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A
LETTER
TO THE
RIGHT HONOURABLE
LORD VISCOUNT CASTLEREAGH,
Secretary of State for Foreign Affairs, &c. &c. &c.
ON THE
DANGER AND FALLACY
OF THE
PLAN
Recommended by the Committee of Secrecy
OF THE
HOUSE OF COMMONS
FOR THE
RESUMPTION OF CASH-PAYMENTS.

BY CHARLES LYNE, ESQ.

LONDON:

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A LETTER,*&c. &c.*

MY LORD,

CONSIDERING the very luminous speech which, on the 8th May 1811, your Lordship delivered in the House of Commons, in opposition to the Report of the Bullion Committee, I am warranted in believing that your Lordship cannot now be an approving member of the Plan recommended by the Committee of Secrecy on the State of the Bank with reference to the Expediency of the Resumption of Cash-Payments ; yet, as your Lordship is

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a very eminent and conspicuous member of the Committee of Secrecy, I may, with a view to the public welfare, be permitted to address to your Lordship a few observations on the danger and fallacy with which ; I feel confident ; the Plan is pregnant.

It is, my Lord, with extreme reluctance that I thus speak of a Plan recommended for adoption by a Select Committee of the House of Commons ; but it is, my Lord, that very high authority by which it comes recommended, that renders it more likely to be adopted ; and it is that consideration which urges me to express my sentiments without disguise.

The Plan is, be assured my Lord, by far better calculated to retard and defeat, than it is to accomplish, the object the Committee have been in pursuit of.

It is a Plan of cash-payments from next February to May 1821, from Great Britain to all the world, to the exclusion only of our own subjects.

The proposed Plan will, if adopted by the Legislature, be immediately detrimental to the prosperity of every class of the community,—thousands and tens of thousands will eventually be thrown out of their present comfortable employ ; and the best interests of the empire will receive the most severe and destructive shock that can be conceived.

The Plan appears to me to have been conceived, without a due reference to our own wants, no more than to the eventual, or rather the actual wants of other countries ; both of which are almost equally material for consideration in a matter of this kind.

The Plan recommended is, besides, at variance, nay, in direct contradiction, to the evidence of those who, in the Report itself, are conspicuously held out (and very justly so) as very eminent witnesses which have been examined; and that contradiction is, unfortunately, on the most essential of all points that have come under the consideration of the Committee.

I am well aware, my Lord, that these assertions are very strong and positive, and that it may require to the unintelligent no small proportion of illustration to substantiate and exemplify them.

This I propose doing: and, in the first place, as the acquirement of Gold, not the drain of it, will be universally admitted to be an indispensable requisite preparatory to a resumption of Gold

payments, I shall, as an old practitioner in bullion and exchange operations at home and abroad, commence by showing, how and in what manner, the gratuitous call for Gold, which the Committee deliberately propose to give to all the world against the Bank of England, will operate as a drain and not as a means of acquirement.

1st.—A prospect or general apprehension of a bad harvest is quite sufficient, under this Plan, to put exchange and bullion merchants on the alert in every part of the world, and to induce them to a considerable speculation in Gold, which must create a consequent demand for the article against the Bank of England, and that to an amount by no means desirable or con-

venient in the present state of its supply.

2d.—A certainty of a bad harvest, should such an event occur, (and why may it not?) *would be sure* to drain the Bank of every ounce of the Gold which it now possesses, and that which it may, in the interim, be enabled to acquire.

3d.—A war among any of the continental powers, or an apprehension of such an event, would, under this Plan, cause a very considerable drain of Gold.

4th.—A war, or an apprehension of war, between England and any other power would, under this Plan, cause an immediate drain

of Gold; and it would, moreover, give our enemy a decided anticipated advantage to our detriment in carrying on such war as might be in the contemplation of the enemy.

5th.—A falling off in our exports will cause a drain.

6th.—Occasional imports; although upon an average of the year the amount of our exports might exceed that of the imports, yet, under this Plan, those occasional imports would cause occasional drains of Gold.

7th.—The actual great wants of an increased metal circulating medium in many foreign countries, more especially in those of

France, Russia, and North America, will cause drains of Gold from the Bank under this Plan:—the very depressed state of the paper-money of Russia, and the extreme low rate of its exchanges, offer an immense temptation for the investment of British capital, and consequent export of Gold.

8th.—The gratuitous offer of Gold from the Bank of England, at a *certain fixed price for a certain stated time*, is an exceeding strong temptation to exchange and bullion merchants at home and abroad, to act upon it; and will, consequently, induce them to exert their utmost endeavours to depress as much as they possibly can, under every eventual

circumstance, the courses of exchange against this country, which will, consequently, afford them the means of considerable profit: the rates of exchange in several parts of the world are, by a combination of a very small number of exchange merchants, easily operated upon; and this Plan holds out the strongest possible temptation for such men to use their utmost endeavours to accomplish a depression in our foreign exchanges, and a consequent export of Gold from England. The interests of those merchants have hitherto been (that is, in times of peace) to *support* our foreign exchanges, as they never did or could look to this country for supplies of the precious metals; but, on the contrary, they always looked to

England as the *importer*, not the *exporter* of Gold and Silver:—this proposed Plan would reverse the natural order of such intercourse, and by making England, as it were, a bullion country for supplying the universe, it evidently becomes the interest of those merchants to operate for a drain on the Bank as long as it can hold out.

9th.—British expenditure on the Continent, and investments in foreign securities and otherwise:—The certainty of obtaining Gold from the Bank at a certain fixed moderate price, enables the people of this country to place their money on the Continent for investments in foreign funds and other securities, at a moderate rate of exchange;—hence an

additional drain of Gold, with an additional encouragement to the withdrawing of British capital from the Empire.

Here then, my Lord, I shall, for the present, confine myself as to some of the causes of drain against the Bank, part of which are to be considered as eventual, and part as certain.

And may I be permitted to submit, my Lord, whether the Committee have taken them, or any part of them, into their deliberate consideration; and if they have, whether these causes have had their due weight and estimation:—if they have any weight at all, be it observed, my Lord, that they are all calculated to drain the Bank of Gold; consequently, to retard and to defeat the object the Committee have been in pursuit of.

This unfortunate Plan would, as I have stated, be one of cash-payments from the 1st February next to the 1st May 1821, from the Bank of England to all the world, to the exclusion only of our own people; it would be so, my Lord,

1st.—Because the issues of Gold Bullion from the Bank at 81s. and at 79s. 6d. can only be required and called for, for purposes of export: no British subject will call for Gold *at these prices* for purposes of home circulation.

2d.—Because the fixing those rates at 81s. and 79s. 6d. will not eventually deprive foreigners, in France and elsewhere, from receiving *the same identical Gold* at the standard price of 77s. 10½d. or lower, either for the purpose

of coinage or for any other use; as the difference in the price of the Gold will, or may eventually, be made up by the difference of exchange; as, for example, suppose the Paris exchange to be at 24.00, being 1=20 under the par of 25=20 per £ sterling, a difference of about 5 per cent. which, deducted from the highest price fixed of 81s. reduces the price to 77s. per ounce, put down in France; and if deducted from 79s. 6d. it reduces the price to 75s. 6d. per ounce; the interest gainable in France by the use of the money from the time the Gold is there placed to the period of the drafts drawn from London becoming due at 2 or at 3 months date, will more than compen-

sate for the charges of conveyance thither, &c. &c.

Thus, then, my Lord, we should, by the adoption of this Plan, eventually engage to supply Gold for foreign purposes of coin or otherwise, *to the exclusion of our own subjects for any home purpose of circulation.*

Exchange and bullion merchants never do take for the guide of their operations, the consideration of a scarcity of the circulating medium of the country in which they reside, no more than an abundance of it, further than the means of obtaining it if in gold or silver coin: what they have to consider are the prices at which gold and silver are obtainable compared with the rates of exchange.

With the gratuitous offer of Gold Bul-

lion from the Bank of England, *at a certain fixed price, for a certain stated time*, those merchants will have only to watch, and to influence, as much as they can, the rates of exchange against England, until they can operate; and the moment those rates are or become such as will enable them to draw bills from England, or to remit bills to England, on proper terms, their profit becomes immediately secured to them by the gratuitous call proposed to be given to them against the Bank of England for Gold *at a stated price for a stated time*; and, be the want of circulating medium ever so great, it is quite absurd to suppose, that that circumstance will have any the most remote effect to prevent the export of Gold, as long as it may be obtainable:—hence, then, the Bank of England will be held up to be pecked at and drained, not only by the merchants in England, but by those in

every part of the world, as it will also by all foreign powers, in the event of their wanting Gold for matters of state.

The danger of this proposed Plan is, indeed, excessive, not only to the Bank of England, that great and useful bulwark to all our financial operations, but it is pregnant with danger to the prosperity, to the comforts, indeed, to the very existence of the best interests of the empire; more especially to our agriculturists and manufacturers.

The enterprise, the ingenuity, and the industry of the country never could, by any possibility, have attained the height of prosperity they have, nor indeed any thing near it, without the facility of capital, as the only means of putting them into action: if the use of that capital be cramped, by a curtailment of

its representative, *the circulating medium*, an immediate check will be given to the industry of the whole community.

Could there have been so much land taken into cultivation without the aid of additional capital, represented by proportionate additions to our circulating medium?

Could the manufacturers and mechanics have obtained their respective degrees of prosperity without the same aid? And has not this general prosperity been obtained during the Restriction-Act?

And if, my Lord, there be one circumstance more than any other which has caused this aid and consequent prosperity, it is that very circumstance of our circulating medium being in paper money; for, had it been in Gold and Silver, there

never would, nor could have been that general facility of aid and accommodation.

How can it then be supposed to be for the benefit of the country, that this circulating medium, *this representative of additional wealth and capital*, must be diminished? And yet the proposed Plan of the Committee of Secrecy goes directly to cause that pernicious and most destructive result.

What almost all the world have been endeavouring to establish, without success, let us not, in the plenitude of *our success*, wantonly kick down.

Must not all the causes which are in this enumerated, and others, for drains against the Bank of England, be taken into the immediate consideration of the

Bank Directors? and are they not compelled, therefore, by every means in their power, to endeavour to guard against and avert the impending danger which threatens the very existence of that most useful and stupendous establishment? And how can they do so, but by a considerable contraction of its Notes? And yet, if you starve the country of its circulating medium, it will be the prognostic of the starvation of a considerable portion of the population.

Has the Committee taken into its consideration, that every payment into the Bank of its Notes in exchange for Gold bullion, will be an absolute curtailment of the circulating medium? And will not the constant alarm that the Bank Directors must thus be kept in, tend to cramp and diminish even their discounts, and accommodation to the commercial

part of the community? and will not this unavoidable alarm to the Bank of England spread to all the country bankers? and can they, under such circumstances, continue their accustomed aid to the agriculturists and manufacturers? And yet, under all these awful consequences, the Committee would recommend *the experiment to be tried*; and for what good? unless it be to satisfy the wishes, and quiet the apprehensions of a number of ill-informed theorists, who cannot foresee or estimate the dreadful consequences that may eventually ensue.

Can these Gentlemen have duly considered the very diminished, precarious, and very uncertain supply of Gold from the mines? and the increased demand for it in every part of the universe?

Is it not yet sufficiently known that the

cramped and diminished circulating medium and want of confidence in Spain, and Portugal, and in other countries, have mainly, if not solely, tended to lessen the cultivation of the land, and to check and keep back every other sort of enterprise and industrious pursuit? and are we yet to learn, that the cramped circulating medium of those countries, had no tendency whatever to keep their Gold and Silver from export? but on the contrary, that it was that very check to industry, *arising from a cramped circulating medium*, and want of confidence, which, in fact, *drove their precious metals out in payment of the industry of other countries?*

Will it not be admitted, my Lord, that a payment from this country for any unfavourable balance, in its own manufactures and produce, is by far better for the

interest of the empire than a payment in Gold? and is it not obvious, that an unfavourable balance of payments, and a consequent depression in the foreign exchanges, must act as an additional stimulus to an increased export of our manufactures? Not so, however, my Lord, if we so injudiciously offer Gold to all the world *at certain fixed* and moderate prices, as the Committee so incautiously recommend. What a blow then to the manufacturing interest and industry of the country; and will Parliament, in the knowledge of such impolicy, adopt the Plan proposed? It is, according to my conviction, quite impossible that it should.

The Committee have, among others, examined Mr. Jeremiah Harman, and Mr. Alexander Baring, than whom, very few, if any, are to be found better qualified

to give useful information on this important subject; and the names of these Gentlemen filling very distinguished situations in the Committee Report, led those who are aware of their knowledge in matters of this kind, to suppose that the Report would, in a great measure, coincide with, if not mainly rest upon, their evidence; how lamentably disappointed, then, must all those, like myself, be, to find that the Report is, in fact, in direct contradiction to the evidence of these practical and well-informed men; who deservedly rank so very high for their knowledge and experience in the estimation, I may say, of the commercial world; and that contradiction, too, on the most essential of all points whatever, that it was possible to come under the consideration of the Committee.

It will, no doubt, be admitted, on all

sides, even by the most determined theoretical Bullionists, that before the Bank can resume Gold payments, it must possess a sufficient quantity of Gold for the purpose. The Committee, themselves, it would seem, were of that opinion, when they inquired of Mr. Baring and of Mr. Harman what amount of Gold they individually conceived to be requisite to enable the Bank to resume cash payments,—and what were the answers of these Gentlemen? Mr. Harman's answer was, “ that he thinks he is warranted in saying that if *twenty millions besides what remained in the Bank, were necessary for the scale of expenditure before the Restriction-Act*, it is taking it moderately, to contend that as much would be necessary now.”

Mr. Baring's answer is, “ that it is difficult, indeed impossible, to form any

“ accurate estimate ; but his opinion is,
 “ that with a new and perfect coin, such
 “ as the sovereign, which in his opinion
 “ would exclude the one and two pound
 “ notes, whether they are by law excluded or not, the amount of such a gold
 “ coin could not be less than from *forty*
 “ *to forty-five* millions. He does not
 “ mean that the whole amount would be
 “ required before cash payments could
 “ be resumed ; but he thinks that they
 “ could not safely be undertaken with
 “ much less than half that amount *actually in the country*, which its circulation
 “ would ultimately absorb ; and *that the*
 “ *half could not be accumulated, without*
 “ *great pressure upon the country, in less*
 “ *than four or five years from the present*
 “ *time.*”

But the Committee recommend, notwithstanding this evidence, that the Bank

shall open its coffers next February: for the issuing of Gold bullion at 81s.; in October 1820, at 79s. 6d.; and then, in the following May, at the standard price of 77s. 10½d.; which recommendation would in fact be, Gold payments for the Continent, or say for export, to commence next February, and for our own people as well as for foreigners, in May 1821. The issuing it in bars, and not in coin, at the standard price, may well be considered as cash-payments, as the holder of the bars may at his option have it coined into sovereigns whenever he likes, and he may either distribute them in his own payments, or in exchange for the notes held by others, or he may hoard them: the only difference is, that by the proposed plan of issuing bars only, between the 1st of May 1821, and the 1st May 1823, it excludes the needy and great mass of the people from applying

to the Bank for Gold, while it enables the rich man and the hoarder to avail themselves of the compulsion on the Bank: the impolicy of this, need not be here remarked upon.

Thus then the Plan recommended by the Committee would establish cash-payments for the Continent, or say for export, to commence next February; cash-payments for the hoarders at home to commence in May 1821; and cash-payments for the people at large on the 1st of May 1823, at the soonest, or on the 1st of May 1824, at the latest.

How is this plan then reconcileable with the evidence of these eminent men, Mr. Baring and Mr. Harman? It will not, most assuredly, be contended, that there is now in the Bank even one quarter part of the smallest amount that is stated

to be necessary previous to a resumption of cash-payments ; no more than, that we have the certainty of acquiring a sufficiency of Gold in the interim, between this time, and that on which the Committee have fixed upon for opening the coffers of the Bank.

How then to account for this inconsistency and rejection of evidence upon the most material point, I am quite at a loss.

It cannot for a moment be conceived that any one of the members went into the Committee so entirely absorbed or prepossessed with his own theoretical opinions, as to disqualify him for the adoption of any evidence that did not go to the establishment of his own theory ; and much less can it be conceived, that any other than a protecting feeling for the Bank, certainly not one of jealousy,

could influence the minds or opinions of any of these most respectable men. But how then can this inconsistency, this total rejection of the most important evidence, be reconciled ?

The only possible way in which I can, my Lord, account for it is, that in the consideration of an immense mass of conflicting evidence, the Committee, almost wholly composed of theoretical men, were by far more likely to adopt theoretical opinions for their guide, than those founded on practice, which latter, they are not so likely and competent to understand ;—hence, then, the mischief of applying unattainable theory to a practical question of the utmost importance ; against which, if I recollect right, the House of Commons was very properly warned by one of its own eminent members.

We are not most surely to be told, that although the Bank may not now possess even five millions of Gold, the Committee have determined that the Bank or individuals shall import, or will have the opportunities and means of importing, twenty millions, between this period and the time they have fixed upon for the opening of the Bank coffers to all the world? Where, and in what manner, are these twenty millions of Gold to be had? or how can the Committee foretel that we shall have abundant harvests, a prosperous and important export trade, and no further investments of British capital in foreign funds, and continuance of large British expenditure on the Continent.

If the Committee could point out *from whence, and for what*, this immense sum of this scarce article, Gold, is to be ob-

tained; and could, moreover, foretel those important events, as to our future harvests, our future export trade, our future foreign expenditure, &c. &c. their Plan would, in that case, have a leg to stand upon, or carry with it some support and consistency.

But, it seems, that whether good or bad harvests, great or small export trade, balance of payments for or against us, favourable or unfavourable rates of exchange; and, in short, Gold or no Gold, the Committee have determined that we are, at all events, to resume Gold payments, and that, too, at a certain stated period, which they have already fixed upon.

Is this possible, my Lord? and will not the Legislature, in its wisdom, before it resolves to put at hazard all the best inte-

rests of the Empire, see it prudent to await the acquirement of an adequate quantity of Gold, before it precipitately determines to fix on the period for a return to Gold payments? By such wisdom and prudence, every thing is to be gained, nothing to be lost.

What would be thought, my Lord, of any body of deliberate men who would presume *now* to fix the prices of bread for next February, for October 1820, and for May 1821? And yet, the future acquirement of a sufficient quantity of wheat for that purpose is less difficult of accomplishment, and much more to be depended upon, than the future acquirement of a sufficient quantity of Gold to establish the propriety of the Committee's Plan of *now* fixing the periods and *prices* at which Gold is to be issued by the Bank of England to all the world. Let

it be recollected, that no event but *general* bad harvests, at home and abroad, will prevent the acquirement of corn; whereas, how many contingencies are there not, in addition, even to a bad harvest at home, that may prevent an acquirement of a sufficiency of Gold.

Your Lordship will have perceived that the object of this Letter is not that of exposing the inconsistencies of the arguments and reasoning of the Committee; but that it is for the main purpose of showing the danger and fallacy of the Plan, to which their arguments and reasoning have brought them.

There is, however, my Lord, one very great, indeed it is the principal point upon which their plan is so evidently and so professedly founded, that, although

I have a very great repugnance to expose the inconsistencies and contradictions with which, after three months labour, the Committee have so incautiously involved themselves, I cannot forbear from calling it to your Lordship's attention.

The Committee state, in their Report, that " they have forborne from entering
 " into any reasoning upon the effects
 " produced on the value of our currency
 " by the variation in the numerical
 " amounts of the Notes issued by the
 " Bank of England :—so many circum-
 " stances contribute to affect that value,
 " such, for instance, as the varying state
 " of commercial credit and confidence ;—
 " the fluctuations in the amount of coun-
 " try Bank paper ;—the different de-
 " grees of rapidity with which the same
 " amount of currency circulates at different

" periods ;—that your Committee are of
 " opinion, that no satisfactory conclusions
 " can be drawn from a mere reference to
 " the numerical amount of the issues of
 " the Bank of England, outstanding at
 " any given time."

Would it be believed, then, my Lord, that after this positive avowal, on the part of the Committee, *that no satisfactory conclusion can be drawn from the amount of the Bank of England notes in circulation*, that they, nevertheless, and in direct contradiction thereto, rest the whole foundation of their golden Plan upon such an untenable pivot as the contraction of that very numerical amount? For, be it observed, that by a contraction of Bank of England notes, Gold is, according to their views and recommendation, to be

forced into the country :—by the same contraction the value of these notes is to be risen, &c. &c. &c. Indeed, according to the views of the Committee, (I should say, however, I suppose,) according to the views of a majority of the Committee, every thing is to be accomplished by the contraction of these notes ; so that the Committee, while they profess to disregard the numerical amount of the notes, do, notwithstanding, found their plan on the reduction of the amount ; and endeavour to show, that all the good imaginable is to flow from that very reduction ; whilst all the most disastrous and ruinous consequences, which one would conceive, must be staring them in the face, are completely lost sight of.

If, in the course of my observations on this awful subject, I have been led into

any improper degree of warmth, I beg to apologize ; and I trust I shall be excused, as I cannot by any possibility have intended any the most distant offence to the Members of the Committee of Secrecy, for all of whom, I cannot but entertain, the highest deference and respect.

Before I take leave of this subject, may I be permitted, my Lord, under all the mischievous consequences which are so obviously attendant on the Plan recommended by the Committee, to crave your Lordship's reference to that which I had the honour of submitting to your Lordship, as per copy herewith ; the which, in the view and understanding of most practical men, is by far better calculated to attain the object the Committee have been in pursuit of ; and that, too, without further injury to the empire, than that which has

been already so unfortunately occasioned
by the agitation of the question at this
unhappy moment of general distress.

I am, My LORD,

with great respect,

Your Lordship's

most obedient and

most humble servant,

CHARLES LYNE.

Devonshire-Place,

May 18th, 1819.