who compose the firms of the country banks. I have the pleasure to know many of them, and worthier and

better men live not. But, highly estimable as they are, as they cannot dip their paper in Styx and make it invulnerable, there is no reason why the public should receive their fallible notes when they can get infallible ones. No paper should be allowed as national money, which is liable to vanish in an instant, and leave the country without means of payment or the remnant of a currency. The paper of country banks is of this description. To-day it may amount to millions, to-morrow be "inania verba." It cannot to a certainty be maintained at a steady quantity to feed the stream of prosperity, and keep it up to the high water mark where it raises it. While it is in credit it banishes gold, when it is in discredit it makes us beggars. We are one moment as rich as Crœsus, and the next as poor as Job. It is impossible to have confidence in it. It is put to sea without being sea-worthy, and the first storm sends it to the bottom. It lives but on the breath of opinion; let a whisper be heard against it, and it dies.

But it is supposed, and I believe it to be true, that country banks, like cats, have nine lives.—Four of them are gone already. Their sudden death and resurrection are a phenomenon for which naturalists are totally unable to account. Notwithstanding, therefore, the entire death and burial of small notes in 1814, 1815, and 1816, they again came to life, and took the field as dauntless as if they had never died. Their rivals had, however, come over in immense numbers during this interval, and had besides been reinforced by the renewal of an old corps called sovereigns, and placed under the command of Wellesley Pole. Their united numbers at the lowest computation did not amount to less than £7,000,000—4,000,000 of guineas, and 3,000,000 of sovereigns. But small notes boldly met them, relying on the well-known name of their Commander in Chief, Henry Hase. The conflict, as might have been foretold from the previous engagements, was neither long nor dubious; Wellesley Pole lost the day by placing too much confidence in General Exchange, who turned tail in the beginning of the battle, and fled with the whole army to the Continent, leaving him in the hands of the enemy without a guinea. Small notes again usurped possession of the country, and have now once more established themselves in every town, village, and hamlet of the kingdom. Some of our Ministers inveigh with great bitterness against these democratic and ragged traitors for deposing their legitimate sovereigns, and are determined, did they but know how, to restore them. That the sovereigns will be restored there can be no doubt, either by the abolition of small notes, or by worse means, by the repetition of the scenes of 1814, 1815, and 1816, and another proscription, but not by the half-way project of Ministers.

Nothing can be more idle than to suppose that guineas and small notes can circulate together. It is the interest of each of the country banks to issue as much paper as the district in which it circulates will bear, or as the prices of other districts will allow; it is their collective interest to issue as much

paper as the prices of London and Liverpool, where Bank of England notes circulate, will allow; and it is the interest of the banks altogether, country banks and the Bank of England, to issue as much paper as the prices of other countries will allow. Beyond this point they cannot go, without reducing their paper to a discount, either latent or avowed, commensurate with the difference, as the exchange will become unfavourable in the same degree to mark the variation; but up to this point, and a little beyond it, they will always go, while their paper is in credit. During this holiday period, therefore, there is no room for the circulation of gold; they will not suffer a guinea to appear. If the currency of any particular district consisted of half paper and half guineas, the country banks that were established in it would lose half their income. Every guinea, therefore, is seized as a poacher on their manor, and sent prisoner to London; in London it is committed to the broker, and condemned to transportation. As long, therefore, as paper is up in the world, and high in favour, not a guinea can come in contact with it; it is regarded as a disagreeable trop, and bowed out of the room. However natural it may be to imagine, that gold would be preferred to paper if it could be demanded, yet this preference has never manifested itself sufficiently strong to keep down the quantity of paper and cause its detention. Guineas were to be had in any quantity during each of the four periods of the deficiency of our currency; and had this preference shewn itself firmly and decisively, they might have continued in office; but those who were interested in the circulation of paper, easily dismissed them when the run was over, and reinstated small notes in place. If guineas and small notes could have circulated together, they would have joined hands between 1793 and 1797, and remained in amity before the Bank stopt payment; but it was in consequence of the previous departure of guineas, by the substitution of small notes, that the Bank was unable to support the drain and supply the necessary quantity. Small notes and guineas, like the buckets of a well, can never be together; when one is up, the other must be down; and when they meet they clash.

It is not enough then, as the Committees have proposed, to turn the exchange in our favour and open the Bank. The exchange has already been repeatedly in our favour, and the Bank has already, to all intents and purposes, repeatedly opened. After each of the four national bankruptcies, the exchange was favourable in a high degree, and guineas came over in much greater quantity than was necessary to supply any demand that could be made on the Bank. If the exchange were favourable to-morrow, and the Bank were to open with ten or twelve millions of guineas in hand, it would be nothing more than a repetition of the same state of things as had occurred in 1793, 1797, 1803, and 1816. Guineas would but pay a flying visit, and be off again, as they have hitherto been. It is impossible that it could open with greater advantages in 1825, or at any other time, than it did during these periods of deficiency. The plan, therefore, will do nothing towards restoring the circula-

tion of coin, as it only proposes what has already been four times tried, and four times found to fail. Upon this single point I am willing to rest the decision of the whole question. If it can be proved that guineas and small notes ever did, or ever can, circulate together, I will take down my score and give up the game. But if this cannot be proved, and I am confident it cannot, what possible benefit can be derived from opening the Bank in the way recommended, when not a single guinea will obtain a parish settlement? The abolition of small notes by law, and the restoration of the old proportion between coin and paper, are absolutely necessary for the permanent residence of gold in the country, whenever proper regulations are made for introducing it.

If there were any public advantage in the substitution of the small notes of country banks for gold,—if giving the promise of a private individual to pay, instead of making actual payment with the King's coin,—led to any good to counterbalance the periodical distress which the system has brought, and, if continued, will bring upon the country, there might be some hesitation about abolishing small notes and returning to our former limit. But out of the 26 letters of the alphabet, A and B, the lender and borrower, are the only two that are benefited by the issue, and yet in the event of a crash, the holders of the paper are sure to be the remaining 24, who have no interest whatever in the transaction, and who at all times run an useless risk for the convenience of those they have no connexion with. The innovation has been productive of no good and much evil. It was changing an invulnerable system for a vulnerable one, a steady system for a capricious one, a safe system for a dangerous one, and a fair system for a juggling one. It is neither just nor generous to subject the people to the sudden reverses to which they are now exposed, and suffer them every five or six years to be defrauded of the earnings and savings of their labour. Nor is it possible to justify Government for having so often allowed a recurrence of the mischief, and having for so long an interval withheld from his Majesty's subjects the legal coin of the realm, to the great prejudice of the public weal. Some years hence, it will hardly be believed that we were ever absurd enough to establish for our national money the handbills of private individuals, in preference to the sure and substantial medium of gold. Had our currency consisted of the same materials as between 1696 and 1783—

> "Servetur ad imum
> "Qualis ab incepto processerit"—

the difficulties and calamities we have experienced would never have been known.

It is curious to trace the progress of opinion on the disappearance of our gold, and the different changes that Government has rung upon the subject. Between 1793 and 1797, when the small notes of the country banks first displaced our gold to an alarming extent, it was contended that our guineas were hoarded. They were next sent out of the country to pay an unfavourable balance of trade

which never existed; they then went out to buy corn, though they were all gone before—above a hundred million indeed was sent out for this purpose between 1803 and 1814, though we had not a guinea to send; then they were drawn out to pay subsidies; then our army and navy took them away; and, even so late as last year, the French and Prussian loans ran off with Mr. Pole's unfortunate sovereigns, and prevented the Bank from opening. Such were the heresies of the old school. In their creed the circulation of small notes had no reference to the subject: they were the palladium of our safety: they were the penates on which our freedom depended; and were to be regarded as a vestal and inviolable trust: and yet most certainly there was no other cause whatever for the disappearance of gold, than the circulation of small notes. Government reasoned as if the wars of Wellington were different from those of Marlborough,—as if Godolphin, Walpole, Lord Chatham, and Lord North, had no foreign payments to make; and yet, during all the wars of the preceding century, no scarcity of gold was known, merely because no small notes were suffered to circulate to deprive us of it. Nothing can be easier than to make guineas flow into the country during the whole time that foreign payments are going on to any extent. Withdraw the paper, and gold comes in. It came, notwithstanding the large amount of our foreign expenditure, in the four periods, so disastrous to the country, of the decline and fall of small notes; because their subversion made money of more value here than elsewhere, and turned the exchange in our favour.

But as the cause of the fluctuation of exchange, notwithstanding what has been written upon it, still appears to be but little understood, I will give some further explanation of it, for the purpose of making the reasoning of this pamphlet plainer.

All commerce consists in the interchange of produce for produce, care being taken to make the interchange equal. Money in commercial, as in domestic, intercourse, is the measure of value, but it is not, as in domestic intercourse, a medium of payment. As the expense of its transit would be very great, and as it would merely pass and repass for the purpose of being laid out in produce, this useless charge is saved by giving produce for produce without its intervention, the equivalency being settled by the course of exchange. If prices were every where the same, and the same sum always measured the same value, the exchange would always be at par, because, in giving and receiving produce at the same money value, the interchange would be made on equal terms. But when the prices of one country are higher than the prices of another, and the same sum no longer measures the same value in one as in the other, if produce were given for produce at the same money value, the interchange would be made on unequal terms: a less quantity of the produce of the dear country would be given for a greater quantity of the produce of the cheap one than was just. To reconcile this disparity, therefore, the exchange comes to a variation in its rate correspondent with the variation of prices, and causes so much more moneyworth of produce belonging to the dear country to be given for so much less moneyworth of produce belonging to the cheap country as the difference in their prices makes necessary—there being no other reason for the fluctuations of exchange than to maintain the par of produce, than to make compensation for the difference of prices, and continue the interchange of produce for produce without interruption, in the same manner as if the value of money was always equal, and the exchange was always at par. According to this theory, the state of the exchange must uniformly coincide with the state of prices, or the interchange of produce could not be transacted on equal terms. I shall, therefore, shew, that unless the exchange between any two countries were at all times correspondent with their respective prices, bills would be bought and sold at a loss.

A bill of exchange is an order for so much foreign money; but as the money may be converted into produce, it is an order for so much foreign produce, and will sell for the same sum as the foreign produce, if imported, would sell for. Unless it sold for this sum, the party selling a bill in one country, and the party buying a bill in the other, must incur a loss according to the difference. If the prices of England were £20 per cent. lower than the prices of France, a bill upon England for £100 should sell in France for £120, because, if it were invested in British produce, the produce would fetch in Paris

£120; and a bill on France for £100 should sell in London for no more than £80, because, if it were invested in French produce, it would fetch no more in London than £80. An English bill at Paris should, therefore, be at £20 per cent. premium, and a French bill in London at £20 per cent. discount, and the exchange £20 per cent. in favour of England. But if, under this state of prices, the exchange were to be £20 per cent. against England, it is necessary to suppose, that the holder of an English bill for £100 would sell it in Paris for £80, when, by investing it in British produce, he could get £120—and that the holder of a French bill for £100 could sell it in London for £120, when, by sending out British produce, the buyer could get £100 in France for £80—the seller in one country, and the buyer in the other, sustaining a loss of £40. Unless, therefore, the exchange between any two countries were at all times correspondent with the state of their prices, a loss would accrue in the sale and purchase of bills proportionate to the variation; but though merchants pay but little attention to the theory of exchange, they pay sufficient attention to its practice to take very good care that no such loss ever occurs;—and, of course, the exchange always is correspondent with prices.

By this regulation, let the difference of prices or the difference in the value of money between any two countries be what it may, their intercourse is carried on precisely in the same manner as if their prices were equal, the value of their money equal, and the exchange at par; as the country having low

prices can buy produce of the country having high ones, because it can purchase bills at a proportionate discount, and make payment; and the country having high prices can sell produce to the country having low ones, because it can sell bills at a proportionate premium, and receive payment; the exchange at all times making an exact compensation for the difference of prices. But if the exchange were adverse when it ought to be favourable, or higher or lower than the state of prices precisely warranted, it is impossible that it could be a fair standard for measuring the compensation, and incalculable losses must be incurred; but so true is the hand of its dial, that merchants debit and credit each other at the rate where it points, without the slightest suspicion of a loss being entertained.

When, therefore, the prices of any two countries are equal, and the value of their money the same, exchange will be at par, because the interchange is made on equal terms, and no compensation is necessary. When the prices of one are higher than the prices of the other, and the value of its money lower, exchange will be adverse in the same degree to reconcile the difference, or less of its produce would be given for more of the produce of the other than was right. And when the prices of one are lower than the prices of the other, and the value of its money higher, exchange will be favourable in the same degree to reconcile the difference, or more of its produce would be given for less of the produce of the other than was right. The exchange thus becomes the channel by which the interchange of produce is carried on at par, let the value of money vary as it may. It is the commercial chrysometer, by which the variation in the value of money between any two places, however distant, is distinctly known, and the difference compromised.

After much discussion, though the position is a truism, it is at last admitted by our new proselytes, that prices are determined by the quantity of money, and that if the currency of one country is relatively greater than the currency of another, its prices will be proportionally higher. But immediately that the prices of one country become relatively higher than the prices of another, the course of exchange, as I have just shewn, will note the difference, and become unfavourable to the same extent. Since, then, there is no other cause than a relative excess of currency which makes prices higher, there is no other cause than a relative excess of currency, which makes the exchange unfavourable.

But when the exchange becomes unfavourable to any country to the extent of five, ten, or fifteen per cent., gold will find its way out. When it is adverse to this degree with us, not only will our own merchants export it, notwithstanding the prohibition, with all due diligence, but foreign merchants will aid their efforts by importing it with rival activity. Our merchants export it for the purpose of drawing against it to take advantage of the premium on bills against foreign countries, and foreign merchants import it to take advantage of the discount on bills against this country; both parties receiving as a

profit what remains after the charge of transit, which is only three per cent. It is singular in what a little time our coin vanishes by this joint operation. A friend of mine was at Calais the latter end of 1817, when 1,200,000 guineas and sovereigns came over by nightly arrivals in less than a fortnight.

When, therefore, our currency was first overcharged by the issue of small notes, which raised our prices above the prices of other countries, and turned the exchange against us, away went our specie, and after each of the four small note interregna, when our guineas came over in large quantities by the opposite results, the instant that the notes reassumed the purple, and gained the ascendancy, round went the vane of exchange, and back sailed our coin. Though Ministers then thought that small notes were issued because guineas went away, and not that guineas went away because small notes were issued. It is impossible, therefore, for guineas and small notes to circulate together, as the small notes of the country banks, while in credit, together with the small notes of the Bank of England, will always appear in sufficient quantity to raise prices above the prices of other countries, and cause their departure.

But it is contended, that when the exchange should be favourable from the state of prices, it is rendered unfavourable on the grant of a subsidy or the raising of a foreign loan, by our bills being reduced to a discount through excess. This is saying that bills will be bought and sold at a loss, and that money will go out from the country where it is dearest to the country where it is cheapest, contrary to reason and fact. If the prices of this country were £20 per cent. lower than the prices of Prussia, when we granted a subsidy to her, the exchange should be £20 per cent. in our favour, because British produce would sell in Prussia £20 per cent. higher than it would do here. If, then, the exchange were £20 per cent. against us, instead of £20 per cent. in our favour, it is necessary to suppose that the holder of an English bill would sell it at £20 per cent. discount when it ought to be at £20 per cent. premium, and when by investing it in British produce he could make the premium by the difference of prices; and it is necessary to suppose that the holder of a Prussian bill in London could sell it at £20 per cent. premium when it ought to be at £20 per cent. discount, and when the buyer, by sending British produce to Prussia, could make the discount by the difference of prices. And it is still further necessary to suppose that British merchants would export our gold to take advantage of the premium on Prussian bills, and that Prussian merchants would import our gold to take advantage of the discount on English bills, causing money to flow from the place where it was of greater value to the place where it was of less, in opposition to its uniform current. But such a state of things can never occur. If, when the exchange were £20 per cent. in our favour, bills were drawn on England for the payment of a subsidy to any amount, it would be absurd to suppose that there would not be

sufficient competition among the Hamburgh merchants to buy them at a fair premium, when a profit was attainable on the import of British produce; if not, British agents would be sufficiently eager to step in and take the profit from them: and it is equally absurd to suppose, that there would not be sufficient competition among British merchants to grant bills at a fair discount, when a profit was attainable on the export of British produce; instead of one nation suffering the bills to be sold at a discount, when they ought to bear a premium, and the other suffering them to be sold at a premium when they ought to be at a discount. It is impossible, therefore, for a subsidy to a foreign power to have any effect to turn the exchange against us, when from the difference of prices between the two countries, it ought to be in our favour.

Nothing can alter the state of the exchange that does not alter the state of prices, and nothing can alter the state of prices, the quantity of produce being the same, that does not alter the state of currency. If loans and subsidies had any tendency to take money away, they would make the exchange favourable instead of unfavourable by raising prices. But a foreign debt, from whatever cause it arises, from loans and subsidies, the expenses of our army, the import of corn, or the import of any other produce, has no tendency to draw money out of the country, unless our currency is relatively too great and a profit is to be made by its remittance. And, as I have shewn that it cannot cause the exchange to be unfavourable, when from the state of prices it ought to be favourable, not only will it have no effect to take money out, but it will have no effect to prevent money from coming in; for as the premium and discount on bills will continue, notwithstanding the demand for them to pay the debt, money will be imported till our prices are raised to a level with prices elsewhere, and exchange is restored to par. This was the case in the four periods so disastrous to the country, when our paper was withdrawn, though our foreign expenditure amounted to as large a sum during these times of mourning as at any other time: and it was often the case in the wars of the preceding century.

As a foreign debt has no effect to prevent money from coming in when the exchange is favourable, so the want of it has no effect to prevent money from going out when the exchange is unfavourable; and go it will, whether there be loans and subsidies or not, to the last guinea, as it often has done. Pending a favourable exchange, a foreign debt is paid entirely in produce; and pending an unfavourable exchange, it has in our case been paid entirely in produce, because we have had no money to send, produce being at all times, by the compensation of the exchange, as profitable a speculation as bullion. During our guinealess condition from 1803 to 1814, we had no other mode whatever of making payment but by produce; but at no time would more of the debt be paid in specie than what was necessary to maintain the level of money. Should it then be thought necessary, though no such necessity can

ever exist, to turn the exchange in our favour during the time that a foreign debt is in payment, it is only requisite to contract our paper and lower our prices below the prices of the country to which we owe the debt. But it is much better to leave the exchange to rectify itself. Government, like merchants, should carry on their intercourse with foreign nations, and grant loans and subsidies, where such aids are requisite, precisely as if the exchange was always at par.

All the inquiries, therefore, which the Committees entered into on our foreign payments as causes of the fluctuation of exchange, were labour lost; for as they have no effect to alter the state of our currency, they have no effect to alter the state of the exchange. The assertions which Ministers make, that corn, loans, subsidies, and foreign expenditure take away our money, are the safety lamps they carry to prevent the explosion of ill will for the loss of our coin, but have no foundation in fact. The theory of exchange, like the fifth proposition in Euclid, is the "pons asinorum" in political economy, and till this be passed, it is in vain to expect much proficiency in the science. I certainly have very little hope of being able to shake hands with our new apprentices, the Ministers, on the other side of this formidable bridge, for some time to come; but it is not altogether a lost case.

Unfavourable exchanges, much as they have been thought so, are not the principal evil we have to dread. On the contrary, when the exchange is most unfavourable, prosperity is then at the highest pitch, because money is then most abundant, and prices are then highest. Rents and taxes are then paid with most ease, wages are raised most, and engagements of whatever nature are then made good with most punctuality. But the increase of currency that makes the exchange unfavourable ought not to be allowed, because it violates the spirit of contracts, and the poor gain against the rich in a greater degree than is just. When prices rise by the over-issue of paper, fluctuating incomes, whose amount depends on the state of prices, get better at the expense of fixed incomes, which get worse. Fixed incomes continue at the same sum, but as that sum will not go so far, all who receive the same sum receive less than they ought.—Tenants, therefore, give landlords a less rent than was stipulated for in their leases; debtors pay their creditors in less money than they were bound to do; the fundholder, placeman, and pensioner, the army and navy, receive less than their due; and engagements fail of being performed according to their strict import. But as in this state of things it is the poor, for the most part, who gain against the rich, it is not an evil that leads to distress. Fraud is committed through all the relations of society, and a good and wise government will never authorise such an increase of currency as to occasion this fraud, however silently and imperceptibly effected, and prevent money from discharging its functions as a just measure of value between man and man. But though the increase causes a tacit and latent breach

of faith in the spirit of all contracts in favour of the poor, it causes no suffering on the part of the rich. The rich are robbed without knowing it, and the poor have the benefit of the theft, without the crime of stealing. Their gain is felt without being seen; not a murmur of complaint is heard; and the prosperity of the country is then greatest, because it is then at the highest mark above the point of distress.

But the hard and bad times which we have experienced, have come upon us, not certainly from favourable exchanges, but from the deficiency of currency which has produced favourable exchanges. And when the exchange is most favourable, distress is then at its extreme point, as the quantity of money is then least, prices are then lowest, and embarrassments are then greatest. Immediately that a decrease of currency occurs, and prices fall, fixed incomes get better at the expense of fluctuating incomes, which get worse, and the rich gain against the poor. As the same sum will go further than it did during high prices, the tenant pays the landlord more than was stipulated for in his lease, and the debtor pays the creditor more than he was bound to do; the fundholder, placeman, and pensioner, the army and navy, receive more than their due; and the spirit of all engagements is violated in favour of the rich. But as it will be impossible, if the decrease is considerable, to get sufficient money to complete engagements, distress will be felt in every quarter, and contracts will remain unpaid—trade will stagnate, bankruptcies will ensue, wages will be reduced, complaint will become general, and insurrection and the bayonet close the scene. During the four periods when we were left without a currency, and the exchange was favourable in the highest degree, the country never went through so much suffering; and should the small notes of the country banks again disappear, and disappear they will, the poor will have to endure all the evils that were inflicted on them in 1814, 1815, and 1816. A deficiency of currency, therefore, is much more to be dreaded than an excess. During an excess, the rich are robbed who can bear it, and the country is comparatively in a high state of happiness. During a deficiency, the poor are robbed who cannot bear it, and the country is comparatively in a deep state of misery. In considering only the excess, therefore, the Committees did what the Mayor of Coventry told Queen Elizabeth the Spaniards did when they made war with her—they took the wrong sow by the lugs. They meant to inquire into the evil that did most mischief, and they inquired into the evil that did least. Of the two, therefore, it is of much more importance to guard against a deficiency than guard against an excess; but it is proper to guard against both, and there is no mode of doing this but by restoring the old proportions.

It has been suggested, that placing stock in the hands of Government will give sufficient stability to the country banks to prevent runs, and Mr. Vansittart was about to bring in a bill for this purpose, but on due consideration dropt the design. A deposit

of this nature would, in my opinion, confer no additional stability. If the stock amounted to the sum of paper in circulation, it would not be worth while to carry on business. If it amounted to less, it would not shut the door against suspicion. All banks are known to possess a certain quantity of wealth, and as pledging a proportion of it with Government would not make it greater, it would give no real increase of security to the public, nor be any just foundation for more credit. It is perfectly immaterial to the holder of their paper in what their property consists—whether in land, or stock in trade, or stock in manufactures; and as the conversion of these into funds to be lodged with Government would not counteract unsuccessful speculations, the advance of money to failing tradesmen, an accumulation of bad debts, and a pressure of difficulties, it would have no effect to divert the approaches of alarm and suspicion, and be a safeguard against runs. It is the vulnerability and unsoundness of our present currency, from the cumbersome and oppressive co-operation of country bank notes, that makes it so inefficient. It is its sudden and incurable liability to deficiency, not its liability to excess, that constitutes its great defect. It is the poor and feeble constitution of private paper, that imparts to it its sickly cast, that renders it susceptible of every wind that blows, and gives it that weak and fragile frame that makes it unable to bear the work of national money. It has no real stamina, no firm and solid foundation. We tread on subterraneous fires, that may consume us in an instant, when we can walk on safe ground.

It was the drain occasioned by the deficiency of private paper, from a run on the country banks, and not a drain from unfavourable exchanges, that caused the stoppage of the Bank. The exchange had been favourable for some months prior to the restriction. Immediately that the run began and reduced the amount of country bank notes, it turned in our favour. But as guineas did not come in fast enough to stop the gap, as the alarm became more general, and the run more active, the demand increased so rapidly on the Bank, that it was forced to suspend its cash payments. If then the Bank re-opened in 1825, or any earlier period, without any reformation of our present system, there is no saying how soon the same cause that closed its doors in 1797 might not close them again. If another run were to cause a contraction of private paper to the extent of £15,000,000, as in 1814, 1815, and 1816, or to any thing like that extent, and specie were demanded in exchange instead of Bank of England notes, the Restriction Act must be instantly renewed, or the Bank break.

It is supposed by some, that a paper currency has a great advantage over a metallic one from its superior cheapness. In what this cheapness consists I know not. Our paper currency amounts to about £60,000,000—£30,000,000 issued by the Bank of England, and £30,000,000 issued by the country banks—for which, as every note is lent out at five per cent. interest, we pay £1,500,000 a year to the country bankers, and £1,500,000 a year to the Bank of England—together £3,000,000—besides losing

five or six millions every five or six years by a run on the country banks, and four times as many millions by consequent bankruptcies in all other trades. I saw no congratulations in Mr. Peel's speech or countenance when he came down to the House to announce the discovery he had made, that our cheap paper had deprived the country, "at one fell swoop," of all Mr. Pole's little brood of sovereigns, all his little ones, the instant they were born, together with four or five millions of guineas that had come over for a hundred days' reign, when country bank paper abdicated the throne. Nor have I seen any invectives in the speeches of the members of the French Chambers, on the extravagance of France for taking advantage of our economical impatience of coin, or on the folly she committed in giving activity to her manufactures to accomplish the purchase. With our usual superiority of address, we have prevailed on France to accept the oyster that we may have the benefit of the shell, together with the pleasure of cutting our fingers in opening it.

Provided the paper be sound, the expense of a paper currency is not greater than that of a metallic one, as it is the same thing to the country at large whether the banks have the interest of the amount or the manufacturers. If our currency consisted of 60,000,000 of guineas, our manufacturers would have received this sum in exchange for so much produce, and would have possessed the means of getting the same interest for it as the Banks now get. But, in consequence of the insecurity which the unauthorised admission of private paper has introduced into the system, our present paper currency is much more expensive than a metallic one, as it occasionally puts us to the cost of a national bankruptcy.

The great superiority of the paper of the Bank of England over the paper of private banks, consists in its gift of invulnerability, by being free from suspicion; and it is this intrinsic property of trustworthiness, that makes it so proper and sound a material for national money. As it is not amenable to alarm, suspicion, or bankruptcy, it not only insures to the holder the value of what it promises to pay, without loss or fraud, but it can be maintained in circulation without a liability to deficiency at a fixed and steady amount, to keep prosperity to its mark, to keep prices to their standard, and to enable contracts to be faithfully discharged. Were it subject to the ebb and flow, the spring and neap tides of private paper, now so high as to run over, now so low as to be incapable of bearing traffic along, it would be an unfit channel of communication; but as it can always be supplied to the same height, the customary intercourse can always be carried on without interruption.

In all the vicissitudes of our situation from the increase and decrease of paper, the obloquy has been thrown on the Bank of England, but in my opinion most unfairly. Till the interpolation of private paper in the text, till the substitution of the

small notes of country banks for guineas, which gave us an insecure material for retail money, but of the extended and mischievous effects of which neither Government, nor the Bank of England, nor the public, were at the time aware, the name of the Bank of England was

——— Clarum et venerabile nomen
Gentibus, et multum nostræ quod proderat urbi—

and had it not been for this injurious and spurious innovation, it would have borne the brunt of the late as of all the preceding wars. But though the small notes of the country banks have been productive of all the calamity that has periodically harassed us, the cry, both in and out of Parliament, has been most unjustly raised against the Bank of England; and this Institution, from the blindness and ignorance that prevail on the subject of circulation, has been made responsible for faults it never committed, and miseries it never created. The successive Directors who have had the government of its funds, have, in my opinion, done honour to themselves and the country, by their upright, judicious, and liberal administration of them.

But I certainly have to regret that they did not continue firm to their purpose of rejecting the plan of the Bank Committees, as no measure can be fraught with more injury to the country, since its tendency is to perpetuate our present system, without any attempt to remove its liability to deficiency. If the Committees sat for any thing, they sat to restore the legal coin of the realm, by returning to the old proportions; and the only thing they recommend, after three months' deliberation, is never to return to these proportions, and consequently never to have any coin at all. The plan presents itself to us with the worse grace, as it has a cast of ill faith in its countenance, which makes it exceedingly ugly. Ministers came on their knees to Parliament for an Act to release the Bank from their engagement to pay the small notes of 1817 in coin, under an understanding that cash payments were the sooner to be resumed for it; and the very instant the Act is passed, they decide, in fact though not in words, that cash is never to be used again. The inconsistency of the measure, too, is more glaring than its bad faith. The Act was passed to close the drain that was made on the Bank for gold, in consequence of the excess of its paper; and the scheme is to open a drain on the Bank for gold, whenever its paper is excessive.

This plan originated in the half-lesson which Ministers have learnt. As they have only found out that there is such a thing as an excess of currency, they have only thought of applying a remedy to prevent excess. To apply a remedy to prevent deficiency never entered their heads: and as this plan will have no operation whatever to prevent it, our periodical bankruptcies will recur as usual. The Sangrado practice of copious bleeding may be a very salutary system, and a national bankruptcy may be a very wise expedient, lest our Habeas Corpus Act should go to sleep, our gaols want tenants, and the Chancellor want money. But as

the wisdom of letting so much blood or wasting so much treasure is somewhat problematical, a measure that would prevent both an excess and deficiency of currency would, in my opinion, be the safest of the two. As the two Committees that have just sat have done no more than consider one half of their subject, I strongly recommend the appointment of two more Committees to consider the other half, that Ministers may get the remainder of their lesson. Till they have learnt it, they should certainly be put on half pay: for, as it is proved, in the 27th proposition of the first book of Euclid, that it is precisely the same thing whether we have half Ministers, or whether Ministers pursue half measures, there can be no reason why we should give them whole pay as if they were whole Ministers, and pursued whole measures; and I trust that an Address will be presented to the Prince Regent, to allow them no more than half their salary.

During the old proportions between paper and coin, the Bank was always forced to keep its paper at par with gold, or submit to a loss, if its value should be less. When the over-issue of paper made the prices of this country higher than the prices of others, or the value of our money lower than the value of others, and the course of exchange marked the difference, bullion, which is foreign money, partook of the value of foreign bills, which were exchangeable into it, and sold at a correspondent premium, or rather at a somewhat higher premium, as it could not be imported into this country without paying the premium, together with the charges of transit. The value of a foreign bill, therefore, payable in foreign money, was higher than the value of a bank note payable in English money, or bullion that represented a foreign bill was higher than guineas that represented a bank note. Bank paper, therefore, was pressed upon the Bank to be exchanged for guineas, that the guineas might be converted into bullion, to be re-sold to the Bank at a premium, or sent abroad. By this process, Bank paper was reduced in amount, raised in value, and brought to an equality with foreign money or bullion, because its contraction lowered our prices to a level with the prices of other countries, made our money of the same value, and restored the exchange to par. The Bank was, therefore, at all times compelled to keep the value of our money at par with the value of foreign money, or lose by the variation. The plan which the Committees propose, and which is taken from Mr. Ricardo's Pamphlet, will have precisely the same effect, and equally prevent the continuance of an excess, as whether the Bank give a pound of gold in the shape of 44 guineas and a half, as under the old system, or a pound of gold in the form of bullion, as Mr. Ricardo suggests when an excess takes place, is exactly the same thing. The same battle between the brokers and the Bank will be kept up in both cases, and though much has been said and written on the beneficial operation of Mr. Ricardo's plan, there is, in reality, no other difference between the two checks, than between a pound of gold and gold pound, or fish alive and live fish. But the plan is objectionable, because it leads to a perpetuation of the present system, with-

out putting it on any better footing as to its liability to deficiency than it was before.

It is allowed on all hands that our paper and coin were properly balanced, and that our currency was as perfect as it was necessary to be, from 1696 to 1783. During this period, our currency was a Mediterranean sea without tides, where there was always deep water, and where the shoals and quicksands we have since run upon were unknown. It is only since its union with the troubled streams of country banks that it has been subject to inundation and drought. Nor was it on public grounds that the union was formed. There was no defect in the system that required alteration: there was no declaratory law for the reception of country bank notes. They slid into the partnership slyly and insidiously, till, from sneaking subordinate underlings, they rose to be the sole heads and principals in the concern, and turned their old masters out of the firm. They palmed themselves upon us without our consent, and, by an underhand kind of legerdemain, conjured away our gold without our knowing it. They were received by bank notes and guineas with the same sort of wisdom as the Saxons were received by our ancestors, and they conducted themselves precisely in the same way, by possessing themselves of the government the instant they were established. But as their admission has been productive of nothing but embarrassment and distress, it is to be hoped that Parliament will correct the plan of the Committees, and, by putting down their ascendancy, and restoring our coin and paper to their former proportion, replace our currency on its former footing—"Priscus et integer mos," is the only method by which all deficiency, as well as all excess, can be prevented.

It may be said that currency is the great steam-engine of political economy, with the force and properties of which Ministers are so little acquainted, that they are unable to set it at work without causing an explosion. But in reverting to the old limit that was affixed to paper, they would be free from this danger. Without understanding the principles of the machine, they are well aware, by its effects, that it was practically good, and worked for a century without being out of order. They know, too, that since the alteration which has been admitted into it, it has never been any thing but out of order. By reconstructing it, therefore, on the old model, they would be certain of producing a practical good, however little they may theoretically know how the good is brought about. And as there can be no reason why we should have a bad system, when we can have a good one,—why we should submit to losses, when we can avoid them,—or why we should be fools because our ancestors were wise,—I still think that Government will be compelled, by the voice of the people, to return to the old limit, notwithstanding any thing contained to the contrary in their half-witted reports.

If we are ever again to have the circulation of coin, it is a matter of serious moment to calculate how much will be wanted, and how much can be

got. We shall eventually want, perhaps, as much as £25,000,000—£15,000,000 to supply the place of the small notes of country banks, and £10,000,000 to supply the place of the small notes of the Bank of England; the rest of the currency may be made up of large notes. This sum cannot, without much distress to this and other countries, be collected under a certain number of years, as any attempt to procure it hastily would cause a general fall of prices all over the Continent, and general difficulty. Though eight or nine millions of guineas were imported in 1814, 1815, and 1816, yet nothing could be more impolitic than to introduce a similar supply by a similar contraction of currency. All that is necessary is so to regulate our paper as to occasion a gradual but constant influx of gold, let the sum be what it may, till a sufficiency is brought in to answer our purpose. A step will be given to the industry of the country, during the period of its introduction, to raise the produce which it will be requisite to give in exchange for it.

From all that has been said, therefore, it is highly necessary that our currency should be put on its former footing; that the small notes, both of the Bank of England and the country banks, should be abolished; and that the system which prevailed during the last century, of having no note in circulation below the value of £10, should be restored. I have no wish to place the country banks in a worse condition than the Bank of England was then placed in, and should be again placed in. Let them both possess the privilege of issuing paper of a large amount to what extent they can; but it is indispensably necessary, for the security of trade, for the maintenance of the country in a state of steady prosperity, and for the protection of the poorer classes of the people, that small notes should be prohibited, and that the regal and legal coins of the realm should be restored.

But this restoration can only be effected by the intervention of Parliament. It is is impossible for the old system to restore itself. If the Bank of England, with all its paper, were burnt to the ground, and London were filled with guineas, not a guinea would circulate in the country. I have already shewn that the country banks would issue a sufficient quantity of small notes to keep prices on a level with the prices of the metropolis, and leave no opening for a guinea to creep in. The renewal of cash payments will have no other effect than to put a few guineas on the counters of the London bankers, and bring their rusty shovels, once so bright, into a little use. But even this quantity will be very trifling, if the Bank should, at the same time, continue the circulation of its small notes. Small notes and guineas are a duumvirate that will never last, as small notes will be sure to usurp the sole authority, unless put down by law.

But in carrying this reform into effect care should be taken to cause as little reduction as possible of the existing amount of currency. The small notes of the Bank of England should, in the first instance,

be substituted for the small notes of the country banks, and guineas should afterwards be substituted for the small notes of the Bank of England. Three months should be allowed to the country banks for calling in their one-pound notes, three months more for their two, and three months more for their five—an arrangement being made between them and the Bank of England for filling the space with Bank of England notes—or agents being established in the principal country towns by the Bank of England to carry on discounts on its own account. An unlimited time should then be given to the Bank of England to call in its own notes and supply their place with gold. It is impossible to caution the public, in too strong terms, against suffering their impatience to enforce any violent and sudden contraction of paper to their own incalculable injury. No state of purgatory is requisite. It is not necessary to go through evil to arrive at good, and no greater reduction of the whole amount of our currency should be allowed than what the low value of our money and the high price of bullion make absolutely necessary. The value of our money must certainly be raised above the value of foreign money, or gold cannot come in. But the scale of reduction for this purpose should be so easy and gradual, as to have no perceptible effect on prices, nor cause any distress. The reform should always be advancing, but advancing, like old age, by insensible degrees. Gold should always be coming in, but it should come in without leading to difficulties either here or elsewhere. That the public, however, may be enabled to judge of the progress that is made, constant returns should be submitted to Parliament of the amount of notes withdrawn and the amount of gold sent into circulation to act in their stead.

By this reform, our currency will be restored to its former state, excepting that the country banks will possess a joint power with the Bank of England of issuing notes above the value of £10, which, in the period between 1696 and 1783, was not exercised. But as their paper will not compose the whole of our provincial money, as it now does, it will not be liable to the same sudden disappearance, nor produce the same national embarrasment. All the risks which we now run of latent mischief will be removed, and the rapid changes we have undergone, from wealth to poverty, and poverty to wealth, will give way to a steady and uniform system of prosperity.

But, before I close this report, it is necessary to make some remarks on the subject of coinage, an alteration of an injurious nature having recently been made. Since the discovery of America, silver has been constantly falling in value with reference to gold, in consequence of the silver mines being proportionally more productive than the gold ones. From the first introduction of their proceeds into Europe to the present day, it has fallen 40 per cent. and its relative depreciation is still going on.

Thirty or forty years ago, a pound of gold was worth no more than fifteen times its own weight in

silver, but it is now worth fifteen times and a half its own weight. When gold was worth fifteen times its own weight in silver, and a pound was coined into forty-four guineas and a half, or into £3. 17s. 10½d. the ounce, it made the Mint price of silver, at a fifteenth, 5s. 2d. an ounce. But now that gold is worth fifteen times and a half its own weight, shillings should contain somewhat more silver, and the Mint price, at a fifteenth and a half, would be only 5s. an ounce. But, in the teeth of this depreciation in the value of silver as compared to gold, Mr. Wellesley Pole, for what reason no one knew, and I am sure he did not know himself, raised the Mint price of silver to 5s. 6d. an ounce, instead of lowering it to 5s. and put less silver in our shillings instead of more. By this alteration he brought gold to exchange for no more than fourteen times its own weight in silver, instead of fifteen and a half, and made £3. 17s. 10½d. of his silver coin contain no more silver than £3. 13s. 1d. of the coinage at 5s. 2d. an ounce. He, therefore, in fact, reduced the Mint price of gold to £3. 13s. 1d. of that coinage, though from the relation which the two metals have to each other in bullion, it should have been four pounds. Government should be above all fraud, and no attempt should be made to circulate coin at more than its intrinsic value.

This alteration was not only improper, as it made a greater difference between the coin and bullion value of the two metals than before, but it operated as a tax by taking six per cent from the fixed incomes of the country. If the gold coin in former times had been debased by being made to contain no more than half the gold which it contained before, and half a guinea had been made legal payment for a guinea, prices would have been doubled with the currency, and fixed incomes would have been reduced a half, the whole income going no further than half did before. The same proportionate reduction will take place in any debasement of the coin, if the same proportionate increase be effected, and as this alteration made £3. 13s. 1d. a legal payment for £3. 17s. 10½d. it lowered all fixed incomes six per cent. It was supposed that the debasement of the silver coin was of no consequence, as long as the gold coin remained at the same standard; but this is never the case, unless the gold coin circulates at a premium, and can be exacted in all payments instead of silver. As long as the higher coin circulates at par with the lower, it participates in its value, because rents are paid, accounts kept, and prices regulated by the depreciated coin; and had guineas been in circulation, and continued at par, they would have partaken of the inferior value of the silver. But as there is not a guinea in the country, and all payments are made in pound notes and shillings, there is no pretence for saying that gold is a standard in any way. The alteration is, to all intents and purposes, a tax of six per cent. on fixed incomes, and if this tax were to be levied at all, it would have been better to have raised it for the purpose of augmenting the revenue. By raising it in the present mode it diminishes the

revenue in the same proportion, as it lessens it so much in power, though it makes no difference in its nominal amount.

But as putting less silver in the coin is a tax on fixed incomes and creditors, so putting more silver in the coin is a tax on fluctuating incomes and debtors, because it leads to a reduction of prices by lessening its quantity in the same degree; and if the Mint price of silver were lowered from 5s. 2d. to 5s. it would be a tax of three per cent. But one is a tax to do good, and the other a tax to do harm. One is to bring the two metals to bear the same relation to each other in coin that they do in bullion; the other is to place them at a greater distance. One is to bring our coin to perfection; the other is to increase its imperfections.

Since then, the change that has taken place in the relative value of silver to gold, authorizes the Mint price to be reduced to 5s. an ounce, it is not only proper to make the reduction, in order that the two metals may preserve the same relation to each other in coin that they bear in bullion; but it is proper to make it for the purpose of simplifying our coinage. Making the crown-piece an ounce, and half-crowns, shillings, and sixpences parts of an ounce, will, in a great degree, prevent false coining; for, as an ounce weight is familiar to all orders of the people, the goodness of the coin may be immediately ascertained by bringing its equality to a proof.

As fraud is the worst expedient to which Government can resort, "and, like an illsheathed knife, always cuts his master," it is singular that the Committees did not recommend a perfect correspondence between the coin and bullion value of the two metals. But they were all at sea, they were all Argonauts, and in their hurry to procure the golden fleece from the "terra incognita" of our unfavourable exchanges, they put out in a thick fog, which bore them away many leagues from the place they were bound to; and, after a long and tedious voyage, and beating about for three months to no purpose, just as they imagined themselves arrived at Colchis, and in reach of their prize, they made the Antipodes. The fleece they were in search of might have been easily obtained. The question before them was a very simple one. It was not a riddle for the skill of Œdipus, nor a knot for the sword of Alexander. It lay in a nutshell, and "joiner squirrel or old grub" could have opened it in an instant for them. What is the difference between the present state of our currency and that of the last century? The circulation of small notes. What will restore it to the same state? The abolition of small notes. This solves all the mystery.

It is impossible, therefore, to give the Committees much credit for the talents they have shewn. They have considered no more than half their subject, and that half was the wrong one. They sat to inquire how soon the Bank could open, and they have closed their inquiry with a verdict, that in point of fact it is not to open at all. They were appointed to remove from us for ever the embarrassments we have suffered

from the circulation of paper, to restore the old proportions, and give us back our coin,—and the result of their labours is to fix upon us for ever the embarrassments we have experienced from paper, to perpetuate the new system, and never let coin be used again—for without restoring the old proportions it can never remain.

Three times have Committees now been appointed to inquire into the state of our currency, and three times has the subject mastered them. Three times have they inquired into every thing that was relative and every thing that was not relative to the subject, except the innovation of small notes, which was the one and only thing that they ought to have inquired into. And as the half-begotten things that have just appeared say nothing about their abolition, I shall not be at all surprised to see another Committee, and another deficiency, before they are abolished.

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