AN ATTEMPT TO EXPLAIN FROM FACTS THE EFFECT OF THE ISSUES OF THE BANK OF ENGLAND UPON ITS OWN INTERESTS, PUBLIC CREDIT, AND COUNTRY BANKS.

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ADVERTISEMENT.

The object of this publication is to explain the causes of the fluctuations in the money value of property, which have so frequently occurred in the history of our commerce and currency.

The extensive and frequent derangement of our internal and external trade, I have, from a variety of facts, endeavoured to trace to fluctuations in the amount of the circulating medium, sometimes in excess and sometimes in deficiency. When in excess it produces a spirit of general speculation and overtrading, which is followed as its consequence by the most extensive calamity. When in deficiency, it leads to a depression of prices, which deprives the capitalist of the fair profits of his industry and enterprize. I have endeavoured to show that both extremes have their origin in the mode in which our paper currency is administered. How far I have succeeded I must leave the candid reader to determine.

With regard to the facts which I have adduced, in my general reasoning, I can only say, that I have collected them with care, and a desire to be accurate. But from their great variety, and number of calculations necessary to obtain results, inaccuracies may have escaped me; for such I must throw myself on the indulgence of my readers.

Royal Mint,
11th February, 1826.

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CHAPTER I.

Remarks on the present state of public credit.—The causes to which it may or may not be assigned.

THE cause of the present alarm in the commercial community and money market is a subject deserving the most serious attention. In a period of profound peace, externally and internally, and with a degree of national prosperity without a parallel in our national history, are we subjected to one of those revolutions in the value of property that can never exist without a cause, and is never terminated without bringing distress and inconvenience upon thousands. If such fluctuations in the value of property are inseparable from great commercial enterprize, we must enjoy ourselves in the sunshine when we have it, and contentedly bear the embarrassment of our credit when confidence is impaired. But this is not a legitimate result from the competition of capital in the commercial world. Competition may reduce profits, but in doing so its tendency is to give steadiness to the value of capital; and if the value of capital decline in consequence of reduced profits, it will decline in all employments rather than in any one in particular. But if in any one in particular, it usually happens that the cause can be ascertained.

In November (1824) three per cent consols were at $97\frac{7}{8}$, and on Friday, the 2d of September, 1825, they were sold for $86\frac{1}{2}$, making a fall of $11\frac{3}{8}$ per cent in a period of eight months. To what cause was this decline in funded property to be ascribed? Various are the reasons that have been assigned. Some affirm that it was owing to the money transactions in Paris, to enable the French minister to carry his plan for the reduction of rentes into effect. Others say, that it was owing to the great demand for capital on account of the various companies that the abundance of capital had given rise to of late. Another, and perhaps the more prevalent opinion was, that the fall was occasioned by the necessity which the Bank of England felt to contract their issues, to prevent the drain of gold from their coffers which had existed for a period of about eighteen months.

To the two first-mentioned causes I am not inclined to add much importance. That a considerable quantity of gold should have been sent from London to Paris, I can readily believe. But the state of the exchange with Paris would have caused that exportation of gold, even though the French minister had had no financial measure in contemplation. Besides, in 1824, by a return made to the House of Commons from the Custom-house, there appeared to have been exported in that year upwards of four millions of gold, and during the period of its exportation the three per cents rose from 87 to 97.

During the early months of last year the exportation of gold continued, and was said to continue to the month of September; but as long as the state of the exchange renders gold a profitable article of export, it will leave the country; and if it was useful to the French minister to carry his plan into effect, it was so far fortunate for him that the state of our currency favoured his views; but it was the state of our currency, not his plans, that produced this large exportation of gold. Besides, a moment's reflection would convince those that contend for this view of the case, that if an exportation of gold had taken place to the extent of five millions (and some affirm that this was the amount amassed in Paris to accomplish the object of the minister) our currency would have been so raised in value by its diminution, that the exchange would have risen in our favour. But it was not the Paris exchange only that had been unfavourable to this country; considerable quantities of gold had been shipped for Holland, Hamburgh, and other places, all showing that it must be the cheapness of our currency alone that has caused it to leave us. That the excess has been very considerable is undoubted, from the circumstance of an exportation of gold amounting, it is said, to ten or twelve millions of sovereigns, having hardly had any effect in restoring the exchange to par.

Upon these grounds I am inclined to attach no importance whatever to the finance measures of the French government as connected with the present state of commercial credit in London.

The second cause, the investment of capital in various projects now on foot, I am inclined to think, has produced very little effect, if any, on the state of public credit. If the whole surplus capital of the country were, as it accrues, devoted to new speculations—and if that were not enough, and stock were sold with the view of making good the deficiencies, then we might account for a fall in the price of government securities—though not for so rapid and so extensive a one as we have just witnessed. During the whole period of the war, and when taxation was at its highest, and when large annual loans were made, it was the opinion of the best informed political economists, that in no one year was the fixed capital of the country diminished by those loans and taxation, and it would surely be too much to affirm now, that the demand for capital, great as it may have been, exceeded the annual drain upon the national resources during the war. I am so far from being of this opinion, (which those ought in consistence to be, who attribute to the demand for capital the fall in the value of the government securities,) that I believe I may affirm that the aggregate demand for capital, for new projects, and I will even add the loans to the South American states, did not annually amount to

the reduction of taxes, now left in the hands of the people, since the termination of the war.

I am inclined to attribute the whole embarrassment now existing in the commercial and money market to the third cause mentioned, viz. the increase of our paper currency. To that recent and rapid diminunution in the amount of the currency, that has been felt in almost every counting and banking house in London, and that has more or less been felt by every country banker in England and Scotland; to this cause also I attribute the fall in the price of the government securities, and of all foreign stocks in our market.

The effect of a relative abundance or scarcity of currency upon the value of Government securities, and on commercial credit, is a subject of great interest, and one that has not, to my knowledge, received that attention which its importance demands. That its influence is most extensive, and attended with the most distressing results, I think I shall, from facts, be able to prove; and if satisfactorily, the intelligent reader will at once see the extent of mischief, as well as benefit, that may arise under the existence of the present establishment of the Bank of England.

It is admitted that currency is not capital, and therefore ought not, by its abundance or scarcity, to influence materially the value of capital, further than in its aiding its production. But it would appear, that when currency is high in value, or scarce, government securities are low; and when low in value, or abundant, government stocks are high in price. In confirmation of this opinion, let us examine the state of the currency as connected with the price of stocks during the last years of the American war, and in subsequent periods.

CHAPTER II.

An historical view of the effect of the state of the currency upon the price of government securities.

In the years 1781 and 1782, the two last years of the American war, the three per cent consols were from 55 to 60, and in December of 1782 were as high as 66. The market price of foreign gold in coin, that had, in the first months of 1781, been *3l.* 17*s.* 6*d.* per oz. rose in the latter months of the year to *3l.* 19*s.* and *4l.* 0*s.* 6*d.* per oz. and the exchange with Hamburgh fell from 34.1 to 31.11; standard silver, which in the beginning of 1781 sold for 5*s.* 5*d.* rose to 5*s.* 9*d.* and 5*s.* 10*d.* per oz., and in 1782 gold rose to *4l.* 2*s.* silver to 5*s.* 11½*d.* and the Hamburgh exchange fell to 31.10.

I have no doubt but the excess of the currency had, in the latter end of this year, an influence on the price of three per cent consols, which rose from 55 and 56 to 66. In 1783, the price of gold for the first nine months was from *4l.* to *4l.* 2*s.* per oz. and silver from 5*s.* 8*d.* to 5*s.* 10*d.*, and the exchange with Hamburgh was as low as 31.6. The price of three per cent consols rose to 70, and ranged from 66 to 70, until October of that year, when it fell to 55, 56, and 57, being a fall, from the price of 70, of 20 per cent, and from 57 of 18 per cent. In 1784 gold fell to its mint price, and silver to *5s. 2d.* per oz., the Hamburgh exchange rose to 34.10, and three per cent consols fell to 55 and 54. In 1783 peace was concluded with America, France, &c. and it was natural to expect that, when the heavy war expenditure had ceased, government securities would have gradually risen in value, and been freed from those rapid fluctuations in value, depending on the fate of hostilities, to which they are more or less always subject.

The years 1783 and 1784 were years of commercial distress, and have generally been attributed to a transition from war to peace prices, and to the demand for capital for commercial and other enterprises; but I am more inclined to attribute the great proportion of such distresses to the contraction, to the too rapid contraction, of the currency. I have heard it affirmed, but at this moment I cannot recall to my memory the authority, that in 1781 or 2, the treasure of the bank was reduced to a lower amount than in 1797, when cash payments were suspended; and if we examine the issues of the Bank during the years 1782, 3, and 4, we shall in a considerable degree corroborate the opinion expressed, as to the cause of the fall in the price of stocks, and the influence that the same cause must have upon the commercial credit of the country.

The following table is extracted from the Lord's Report of Secrecy in 1797, No. 8. Appendix.

In March 1782 the Bank had in circulation notes to the amount of £9,160,470

In June	8,775,680
October	6,371,300
December	5,994,970
1783, March	7,338,230
June	6,970,660
October	5,894,520
December	6,006,950
1784, March	6,100,610
June	6,716,950
October	6,073,480
December	5,948,380

Let us pass over the year 1782, as being a year of war, and examine the price of stocks in 1783. In March they were 69, and the notes in circulation were 7,338,230*l.* In October of the same year the notes in circulation were 5,894,520*l.* being a reduction of upwards of 19 per cent; consols fell from 67 to 57, being upwards of 17 per cent.

It is not meant to affirm here, that a diminution of the currency of 5, 10, or 20 per cent, should necessarily and invariably cause a fall in the price of stocks to the same extent; it is only wished to explain, that a contraction of the one will infallibly affect the value of the other; and in this case the coincidence in amount is very striking.

The coffers of the Bank at the termination of the American war were reputedly very low; the safety of the establishment required that their coffers should be filled again: and as a consequence of the contraction of the currency, the Bank in the years 1784, 5, 6, 7, and 8, coined nearly eleven millions sterling, and up to 1794 inclusive, that is, in a period of eleven years, they coined twenty-four millions of gold.*

Let us now examine the effect of a steady and well regulated currency upon public credit as far as an increase in the value of the public funds is a token of increasing prosperity.

In January 1785 the three per cent consols were 56, in October the same year they were 66, and by December were 73. In this year the Bank coined nearly two and a half millions of gold, and no doubt the commercial credit of the country was decidedly improved. In 1786 three per cent consols were from 73 to 75, occasionally lower than 73, and in August they were as high as 78. In 1787 three per cents were from 74 to 77, and in these two years the Bank coined about four millions. In 1788 consols were on the average of the year about 75, and the Bank coined upwards of three millions and a half of gold. In 1789 a further increase took place in the price of consols, and were from 74 to 78, 80 and 82.

* See accounts of coinage of gold in the Lord's Reports of Secrecy, p. 134.

In 1790 there were considerable fluctuations in their price, the lowest 72 and the highest 81. In 1791, notwithstanding the progress of the French revolution, and our preparations for war with Spain, consols rose from 81 to 88 and 90. In the early part of 1792 consols rose to 97,* but in the latter end of the year they fell to 82, being a fall of 10 per cent.

In February 1793 the French declared war against England, but the fall in the public funds was not considerable, being from 79 in the month of January to 75, which they were in October that year. The lowest price in December was 73. In 1794 the highest price of consols was 74, and the lowest 64; the average for the whole year was about 67. In the year 1795 the Bank's issues were considerably increased. In February 1794 the notes in circulation were 10,963,380*l.* and in February 1795 they were 13,539,160*l.* being an increase of 2,575,780*l.* or about 23 per cent. Silver rose from 5*s.* 1*d.* to 5*s.* 2*d.*, which it was in the end of 1794, to 5*s.* 5*d.* by the end of 1795. The price of gold, according to a written paper delivered to Mr. Pitt by the Governor of the Bank on the 10th October, was from 4*l.* 3*s.* to

* I think it more than probable that the very high price of three per cent consols, in 1792, was owing to an increase of the issues of the Bank. On the 25th of February, 1790, the amount of Bank notes in circulation was 10,217,360*l.*; and on the same day in February, 1792, 11,349,810*l.*, being an increase of 1,132,450*l.*, and equal to 11 per cent.

4*l.* 4*s.* per oz. See No. 7, p. 84, Appendix to the Lord's Report of Secrecy. The exchange with Hamburgh fell from 36 in February to 32. 10 in November; the Bank by the same paper expressed their apprehensions of the consequences of the rapid diminution of its gold. The price of consols however were not affected by the embarrassments of the Bank, and the progress of the war, the average price for the year being about 66; the lowest price was 61, the highest 72.

In February, 1796, the issues of the Bank were 11,030,110*l.* being less than the amount in February, 1795, by 2,509,050*l.* or about 18 per cent. Gold fell to its mint price, and silver to 5*s.* 3*d.* or 5*s.* 4*d.* per oz.; the exchange with Hamburgh rose from 32.6 to 34.6; the price of consols in January, 1796, was 71, and, in December, the same year, was 56, being a fall of 21 per cent.

The situation of the Bank, in the early part of 1797, is too well known to be dwelt upon here. The amount of notes in circulation, on the 4th of February, was 9,667,460*l.* being less than in February, 1796, by 1,362,650*l.*, being a reduction of fully 12 per cent. The exchange with Hamburgh rose from 34.6 to 38, by the month of September, and silver fell from 5*s.* 6*d.* which it was in March, to 5*s.* per oz. by the month of July; the price of three per cent consols in January was 56, and in June 48, being a fall of 14 per cent.

In 1796 the Bank, from the drain upon her for

gold, began to withdraw her notes from circulation; and by February, 1797, had withdrawn 3,871,700*l.* from the issues of February 1795, being about 28 per cent, and the fall in the price of consols in these two years was 35 per cent. It is unnecessary here to dwell upon the state of commercial credit in 1797. The facts above stated, I think, will satisfactorily account for it.

After the suspension of cash payments at the Bank in this year, it might have been expected that the issues would have been liberal, and that public credit would have been re-established upon a very firm footing. But, in as far as the value of Government securities indicates the state of credit, it was, during the whole of that year, and the greater part of 1798, at a very low ebb. During the latter months of 1797, the price of three per cent consols was from 48 to 49. In 1798, until September, about the same price; and from October there seemed a sudden rise from 49 to 53, and to 56 in December.

During the latter months of 1797 the exchange with Hamburgh was higher than ever known, being at 38. The price of silver fell to 5*s.* 0½*d.* per oz.; a sure indication of the scarcity and high value of currency. In 1798 the exchange with Hamburgh was very high during the whole year, and standard silver was 5*s.* 0½*d.*; gold was at its mint price, until November, when it fell to 3*l.* 17*s.* 9*d.* per oz. In December of this year there was a slight fall in the Hamburgh exchange, and silver rose by January 1799 to *5s. 2d.* per oz. The amount of Bank notes in circulation, on the 1st of January, 1798, was 11,279,860*l.*; on the 1st of July the issues were 11,843,600*l.* being an increase of 563,740*l.* which was about 5 per cent; on the 1st of January, 1799, the amount of notes in circulation was 12,062,820*l.*, and on the 1st of July were 12,482,260*l.* being an increase of 419,440*l.* or about $3\frac{1}{2}$ per cent. On the 1st of January, 1800, the amount of notes in circulation was 13,297,310*l.*; on the 1st of July the amount was 14,350,260*l.* being an increase of 1,052,950*l.*, or about 8 per cent.

In 1799, the exchange with Hamburgh fell from 37. 6 to 32, and silver rose from *5s. 2d.* to *5s. 8d.* per oz.; consols rose from 53 to 63. Silver rose about 12 per cent, and consols about 18 per cent. In comparing the Bank issues on the 1st of January, 1798, and the 1st of January, 1799, the increase is 782,960*l.*, or about 7 per cent. If the comparison is made between the 1st of January, 1798, and 1st of July, 1799, the increase is 1,202,400*l.*, or rather more than 10 per cent. If made with the 1st of January, 1798, and 1st of January, 1800, the increase is 2,017,450*l.*, or very nearly 18 per cent. If the comparison is made with the 1st of January, 1798, and 1st of July, 1800, the increased issues will be 3,070,400*l.*, equal to 27 per cent. In January, 1798, the

price of three per cent consols was about 49. In January, 1800, 62; and in July about 63. The rise from 49 to 62 is 26 per cent; from 49 to 63 about 28 per cent.

From this analysis, there seems to be a very intimate connection between the amount of currency and the value of government securities. It is not meant to establish as a law, or invariable rule, that a definite increase to the amount of currency—say of 5 or 10 per cent, will necessarily raise the price of three per cent consols to the same amount, or that a diminution of 5 or 10 per cent will reduce the price of stocks to the same extent. But it would seem, that on every increase to the currency, there is a simultaneous rise in the price of stock, price of silver, and a fall in the foreign exchange. On a contraction of the currency, there is a fall in the price of stock, much greater than the amount of the contraction of the currency, or in the price of silver, or the rise in the foreign exchange. This I think may be easily explained. When the circulation is full, or to excess, commercial credit and confidence become general. A speculative rise in prices to a greater or lesser degree is the natural consequence. Credit is easily obtained, and every man in business is apt to push his credit to the utmost limit of his capital. Having done so, the Bank suddenly withdraws 22 per cent of her notes in circulation, as in 1796; the commercial community are totally unprepared for this diminution of the means of carrying on their respective trades, and the consequence must be, that any sacrifice will be made by the sale of stock to maintain their credit. Many must sink under this pressure, and as it is not local, but general, it ends in what is called a panic. From February 1795 to February 1797, the Bank diminished the amount of her notes in circulation 28 per cent, and three per cent consols fell in price within that period 35 per cent. It may be said, in relation to the period in question, that we were in a state of war, and stocks would fall as a consequence; but it has appeared, that the progress of the war in 1793 to 1794, when one might naturally expect a great fall in the value of government securities, the fall was inconsiderable. In 1793 they fell from 79 to 75, or about 5 per cent. In 1794 the average price was about 68; the highest being 74, the lowest 64; being on the two years little more than 13 per cent. Compare this fall with the fall from 1795 to 1797, of 35 per cent, consequent on the reduction of the currency, and the latter exceeds the former by 22 per cent.

It would only fatigue the reader to trace the connection of the issues of the Bank with the value of government securities, from 1800 to the present time. Enough has been stated to prove how very powerful is the influence of the Bank, and the very extensive and dangerous influence she possesses over the property, not only of the stock-

holder, but of every man throughout the kingdom. But, lest any should suppose that the fluctuation in the value of property was more a consequence of war than of the measures of the Bank of England, during the period that we have mentioned, it may be proper briefly to state the effect of the currency on the value of consols since the year 1813.

In 1813 the average price of consols was $58\frac{1}{2}$. The average amount of Bank of England notes in circulation from January to June was 23,939,693*l.*; from July to December 24,107,445*l.*; average 24,023,599*l.** In this year the debt contracted above that redeemed was 24,829,467*l.*†

In 1814 the average price of consols was 67; the amount of Bank notes was, from January to June, 25,511,012*l.*; from July to December, 28,291,832*l.*; the average of the year, 26,901,420*l.*, being an increase above 1813 of very nearly 12 per cent. In this year the debt contracted above that redeemed was 77,161,905*l.* But notwithstanding this enormous addition to the debt, consols rose from $58\frac{1}{2}$ to 67, being a rise of $14\frac{1}{2}$ per cent.

In 1813 the total number of bankruptcies was 1599; in 1814, 1066, being a decrease of 533, or 50 per cent.

* See Appendix to the Lords' Report, Committee of Secrecy, p. 323.

† See Mr. Mushet's tables on the National Debt, Table I.

The average price of consols in 1815 was about 60, being a fall from the price of 1814 of 10 per cent. In this year Buonaparte returned to France, and the nations of Europe were again involved in war. In January consols were 65, in June 59, and rose again by November to 62; the greatest depression before the battle of Waterloo was in April, to 56¾, being a fall of nearly 13 per cent. Very little alteration took place in the average amount of notes in circulation this year compared with the year preceding. From January to June the average and weekly amount of notes in circulation was 27,155,824*l.* From July to December 26,618,210*l.*, the average of the whole being 26,887,017*l.*, and less than the year 1814 by only 14,403*l.* But if we compare the average weekly amount of notes in circulation in February and in November * of 1815, two months remote from the usual advances by the Bank for the arrears of the consolidated fund, we shall find a considerable diminution of the Bank's circulation towards the end of the year. In February the average amount was 27,366,375*l.*, in November 26,207,472*l.*; the reduction is 1,158,903*l.* and equal to upwards of 4 per cent. If the average is taken on the three first and three last months of 1815, the diminution will be found to be 4½ per cent. If on the two

* See page 324, Appendix to the Lords' Report on the Bank in 1819.

first and two last months of the year, the diminution will be found 6½ per cent.

In June, 1815, gold was 5*l.* 5*s.* per ounce, silver about 6*s.* 9*d.*; the exchange with Paris 18.30; by December gold was 4*l.* 3*s.*, silver 5*s.* 6*d.* per ounce, and the exchange with Paris 24.

In 1814 the number of bankruptcies was 1066. In 1815, 1285; increase 219, or 21 per cent. In January and February, 1815, the number of bankruptcies was 208; in November and December, 269; being an increase of 29 per cent in the two last months over the two first of the year. The number in the first six months of 1815 was 581, in the second 704; the increase of the latter over the former is 38 per cent.

The number of licences granted for the issue of promissory notes in England and Wales * from 11th October, 1813, to 11th October, 1814, was 940; from October, 1814, to October, 1815, the licences were 916, being a diminution of 24, or 2½ per cent.

In 1816 there was a further contraction of the currency. Gold fell from 4*l.* 3*s.* in December 1815, to 3*l.* 18*s.* 6*d.* Gold in this year would have fallen to its Mint price, but for the Bank paying that price instead of allowing the importers to coin it at the Mint at the rate of 3*l.* 17*s.* 10½*d.*,

* See Appendix to Second Report of the Commons in 1819, p. 336, No. 35.

there being no other market if the Bank had refused to purchase. In December 1816 silver fell from *5s. 6d.* to *4s.* $11\frac{1}{2}$*d.* per oz.; and the exchange with Hamburgh and Paris rose from 34.4 to 37.2, and from 24 to 25.80. The contraction of the currency in this year, however, does not appear considerable on the part of the Bank of England, her average issues being 26,574,840*l.*, and less than in 1815 by only 302,177*l.* In this year there was a considerable diminution in the issues of the country bankers, as will appear by the very ingenious table of Mr. Sedgwick, the chairman of the Stamp Board, and to be found in the appendix to the Lords' Report on the Affairs of the Bank in 1814, p. 414. In the year 1815 Mr. Sedgwick estimates the currency of the country bankers at 19,011,000*l.*; in 1816, at 15,096,000*l.*; being a reduction of 3,915,000*l.*, equal to $20\frac{6}{10}$ per cent. In the year preceding, that is 1814, Mr. Sedgwick estimates the country circulation at 22,709,000*l.*, in 1815 at 19,011,000*l.*, making a reduction of 3,698,000*l.*; and equal to $16\frac{3}{10}$ per cent, which, added to the reduction of 1816, makes a total in two years of $36\frac{9}{10}$ per cent. The commercial distress in 1816 was very great, and was generally attributed to the transition from war to peace prices. But the effect of such a rapid and extensive diminution in the amount of the currency, as here stated to have taken place, is a far more

satisfactory way of accounting for the great and general distress and fall that took place in prices that year.

The number of licences granted for the issue of promissory notes, from October, 1814, to October, 1815, was 916, and from 1815 to 1816 they were reduced to 831, being a reduction of 9 per cent. From October, 1816, to October, 1817, they were further reduced from 831 to 752, equal to $9\frac{1}{2}$ per cent.* Here we have exemplified in a very striking manner the extreme sensitiveness of a general paper currency. In the year 1815 the Bank reduced the amount of their issues, in the three last months, compared with the three first, $4\frac{1}{2}$ per cent; or in the two first, compared with the two last months of the year, $6\frac{1}{2}$ per cent, and we see it accompanied with a diminution of the credit of the country bankers equal to $20\frac{6}{10}$ per cent of all their issues, and with the destruction of one-eleventh of their whole establishments. This sensitive plant being once touched, does not easily recover its elasticity; in 1816 we have a further reduction of the issues of the country banks of $16\frac{3}{10}$ per cent; and a destruction of their numbers in 1817 equal to $9\frac{1}{2}$ per cent, making $36\frac{9}{10}$ per cent in their issues, and $18\frac{1}{2}$ per cent in their numbers in the course of two years.

The distress and misery which must have ac-

* See Appendix, No. 35, p. 336, to the Commons' Report on Bank Affairs, 1819.

companied this contraction of the currency can never be justly appreciated. To other, than to the real cause, was the commercial distress of 1816 ascribed. But my conviction is sincere, that, to the sudden contraction of the currency was to be assigned the major part of the distress that the public suffered in this year: the estimate may not be overstrained, if the loss of property to individuals in this single year is stated as being equivalent to all the profits of the Bank of England since her first establishment, together with all the profits of country bankers since their establishments. Of course there is no means of judging accurately in a case of this kind. But a reference to the bankruptcies of this year will give us some idea of the extent of the distress and individual loss that must have taken place. The total number of bankruptcies in 1815 was 1,285; in 1816, 2,029; the increase, 744, is equal nearly to 58 per cent.*

I do not wish it to be inferred, that the Bank of England has intentionally been the cause of all the distress attendant on a diminution of the currency. It is probable that the contraction in 1815 arose from a cessation of the demands of the government, the Bank at the moment unconscious of the mischief that would follow.

We must, however, proceed with the analysis of the effect of the issues of the Bank upon public credit.

* See Annual Register for 1815 and 1816.

CHAPTER III.

Continuation of the historical view of the effect of the state of the currency upon government securities.

In 1817 the issues of the Bank were considerably increased. The average amount in circulation, in 1816, was 26,574,840*l.*; but in 1817 it was 28,274,901*l.*, an increase of 1,700,060*l.*, equal to $6\frac{3}{10}$ per cent. The effect of this increased issue upon the credit of the country was very remarkable, and worthy of attention.

On the 3d of January, 1817, three per cent consols were 63; on the 2d of December, in the same year, they were 83; the rise, by an addition of $6\frac{3}{10}$ per cent to the amount of the currency, being nearly 32 per cent. There is no doubt but the currency of the country bankers was in a corresponding degree increased. By Mr. Sedgwick's account already referred to, the supposed amount of country notes in circulation, in 1816, was 15,096,000*l.* In 1817 the supposed amount was 15,898,000*l.* showing an increase of 802,000*l.*, or $5\frac{3}{10}$ per cent. The number of country Bank notes stamped in 1816 was 6,423,000*l.*; in 1817, they were 9,075,000*l.*, showing an increase of notes stamped, though perhaps not issued, of 2,652,000*l.* or 41 per cent.

At the commencement of this year the state of public credit was so low, and the internal distress so great, that the government granted issues of Exchequer bills in England and Ireland to the extent of 750,000*l.*; 500,000*l.* for England, "to commissioners, to be by them advanced towards the completion of public works, now in progress, or about to be commenced; to encourage the fisheries, and to employ the poor in different parishes of Great Britain."* And the Lord Lieutenant of Ireland was empowered to advance out of the consolidated fund of that kingdom a sum not exceeding 250,000*l.* for the completion of public works, or the encouragement of fisheries.* This Local and Temporary Relief Bill, as it was called, was introduced into the House of Commons by the Chancellor of the Exchequer, on the 28th of April. The picture drawn of the distressed state of the agricultural and manufacturing population in the debate on this bill, is of the most affecting nature; but, notwithstanding the immense destruction of individual property, in the preceding year, and the picture of distress drawn in the present, we see a rise of nearly 32 per cent in the value of government securities in nine or ten months. The

* See Hansard's Parliamentary Debates, vol. xxxvi. p. 27.

public unredeemed debt, which, on the 1st of February, 1817, was 682,769,314*l.*,* was, at 64, the then price of consols, worth 436,972,360*l.* In December the same debt at 83 per 100*l.* was worth 566,698,530*l.*, being an increase of 129,726,180*l.* If the value of government securities was thus artificially raised in price, property of all other descriptions would be raised likewise. If the rise was from a definite and permanent increase to the currency, the mischief would not be so great; but here the whole property of the community is placed, if I may so express it, in the power of a few banking establishments. By their interests prices are raised; by their fears they fall; and the appearance of internal prosperity, of which high prices are the symbols, are succeeded by bankruptcy and distress.

In 1816 the number of bankruptcies were 2029; in 1817, 1575; being a decrease of 454, and equal to 22 per cent.

In January, 1817, the price of gold was 3*l.* 18*s.* 6*d.*; silver about 5*s.* per oz. and the exchange with Paris 25.40. In December gold was 4*l.* per oz.; silver 5*s.* 3½*d.* per oz.; and the exchange with Paris 24.40.

In 1818 there appears to have been a decrease in the amount of the issues of the Bank of Eng-

* See the account entitled, The Progress made in the Redemption of the Public Funded Debt of Great Britain, on the 1st of February, 1817.—Vol. xxxvi. Parliamentary Debates, No. VI.

land. From July to December, 1817, the amount was 29,210,035*l.*; from January to June, 1818, 27,954,558*l.*; being a decrease of 1,255,477*l.*, or 4 per cent.

From July to December, 1818, the average amount was 26,487,859*l.*, being a decrease on the first six months of 1,466,699*l.* and equal to 5 per cent. Comparing the issues of the last six months of 1817 with the last of 1818, the diminution was 2,722,176*l.*, and equal to 9 per cent. It must be remarked, that, though the amount of Bank issues appears to be decreased in 1818, compared with 1817, the Bank in the latter end of 1817 and in 1818 made an issue of gold to the extent of 6,809,000*l.*, which, added to her issues, will make the total amount of the circulation greater in 1818 than in 1817.* In 1818 we have a rise in the price of gold and silver, and a fall in the exchange with Paris and Hamburgh. In January, 1818, gold was 4*l.* 0*s.* 6*d.*, and silver 5*s.* 3½*d.* On the 25th of December gold was 4*l.* 1*s.* 6*d.*, and silver 5*s.* 5½*d.* per oz.; the exchange with Paris and Hamburgh in January was 34.6, and 24.40; in December, 33.8, and 23.65. The country bankers had, in the same period, added greatly to the circulation. By Mr. Sedgwick's account, already referred to, the amount of country Bank notes stamped in 1817 was 9,075,000*l.*, but in 1818 the amount

* See Report of the House of Lords on the Affairs of the Bank in 1819.

was 12,316,000*l.* being an increase of 3,241,000*l.*, and equal to 35$\frac{7}{10}$ per cent.

Mr. Sedgwick estimates the total amount of the country circulation in 1817 at 15,898,000*l.* and in 1818 at 20,507,000*l.*. the increase being 4,609,000*l.* or about 29 per cent.

This state of the circulation had its usual influence upon the price of three per cent consols; for though the high price of December, 1817, was not maintained (which highest price of 83 was no doubt the high speculative price of the Stock Exchange), yet on the average of the two years there was an average rise in 1818 of 4$\frac{7}{10}$ per cent. The average price in 1817 was about 74½—in 1818, 78.

The number of bankruptcies in 1818 was 1056, in 1817 they were 1575; being a decrease of 519, equal to nearly 33 per cent.

It has been generally admitted that the extension of the circulation of the country banks was entirely dependant upon an extension of the issues of the Bank of England; that is to say, if the Bank of England added 5 or 10 per cent to its issues, the country circulation would only be increased in the same proportion; this, however, does not seem to be the case, but that the issues of the country bankers greatly exceed the rate of increase by the Bank of England. We have, in 1817, an increase of the issues of the Bank of about 9 per cent, followed in 1817 and 1818 by an addition to the country circulation of 34 per cent.*

This is perhaps one of the most important laws of our paper currency (and I have other cases of the same nature to state) and must lead to results at all times dangerous to the safety of the Bank of England. If the Bank of England does not control, or cannot control the issues of the country bankers, so as to prevent an excess of the country circulation, the exchanges must necessarily become unfavourable, and the coffers of the Bank made answerable for the excess of the general currency, by a demand for gold for exportation. The remoteness of the country bankers from the great and central money market of London protects them from any drain of gold, while the Bank are called upon for the general excess of the currency. The contraction of the issues of the Bank will ultimately cause a contraction of the country circulation, from which it may be inferred, that as it has the power of causing a contraction, it has also the power to prevent the excess rendering contraction necessary; and, in my opinion, the Bank of England possesses that power. I shall have occasion hereafter particularly to draw the attention of the reader to the principle by which

* See table in the Appendix, of the country bank notes stamped, and the supposed amount in circulation, from 1804 to 1825.

I think no increase or excess of the country circulation can ever be produced but by a previous extension, as in the case in question, of the issues of the Bank of England.

CHAPTER IV.

State of the currency from 1819 to 1822, and its effects on the price of government securities, and the circulation of country bankers.

THE year 1819 was a memorable year in the history of our currency, and a careful attention to the proceedings of the Bank in this year will strengthen the opinion already expressed of the influence of the issues of the Bank upon the public credit of the country, as far as the price of government securities indicates the state of public credit.

In February of this year, committees of secrecy were appointed by the Houses of Lords and Commons to investigate the affairs of the Bank of England. The effect of these investigations upon the issues of the Bank of England was as follows:—

The average issues of the Bank of England in 1818 were 27,228,208*l.** The average of the first six months in 1819, that is, from January to June inclusive, was 25,593,223*l.*,† being a reduction of 1,627,985*l.*, and equal to nearly 6 per cent.

* See Appendix, B. 2, page 322, Lords' Report.

† See Parliamentary Account, No. 168, dated 6th March, 1821, Bank of England.

The average issues of the Bank from July to December in 1819, were 24,697,407*l.*, and less than the average of 1818 by 2,523,801*l.*, being rather more than 9 per cent. Comparing the issues of the first six with the last six months of 1819, the diminution is 895,816*l.*, and equal to $3\frac{1}{2}$ per cent.* The effect of this reduction of the issues of the Bank was soon perceived on the prices of stock, gold, silver, and on the foreign exchanges.

By the table in the Appendix it will be seen, that on the first of January, 1819, silver was 5*s.* $5\frac{1}{2}$ per oz. (no gold being quoted), the exchange with Paris 23.50, Hamburgh 33.8, and three per cent consols 78. By the 2d of July silver is 5*s.* 2*d.* per oz. (the fall being 5*l.* 6*s.* 10*d.* per cent): the exchange with Hamburgh 35.8, with Paris 25, and the price of three per cent reduced (consols being shut) $67\frac{1}{4}$, which, deducting three months' interest, would give for consols rather less than 67, making the fall from 78 fully 14 per cent. We have already stated, that the decrease in the issues of the Bank in the first six months of 1819, from the average issues of 1818, was rather less than 6 per cent, and this we see is sufficient to cause a fall in stocks of 14 per cent! But this was not the extreme depression, for on the 4th June the price of three per cent consols, with five months' interest due, was $66\frac{1}{4}$, being a fall from 78 of 15 per cent.

* See Account, No. 168.

One of the great evils arising from this fluctuation in the amount of the currency is the spirit of gambling which it generates. On the 4th May three per cent consols were 72, on the 4th June $66\frac{1}{4}$; here is a fall of $6\frac{1}{2}$ per cent in one month. On the 2d July three per cent stock was $67\frac{1}{2}$, on the 3d August $71\frac{1}{8}$, being a rise of 5 per cent. The fall and rise may not always be as the amount of the currency—the depression may, as the rise, be greater than the natural, or marketable value of the stock. Were it not for the alteration in the value of the currency both extremes would be avoided.

The following table, however, will show the connexion existing between the price of stocks and the amount of the issues of the Bank, for the year 1819. The amount of the issues of the Bank has been taken from an account showing the average amount of Bank notes and Bank post bills in circulation for the space of three years preceding the 6th April, 1820, which the Governor and Company of the Bank of England are directed by the act 55 Geo. 3. c. 184, to deliver annually on the 1st day of May to the Commissioners of Stamps, No. 169 of the Parliamentary Papers of 1821.

Monthly average.		Price of 3 per cent consols.	
January 1819.	£ 26,804,375	January 1	78
February	25,567,627	February 2	78
March	24,758,898	March 2	73
April	26,331,731	April 2	$74\frac{3}{4}$
May	25,659,658	May 4	72
June	24,117,652	June 4	$66\frac{1}{4}$
July	26,282,823	July 2	$67\frac{1}{2}$
August	25,786,409	August 3	$71\frac{1}{8}$
September	24,183,014	September 3	$71\frac{1}{2}$
October	24,963,004	October 1	$69\frac{3}{4}$
November	23,950,111	November 2	$67\frac{1}{4}$
December	22,556,332	December 3	67

Comparing the issues of January with those of December, the diminution is 4,248,043*l.*, and equal to $15\frac{78}{100}$. The fall in the price of three per cent consols we have already stated was 14 per cent.

The issues of the country bankers were greatly reduced in 1819, compared with the preceding year. The obligation on the part of the Bank of England to contract her issues, preparatory to cash payments, was felt by the country bankers, and we find by an account of country bankers' notes stamped in each year, from the 10th October, 1804, to the latest period to which the same can be made up,* that in the year ending 10th October, 1818, the number of notes stamped not exceeding 1*l.* 1*s.* was 3,875,715*l.* In the year ending 10th October, 1819, the amount was 2,160,293*l.* This

* See Parliamentary Paper 403, dated 11th April, 1821. Comptroller's Office—Stamps.

diminution was equal to 44 per cent. The number of notes stamped exceeding 1*l.* 1*s.* and not exceeding 2*l.* 2*s.* was, in the same period, 151,048*l.* In the year ending 10th October, 1819, 69,310*l.*, the reduction being equal to 54 per cent. The notes exceeding the value of 2*l.* 2*s.* and not exceeding 5*l.* 5*s.*, were in value 4,176,895*l.*; and in the year ending 10th October, 1819, the value was 2,076,980*l.*, being a reduction of rather more than 50 per cent. In notes exceeding 5*l.* 5*s.* and not exceeding 10*l.* 10*s.* the value was 2,445,460*l.* In the year ending 10th October, 1819, the value was 1,200,400*l.*, being a reduction of 50$\frac{9}{10}$ per cent. In notes exceeding 10*l.* and not exceeding 20*l.* the value was 1,237,960*l.* In the year ending 10th October, 1819, the number was 27,115, and the value 542,300*l.*, the reduction being 56 per cent. Of notes exceeding 20*l.* and not exceeding 30*l.* the number in the year ending 10 October, 1818, was 703, and in value 21,090*l.* In the year ending 10th October, 1819, the number was 511, and in value 15,330*l.*, being a reduction of 27 per cent. Of notes exceeding 30*l.* and not exceeding 50*l.* in the year ending 10th October, 1818, the number was 864, the value 43,200*l.* In the year ending 10th October, 1819, the number was 198, the value 9,900*l.*, being a reduction of 77 per cent. Of notes exceeding 50*l.* and not exceeding 100*l.* the number in the year ending 10th October, 1818, was 3,655, in value 365,500*l.*

In the year ending 10th October, 1819, the number was 558, the value 55,800*l.*, the reduction was upwards of 84 per cent. The aggregate reduction in the notes stamped for the country banks was rather more than 50 per cent, comparing the year 1818 with 1819. The great reduction of the Bank of England took place in 1819, as already noticed, which amounted to 15$\frac{8}{10}$ per cent within the year; the great reduction of the country circulation may be attributed to it.

The number of bankruptcies in England, from the 20th December, 1817, to the 20th December, 1818, was 1056. From 20th December, 1818, to 20th December, 1819, the number was 1445, increase 389, being nearly 37 per cent.*

In 1820 the Bank of England made a further reduction in the amount of her issues: the average for the year was 23,810,303*l.*,† being less than the average of 1819 by 1,335,012*l.*, or 5$\frac{3}{10}$ per cent.

The circulation of the country bankers was also diminished. In the year ending 10th October, 1819, the number of notes stamped not exceeding 1*l.* 1*s.* was 2,160,293*l.* In the year ending 10th October, 1820, the amount was 1,612,614*l.*, the decrease equal to 25 per cent. In notes exceed-

* This account is taken from Dodsley's Annual Register for the year 1819. The total bankruptcies there stated is 1499. On adding the monthly account together the number is 1445, making the increase only 389 in place of 531.

† See Parliamentary Paper 168, of 1821.

ing 1*l.* 1*s.* and not exceeding 2*l.* 2*s.* the amount ending 10th October, 1819, was 69,310*l.*; and in the year ending 10th October, 1820, the amount was 65,300*l.*, decrease 5$\frac{7}{10}$ per cent. In notes exceeding 2*l.* 2*s.* and not exceeding 5*l.* 5*s.* in the year ending 10th October, 1819, the amount was 2,076,980*l.* In the year ending 10th October, 1820, the amount was 1,069,030*l.*, being a reduction of 48 per cent. In notes exceeding 5*l.* 5*s.* and not exceeding 10*l.* the amount in 1819 was 1,200,400*l.* In 1820, 542,710*l.* decrease 57 per cent. In notes exceeding 10*l.* and not exceeding 20*l.* the amount in 1819 was 542,300*l.*, and in 1820 174,640*l.*, decrease equal to 67 per cent. In notes exceeding 20*l.* and not exceeding 30*l.* the amount stamped in the year ending 10th October, 1819, was 15,330*l.* In 1820 not one of this class was stamped. Of notes exceeding 30*l.* and not exceeding 50*l.* there were stamped in 1819 9,900*l.*, in 1820 3,500*l.*, decrease 14 per cent. Of notes exceeding 50*l.* and not exceeding 100*l.* the amount in 1819 was 55,800*l.* in 1820 107,100, being an increase of 91 per cent.

In 1818 the average amount of country bank notes stamped was 12,326,868*l.* In 1819 the average amount was 6,130,313*l.*, equal to 50$\frac{2}{10}$ per cent. In 1820 the average amount was 3,574,894*l.* In 1821 the amount was 3,957,580*l.*

In 1819 there was 50 per cent less amount stamped than in 1818; and in 1820 71 per cent

less than in 1818, and 41 per cent less in 1820 than in 1819.

Applying the principle of Mr. Sedgwick's table already referred to, we shall have the following approximation to the amount of the country notes in circulation in 1819, 1820, 1821, and 1822.

There was stamped in 1819 . .	£6,130,313
Add one-third of 1817. . . .	3,025,318
Add two-thirds of 1818. . . .	8,211,244
	17,366,875
There was stamped in 1820. . . .	3,574,894
Add one-third of 1818. . . .	4,105,622
Add two-thirds of 1819. . . .	4,086,875
	11,767,391
There was stamped in 1821 . . .	3,987,582
Add one-third of 1819. . . .	2,043,437
Add two-thirds of 1820. . . .	2,383,262
	8,414,281
There was stamped in 1822. . . .	4,217,241
Add one-third of 1820. . . .	1,191,631
Add two-thirds of 1821. . . .	2,658,388
	8,067,260

In 1818 Mr. Sedgwick estimates the amount of the country circulation at 20,507,000*l.*; according to the same mode of computation, the amount in 1819 was 17,366,875*l.*, being a reduction of 3,140,125*l.*, and equal to 15 per cent.

In 1819 the Bank of England reduced the amount of her currency on the average of the year $15\frac{8}{10}$ per cent.

The amount of the country circulation in 1820 was 11,767,360*l.*, being a reduction from 1819 of 5,590,000*l.*, and fully 32 per cent.

In 1821 the amount of the country circulation was 8,414,280*l.*, and less than in the year preceding by 3,353,080*l.* being a further decrease of 28 per cent.

In 1822 the amount of the country circulation was 8,067,260*l.*, and less than the year preceding by 4 per cent.

In 1819 the reduction in the country circulation

was......	15	3	per cent.
In 1820.....	32	2	
In 1821......	28	5	
In 1822......	4	1	
	80	1	

making in a period of four years a reduction of no less than 80 per cent.

I have been thus particular in analyzing the amount of the country circulation for these years, as I think the subject hitherto has not been either

understood or satisfactorily explained. It is, besides, a matter of unspeakable importance for the welfare of the country, that this branch of the currency should be known to be amenable to general principles; or if not, then the discrepancy should be pointed out.

CHAPTER V.

The effect of the contraction of the currency on the general welfare of the country—the various opinions expressed in parliament on the subject.

In the years 1820 and 1821 the distressed state of the country was forced on the attention of parliament by petitions from the agricultural and manufacturing districts. On the 31st May, 1820, on the motion of Mr. Holme Sumner, a Committee was named, for inquiring into the agricultural distresses of the country, but their inquiries were confined to the mode of calculating and returning the averages of grain in the twelve maritime districts of England.

On the 7th March, 1821, Mr. Gooch brought forward his motion for a Committee of Inquiry into the agricultural distresses of the country, and the Committee was appointed.

In the Report of this Committee the state of the currency is stated in very general terms. It is said, that "the restoration of the currency will necessarily lead, as existing engagements lapse, to new arrangements between landlords and tenants, in the adjustment of which the permanent effect of that restoration, however difficult exactly to ascertain, will have its practical effect.

"But your Committee cannot omit to state their opinion, that any attempt to determine that effect at this moment would give an erroneous measure of its prospective influence. Having been long below, the currency appears now to be forced above, its standard. In making this remark, it is by no means designed to offer an opinion upon the precautions which have been taken, and the preparations which have been made by the Bank for the resumption of cash payments. But it must be obvious, that if the effect of those preparations has been, to contract, in any considerable degree, the coin previously circulating in Europe, by withdrawing it from that circulation into the coffers of the Bank, the value of money must have been raised generally on the continent; and if, coincident with that operation, the separate currency of this country has also been contracted, not only in the degree necessary,—first, to restore it to its relative par value with the metallic currency of other countries, but further, to place it at a permanent premium above that metallic currency (itself enhanced in value in proportion to the amount withdrawn by the purchases of the Bank), it would seem to follow, that the proportion of our circulation is now somewhat below, and the value of the currency somewhat above, what would be requisite to maintain that currency upon a level with the diminished circulation, and consequently, with the increased value of money in other countries of the world. The present price of standard silver in Bank paper (why in Bank paper? Gold was at its mint price), the very high course of the Foreign exchanges, and the immense influx of bullion for the last nine months, without any decline in those exchanges, now higher with all countries than at any former period, all concur strongly to warrant this conclusion.

"It would be foreign to the immediate object of this report to pursue this subject further: your Committee, however, cannot but ascribe a proportion of the depression of prices, which (as they will hereafter have occasion to observe) now generally prevails in other countries as well as in this, to the measures which the restoration of our currency had rendered necessary; the general effect of which has been, in some degree, to derange the markets of every part of the civilized world; an effect which has been aggravated in those markets, as well as in our own, by the endeavours of other countries to revert to a metallic currency simultaneously with ourselves."

In analysing this statement of the Agricultural Committee, it must be obvious that the only mode of estimating the increased value of the currency is by the market price of standard silver; and assuming that the increased value of the currency was to be estimated by its fall from its mint price, that is, from 5*s.* 2*d.* to 4*s.* 11*d.* per oz., the price of 1821, the whole increase of the value of

the currency does not amount to 5 per cent—only 4*l.* 16*s.* 10*d.* per cent. And this is assuming that when gold is at its mint price of 3*l.* 17*s.* 10½*d.*, which it was during the whole of 1820 and 1821, silver ought to be 5*s.* 2*d.* per oz. But the market price of silver, no doubt from the altered proportion of the two metals, has been, subsequently to 1821, on an average, about 5*s.* to 5*s.* 1*d.* per oz., which would give as the real increase in the value of the currency, as measured by the market price of silver, a rise of only 2 to 3 per cent. Now it can hardly be contended, that so trifling a rise in the value of the currency should lead to so much general distress as was existing in 1821. It must be obvious also, that it was in our own currency, and not that of foreign countries, that the appreciation had taken place, for the importation of the precious metals was an indication of the cheapness of the currency of foreign countries compared to that of England, otherwise such importations could not have taken place as described by the Committee.

In the whole of the Report of the Committee there is not the slightest allusion to the contraction of the circulation of the country bankers, which, in my opinion, was the great cause of the large importations of bullion, and of the general distress throughout the country.

The exact amount of the circulation of the Bank of England for 1821 it is not very easy to obtain, for in March this year the Chancellor of the Exchequer brought in a bill to enable the Bank, at her option, to resume cash payments in May 1821, which passed into a law. The consequence was a reduction of the 1*l.* and 2*l.* notes.

If we, however, take the Bank notes of 5*l.* and upwards during the year 1820, which excludes the 1*l.* and 2*l.* notes and Bank post-bills; a mode of estimating followed by the late Mr. Ricardo and Mr. Attwood,* we shall find the average of 1820 to be 15,507,418*l.* Following the same mode of calculation, the average of 1821 will be found to be 15,623,900*l.*, being an increase above 1820 of 116,482*l.*, or about 15*s.* per cent. In 1822, the average amount of notes in circulation of 5*l.* and upwards was, 15,309,976*l.* being a decrease of 313,724*l.* or about 2 per cent.†

In June, 1822, Mr. Western brought forward his motion relating to cash payments, and proposed a Committee to enquire into the effects produced by the Act 59 Geo. III. c. 49. The discussions that arose on his motion were interesting. There were two parties, the one denying, or moderating the effect of the resumption of cash payments; the other attributing the greater, if not

* See Mr. Attwood's Speech on Mr. Western's motion concerning the resumption of cash payments, Parliamentary Debates, N. S. vol. vii. p. 979.

† See Parliamentary Papers, No. 21, 240, 287, of 1820, and No. 27, of 1821, No. 488, 601, of 1822, and No. 10, of 1823.

the whole of the national distress to that measure.

At the head of the first party stood the late Mr. Ricardo, who was of opinion, that the whole alteration in the value of the currency, from the year 1819, on the passing of Mr. Peel's bill, was about 10 per cent, 5 per cent by the reduction in the price of gold, from 4*l.* 2*s.* in 1819 to its Mint price; and 5 per cent more by the appreciation of the currency by the purchase of gold bullion by the Bank.* The notes were only a substitute for the gold; that is to say, that the Bank of England, in her desire to possess gold, had carried the reduction of her notes beyond the point at which she could have made her purchases. The only mode of appreciating the increased value of the currency was by the fall in the market price of silver. In January, 1819, the market price of silver was about 5*s.* 6*d.* per oz. In July, 1822, it was 4*s.* 11*d.* the fall being just about 10 per cent.

On the other hand, Mr. Attwood, in a speech replete with facts, maintained, that the fall in prices was much greater than admitted by Mr. Ricardo, who, indeed, confessed the difficulty of coming to

* The purchases of gold by the Bank would not appreciate the currency. The rise in the value of the currency was first produced by contraction, and the purchase of gold by the notes of the Bank would add no more to the currency than if the Mint had coined the bullion for the importers. The notes were only a substitute for the gold.

any accurate conclusion as to the real alteration in the value of the currency arising from the measures of the Bank preparatory to cash payments; he (Mr. Ricardo) thought, that the fall in the price of agricultural produce might be attributed to abundant harvests and improved modes of cultivation. This reasoning would have been conclusive, if agricultural produce only had fallen in price. But Mr. Attwood affirmed, that other than agricultural produce had fallen in price, and stated, that "in the year 1818 the average price of wheat was 84*s.* a quarter; and if the present price be taken at 47*s.* that is a reduction on wheat of 37*s.* which is equal to a fall of 45*l.* in every 100*l.*, or 45 per cent. The price of iron in the year 1818 appears to have been 13*l.*; that price is now 8*l.* per ton, and is equal to a reduction of about 40 per cent. The price of cotton in 1818 was 1*s.*, and it has sunk to 6*d.* per lb., and that is a fall of 50 per cent on cotton. Wool in the year 1818 sold for 2*s.* 1*d.*, which now sells for 1*s.* 1*d.*, and there is, therefore, in wool a fall of nearly 50 per cent. The fall, therefore, that has taken place since 1818, in iron, in cotton, and in wool, is as great as the fall in wheat. It is 45 per cent on an average of the three; and that is precisely the fall in grain. These are our three great staple articles; and this fact of the fall in price they have sustained, I recommend to the consideration of those gentlemen who tell us of an excessive

production of corn—of an excessive cultivation of land. If corn has been produced in excess—if the proof of that is to be found in its fall of price, doubtless there has been an equal excess likewise in the production of these three great staple articles. But I will refer to a paper containing further information upon this subject; and which, I am satisfied, will be received as exhibiting a correct estimate of the general fall in prices which has taken place on the whole of our production and commodities. The paper to which I refer for this purpose will be found in the Agricultural Report of the last session. It was delivered to the Committee by Mr. Tooke, and contains a list of the principal articles of commerce and manufacture, thirty in number, selected by that gentleman for the purpose of information respecting prices; and the prices of each commodity are given for several successive years, in the month of May in each year. I have caused the prices of these articles to be added to this table, for the month of May in the present year also. The result which this table exhibits is, that since May, 1818, a great and general fall in these articles has taken place; which fall cannot, on the whole, be taken to be less than the fall in the price of agricultural produce which has accompanied it. Of these thirty articles, there are two only that have experienced no fall. These are indigo of two kinds, and their price has been supported, as I understand, by circumstances of an extremely peculiar nature. The fall which has taken place between May, 1818, and May, 1822, in the prices of the articles contained in this table, indigo excepted, is, if we take the lowest price marked in the table in each period, and take away the direct tax, which exists on some of these articles, exactly 40 per cent. And if we add to this 40 per cent, 5 per cent more, for the difference between prices, as marked in tables, and those for which commodities can really be sold in the market, when the market is depressed and falling, that will give us an average fall of 45 per cent, which is precisely similar to the fall in grain.

"There is no truth, therefore, in the opinion, that any fall in prices peculiar to agricultural produce has taken place. The fall in prices has been universal, and not particular. The leases of the tenants, the mortgages of the land-owner, taxation pressing heavily on agricultural labour, but which the machinery of the manufacturer lightens; all these will render the difficulties of the agricultural community more permanent, perhaps, than those of the mercantile and manufacturing community; but they have not been more severe. Let the House consider what difficulties, as this table shows, our mercantile and manufacturing industry has been exposed to? In the midst of this fall in prices, what operation in business could proceed without loss or ruin? There has been no form in which the capital of the merchant: none in which

the capital of the manufacturer could be invested without the half of it being sacrificed during this calamitous period. We have been thrown back upon a condition of society, in which all industry and enterprise have been rendered pernicious or ruinous; and where no property has been safe, unless hoarded in the shape of money, or lent to others on a double security. * * * * *

"The honourable member for Portarlington, in referring to this table on another occasion, I think told us, that Mr. Tooke was able to point out several circumstances, which had tended to lower the price of many of these articles. I do not in the least doubt it. The price in the market of every particular commodity is fixed by the influence of a great variety of contending circumstances, some tending to advance, and some to depress that price. I doubt not but Mr. Tooke could point out numerous circumstances, that have affected the prices of every one of these commodities; and have contributed both to depress and to support them. But the question is not as to what has affected the price of any particular commodity. The question is, whether this list is to be received for that purpose for which it was given; as containing an indifferent and impartial selection from the general mass of our productions and commodities; and exhibiting in its results a fair estimate of the fall in price on that general mass? That I see the honourable member for Portarlington admits. This table shows what the general fall in price has been. Let us see, then, to what conclusion this brings us. Either the quantity of all commodities has been increased, or the quantity of money has been diminished, one of these we must of necessity admit; for the proportion is altered. There is either an increase in the general quantity of commodities, or a reduction in the quantity of money. And, are we to believe that the general quantity of commodities has increased: that a great augmentation has suddenly taken place in all the produce of all labour; that all industry has become suddenly more skilful and efficient; and the produce of all soil more abundant? If we could believe that, indeed, then we might look on our present difficulties as necessarily attending the introduction of a better state of things; as the sure precursor of an age more prosperous than this country has yet experienced. But it is impossible to entertain such a belief. It is impossible to believe that any great and sudden augmentation of commodities has taken place. It is the quantity of money that must of necessity have been reduced; and I now beg the attention of the House to a consideration of what that reduction has been; how it has been effected; and how it corresponds with the fall in monied prices which it has occasioned.

"The monied circulation of this country has rested on that of the Bank of England. The

amount of the notes of the Bank in circulation, at the period immediately preceding this fall of prices, appears to have been from about twenty-nine to thirty millions, that is the average amount in circulation for the last half year of 1817. If we take a view of the amount of Bank notes in circulation from this time downward; and observe the amount in the middle of each quarter; which affords, as appears by the evidence of Mr. Harman, the best comparative view—a gradual and systematic reduction will appear to have commenced.

"The amount in August 16, 1817, is	£30,100,000
"It was reduced by November 15, 1817, to	29,400,000
"And continued as follows:	
February 1818	28,700,000
May	28,000,000
August	26,600,000
November	26,000,000
February 1819	25,600,000
May	23,900,000
August	26,000,000
November	24,000,000
February 1820	24,000,000
May	23,900,000
August	24,400,000
November	23,400,000

and at this period the joint circulation of one pound notes and sovereigns has rendered a further comparative estimate, in this way taken, uncertain and obscure; I would refer, therefore, to the mode of estimation adopted by the honourable member for Portalington, for the purpose of bringing a comparative view of the circulation of Bank notes down to the present time; which method is, to exclude from the account all one pound notes, and all notes but those of five pound and upwards, and payable on demand; and this method of computation does, as I perfectly agree with him in thinking, give a fair comparative view of the circulation down to the present period.

"The amount of Bank notes in circulation in this way taken, appears,

Notes of five pound and upwards.

November 1817......	£19,600,000
November 1818......	16,900,000
November 1819......	*
November 1820......	15,300,000
November 1821......	14,800,000
May 1822..........	14,600,000

and the amount appears to have been now reduced somewhat below this last sum. Nothing can be more regular, gradual, and uniform, than this reduction in the quantity of money, thus exhibited and commencing at a period immediately preceding the commencement of the fall in monied prices.

* This account is not before the House.

It was altogether a forced and systematic contraction. It did not take place in consequence of the fall of prices. It preceded it."

* * * * *

"We see then a regular, systematic reduction of the notes of the Bank, our legal money, on which the whole of our circulation depends; and that reduction followed by an equally regular fall of prices. But the one is in greater proportion than the other. Prices have fallen more than notes have been reduced. The reduction of Bank notes is one-fourth, or one-fifth; and the fall in prices has approached nearly to one-half; and the honourable member for Portarlington denies that prices will fall, except in proportion to the reduction of money. But I beg him to consider that, first, we have the fact plainly before us; and that to facts we must reconcile our theories as well as we are able."*

The speech of Mr. Attwood, from which this extract is taken, was left unanswered, notwithstanding the cogency of the facts he produced. In the subsequent debate on Mr. Western's resolutions, no attempt was made by the late Mr. Ricardo to controvert the fact adduced by Mr. Attwood; the late Mr. Ricardo re-stating his opinion, that the low

* Mr. Attwood entirely overlooked the contraction of the circulation of country paper, which would have fully accounted for the whole fall of prices.

price of agricultural produce "might be traced to various sources; the great influx of gold into the country; the improvements in agriculture; those and other causes operated. How then, could the distress of the agriculturists be solely imputed to the alteration that had taken place in the currency?"

Mr. Ricardo had previously stated that the alteration in the value of the currency could not have exceeded 10 per cent; and we have seen that the fall in the market price of silver was equal to that amount. Mr. Attwood showed that thirty different articles had fallen in price from 40 to 45 per cent, besides agricultural produce; and if we admit Mr. R.'s fall of prices of ten per cent, there is still from 30 to 35 per cent to be accounted for. The improvements in agriculture and in the mode of producing every one of the articles contained in Mr. Tooke's table referred to by Mr. Attwood, "as exhibiting in its results a fair estimate of the fall in price on that general mass," must account for this 30 to 35 per cent of reduction in price. The progress of improvements, however rapid, I think will not warrant any one in drawing the conclusion necessary to support Mr. Ricardo's view of the case. If we, however, refer to the extraordinary diminution of the circulation of the country bankers in 1819, 1820, and 1821, amounting to 76 per cent, as has already been stated, I think there will be no difficulty in accounting for the extraordinary fall

of prices, and the general distress that was experienced up to 1822.

To admit, however, this view of the case, is to controvert the abstract principle of currency laid down by Mr. Ricardo, and others, that there could be no fall in prices, beyond the fall of gold from its market to its mint price; nor any rise in prices, that was not limited by the rise of gold above its mint price. I am inclined to think that this principle does not hold true, where we have a paper currency to the extent to which it is carried in this country.

If we had a metallic currency exclusive of paper, we could have no variation from the mint price of gold, unless the currency was defective in its standard weight. If it was always of its legal weight, we should have no fluctuations in the value of our standard, but such as would be very speedily corrected by the exportation or importation of bullion, or coin, the mint being open to the public to supply deficiencies as they occurred, and the free export of the currency allowed to carry off any excess. With such a currency I would admit the truth of the abstract principle laid down; with such a currency there would be less temptation to give extensive credits, leading to a speculative rise in prices. But the case seems to be materially different, when we apply the principle to a currency such as we now have, and administered as it has been, composed, perhaps, of three fourths Bank notes and one fourth metallic. It is the interest of bankers to save the expensive currency as much as possible, and to issue paper to the extremest point consistent with their ideas of individual safety; the consequence is, that a spirit of speculation is generated, and a speculative rise in prices follows. Every man's business is conducted on a scale of increased credit, depending, not on realized capital, but on the liberal accommodation of the issuers of Bank paper. While this game is playing, the country is said to be in a very flourishing state; government securities rise in price, and the rate of interest is for a time reduced. The years 1817 and 1818 were years of comparative prosperity, particularly the last six months of 1817, and the first six of 1818. The increased amount of the currency in those years, I think, will explain the cause of the apparent prosperity of the country. The Bank of England, we have already stated, added, in 1817, about 7 per cent to the amount of her issues compared with 1816. The country circulation in 1817 was increased above that of 1816 about 6 per cent, and the amount of notes stamped was 41 per cent above 1816. In 1818, though the Bank of England decreased her issues of paper, the issues of gold in 1818 probably made the currency exceed the amount of 1817. The country circulation was increased in 1818 above that of 1817 about 29 per cent. During this period gold rose about 5 per cent only, while 3 per cent

consols, as we have already stated, had risen in a few months, in 1817, 32 per cent.

In 1819 the apparent prosperity of the country seemed to vanish with the first measures of the Bank for the resumption of cash payments. The average issue of Bank notes was reduced in this year, compared with 1818, about 7 per cent; and comparing the average of January with December 1819, the reduction was nearly 16 per cent. The pressure of this contraction was immediately felt by the commercial community; individual credits were diminished, and stock was sold at a great sacrifice of price (three per cents fell from 78 to 66¼ by June), to make good existing engagements. The price of gold fell to its mint price; the fall was about 5 per cent. Silver fell in nearly the same proportion; its fall was from *5s. 6d.* to *5s. 2d.* per oz. By the increased value of money, prices were forced down, the capitalist refrains from purchasing, knowing that the necessities of the holders of produce must, in the end, force them to make sales, at such prices only as the buyers choose to give. The fall in prices, therefore, must be general, and to a much greater degree than the mere contraction of the currency, or the rise in its value. Suppose, for example, as was the case in the beginning of 1819, commercial confidence and credit was at its height, and we shall represent it by the figure of 100. The Bank of England, in her anxiety to comply with the wishes of Parliament, takes measures to possess herself of gold in such quantity as to enable her safely to resume payments in cash, suddenly withdraws from the circulation 10 per cent of the 100, not seemingly aware that a contraction to this extent would produce any violent effect upon the state of public credit. The community, whose transactions and credit stood in the relation of 100, are thus unexpectedly reduced to 90. With a currency, where Bank paper decidedly predominates, even though payable in gold on demand, there is a tendency, from the interests of the issuers, that credits should rather exceed than fall short of real capital; there is now a competition for money; for a man may as well be a bankrupt as be within 10 per cent of it; disposable securities are sold at any sacrifice to maintain credit, which will easily account for the rapid fall in stocks. Those who have no such securities to sell, and who from the facility of obtaining credit, had greatly exceeded their capital, become bankrupts (and we have already stated that the bankruptcies of 1819 exceeded those of 1818 by 37 per cent); the panic becomes general, every man who can, providing himself against the evil that has overtaken his neighbour; and though the issues of the Bank stood at 90, the actual amount of the *circulation* may be reduced to 80, or 75. The demand for discounts at the Bank may increase, the Directors may be more liberal, but for a time the money will be withheld

from circulation, every man being alone interested for his own solvency. To the scarcity of money there follows a stagnation of all trade, until prices are forced down to, or below, the cost of production. Country bankers are precisely in the same situation as the Bank of England, but with less of public confidence; their issues are contracted, and the distress, that began in London, spreads throughout the country. The sacrifice of individual property becomes immense, and thousands are reduced from comfort to ruin and want. It has been already stated that in 1819, 1820, and 1821, the circulation of country bank notes was reduced 76 per cent, compared with 1818; and yet it has been gravely stated that prices had only fallen in the proportion of the reduction of the market price of gold to its mint price.

The great disproportion created between the amount of commodities, and currency, would at once account for the general and long continued depression of prices, experienced in the years in question. Prices began to fall in 1819, and kept falling as the contraction of the currency proceeded. Those who maintained, that prices fell in consequence of abundant harvests, must admit that commodities were increased in amount, and being circulated with a currency, diminished in amount in 1819 about 16 per cent by the Bank of England, and 15 per cent by the country bankers, being about 15 per cent of the whole, must now admit that prices fell from both causes. In 1820 the Bank circulation varied only 15*s.* per cent of increase, but the country circulation was reduced 32 per cent, which, added to the preceding year, makes the total average reduction about 35 per cent in two years. In 1821 the Bank circulation was diminished about 2 per cent compared with 1820, and the country circulation was reduced 28 per cent, making a contraction of the whole currency of about 15 per cent additional; making a total reduction of the currency (commodities by the argument at the same time increased in amount) in three years of 50 per cent. It cannot be surprising then, that commodities fell, as Mr. Attwood stated, from 30 to 45 per cent, but the surprise is, that they did not fall to a much greater extent. And perhaps the best reason that can be assigned for their not falling in proportion to the rise in the value of the currency, was the check, thus given, from low prices, to production. If general prices had fallen by June 1821, 45 per cent, it is impossible to doubt the fact, though it may be difficult of proof, that production was checked long before that period, and agricultural and other produce diminished and not increased. In expressing these opinions, I am sensible of differing from Mr. Tooke, in his valuable book upon high and low prices. He maintains, notwithstanding the great contraction of the country circulation, that prices

were not affected to a greater degree than by the fall of gold to its mint price. Mr. Tooke states, p. 196, Part I. of High and Low Prices, that "a reference to the prices of commodities, combined with the quantities and other circumstances affecting them, proves the *total absence* of any ground for imputing to the alterations in our currency a greater influence than that which has been indicated by the difference between paper and gold." Again, p. 205. "That the fall of prices between 1814 and the autumn of 1816, the rise from that time to the autumn of 1818, and the subsequent decline to the present time (January 1823), may equally be accounted for by circumstances connected with the supply of commodities relatively to the average rate of consumption, without referring to alterations in our currency any part beyond the degree indicated by the difference between paper and gold, consequently without ascribing any influence to Mr. Peel's Bill."

If Mr. Tooke is correct in his opinion as to the fall of prices being entirely caused by abundance of home or imported commodities, he involves us in this dilemma, that, production to maintain the relative abundance of commodities can be carried on for a period of years, with falling prices, of course with reduced profits, and that prices could fall from 30 to 45 per cent, and production go on unimpaired, or nearly so; which must have been the case during a part of 1819, 1820, 1821, and perhaps nine months of 1822. If I grant Mr. Tooke his argument to the extent, that commodities, notwithstanding the increased consumption by low prices, remained relatively the same during these years, and show, that in 1819 the currency was reduced by the Bank of England and country bankers about 15 per cent; in 1820, 20 per cent, and in 1821 by the Bank of England and country bankers 15 per cent, making the reduction in the amount of the currency spread over the surface of these three years 50 per cent, I think I have made out a stronger case for such continued low prices, than by supposing that they were entirely caused by an excess of commodities.

I am quite willing to allow, that from excessive production in one or in all commodities brought to market, where no alteration, or a trifling one, is made in the amount of the currency, prices must fall, and fall in proportion to the excess of production. But if we take into account, that the competition of capital is to reduce profits to their lowest amount, it will follow, that a check will be given to production while such low prices continue. This is the natural result of low prices; and in the case of agricultural productions, the last land taken into cultivation may cease to be cultivated in a very short time. Increased consumption from low prices is the natural counteracting cause, and its operation, with diminished production, will, in a much less period than four years, restore profits

to their former level. The period of returning profits may be prolonged, if the labourers are not employed, which we must not admit, if we allow for a continued and progressive production, which is consistent with Mr. Tooke's view of the case; but may account for the extraordinary supplies of wheat and flour brought to Mark-lane at the close of 1821 and part of 1822. The great stagnation in trade in 1819, 1820, and 1821, may admit the conclusion that consumption during these years was diminished, and tended still further, with the effect of a diminished circulation, to affect prices. Mr. Tooke, however, has not I think taken sufficiently into consideration, that the necessities of individuals might really force sales of produce; and what was a temporary supply, caused by these necessities, he infers was permanent. In this case, was it the state of the currency that was the operating cause, or was it over production? If the supplies had continued undiminished, I should infer with him, that it was over production; but he admits, that diminished supplies raised prices: consequently either the cause of the evil was diminished towards the end of 1822, or excessive sales and consumption was the remedy, p. 192.

The fall of prices in 1815 and 1816, I also attribute to the contraction of the currency. In 1815 the circulation of the Bank of England was reduced, comparing the three first with the three last months of the year, $4\frac{1}{2}$ per cent; or the two first with the two last months, $6\frac{1}{2}$ per cent. In 1815 the country circulation, as compared with 1814, was reduced 16 per cent. In 1816 the Bank of England reduced their circulation rather more than one per cent; and the country circulation was reduced $20\frac{5}{10}$ per cent. This seems to me a sufficient cause for the fall of prices in 1815 and 1816, and part of 1817. If the contraction of the currency had been continued throughout 1817, as in 1815 and 1816, prices no doubt would have declined still further. But in 1817 prices rose; not agricultural prices only, but prices generally; the defective harvest of 1816 might account for the rise in the price of grain, but will not for the general rise of price in other produce. Now what was the fact as to the currency? The Bank of England, as we have already stated, increased the issue of her notes this year about 7 per cent above that of 1816, and this was in addition to a considerable issue of gold. The country bankers added to their issues about 6 per cent, and had notes stamped to the extent of 41 per cent above that of 1816. Here was an addition to the currency of 13 per cent, and prices rose. In 1818 the issues of paper by the Bank were decreased compared with 1817, but the issues of gold probably made the numerical amount greater than in 1817. In 1818 the country circulation was increased about 29 per cent, and if we take the average issues of the Bank, throwing the addition

of the gold out of the calculation, at 27,228,208*l.*, as already stated, the increase to the general currency would be nearly 10 per cent, which added to the 13 per cent makes the total in two years about 23 per cent. There should be no surprise, then, that prices rose in 1817 and 1818.

CHAPTER VI.

Examination of the opinions of Mr. Tooke and others as to the cause of the fall of prices from 1814 to 1822.

Mr. Tooke maintains, "That the fall of prices between 1814 and the autumn of 1816, the rise from that time to the autumn of 1818, and the subsequent decline to the present time (January, 1823), may equally be accounted for by circumstances connected with the supply of commodities relatively to the average rate of consumption, without referring to alterations in our currency any part beyond the degree indicated by the difference between paper and gold."

Mr. Tooke has, I think, laid too much stress upon this argument: the cheapness that would follow from increased production would come gradually upon the public; and if the amount of currency remained the same, the fall in prices would be relatively to their abundance. But to suppose that one, or even two, good harvests should cause a fall of prices generally from 30 to 45 per cent, is giving more to the bounty of nature than I think will be found consistent with the fact. But admitting the fact, does it follow that this abundance should cause general distress,

and reduce the agricultural community to the verge of ruin? Admitting the argument, that a productive harvest would cause a fall of prices beyond the actual abundance, would the farmer have no recompense whatever from such abundance? Would such abundance render him incapable of paying, for two or three years in succession, more than two-thirds or three-fourths of his rent; when landholders were obliged to meet their tenants with a reduction to that extent, or have their farms thrown upon their hands. I cannot contemplate such a state of things from bountiful harvests, even under the operation of our present corn laws. Nor am I aware that any evidence of such being the case can be produced in the history of the agriculture of this country, unaccompanied with variations in the amount of the currency. The case, however, assumes a very different form when we adduce evidence, that two harvests, that is, 1819 and 1820, the first rather more than an average, and 1820 considerably above an average crop, were accompanied by a diminution of the currency in these years of 50 per cent, compared with the year 1818.

That an abundant crop should produce general distress is negatived by the evidence of Mr. Iveson, before the Agricultural Committee of 1821. The experience of Mr. Iveson was extensive; he was a land agent, and collected rents in Wilts, York, Durham, Middlesex, Buckinghamshire, Wales, and in Herefordshire.

Mr. Iveson was asked, "Supposing the wheat crop to have been abundant, and the importations large from Ireland, do you think that those causes are sufficient to account for the distress which is now experienced by the farmers ?—I do not think it altogether.

"To what other causes then do you attribute the distress among farmers ?—There is a difficulty in getting rid of produce; a man may take his produce to market, and nobody will ask the price of it.

"Is not that the effect of abundance ?—Unquestionably, to a certain extent, it is the effect of abundance; and also the effect of a less consumption. I do not think the consumption is any thing like so great as it was.

"Has the importation of foreign corn nothing to do with it ?—The account which I have seen stated of foreign corn introduced into this country is so small that I cannot think it has." After several questions as to the effect of abundant crops upon prices, and distress arising therefrom, the Committee ask,

"When the Committee say that you can contemplate, they appeal to your experience, and not to your imagination; they do not wish you to imagine such a case of abundance as you have never seen, but such as occasionally occurs ?—*I know of no crop that has produced it; I know of no abundance that has produced it hitherto.*

"Do you attribute the present low price of corn, and the distress of the farmers, in any degree, to the good crop of 1820; to the abundant crop of 1820 ?—I certainly cannot attribute the *distress to abundance,* if there was not some other reason for the price being very much lowered.

"Then it is your opinion that the distress of the farmers never can proceed from abundance alone ? —*I think it very unlikely.*

"Supposing the crop of a farmer to be double his average produce, would not the profit arising to him from the additional quantity prevent the distress which now so generally prevails ?—Undoubtedly; if he made a return by the price equal to what he would have made had there been a short crop and high prices.

"In that we all should agree; but the question is, as to your opinion, whether he will or not; is general abundance, in your opinion, injurious or otherwise to the farmer ?—*I cannot conceive abundance injurious to any body.*" I think the common sense of mankind will accord with Mr. Iveson's last answer.

The situation of the country in 1816, from the contraction of the currency, was very similar to that of the year in question. Mr. Iveson was asked,

"Do you recollect were you in business in 1814? —Yes, I was.

"And in the year 1816, likewise, I suppose?—Yes, I was.

"Do you recollect the alarm that existed then among the tenantry and the landholders of the country?—Yes; there certainly was a considerable alarm at that time.

"At both periods?—Yes, at both periods.

"What was that owing to?—A very great falling off in the price of grain; there was a very great diminution in the price of grain and cattle.

"Was the alarm any thing at all at that time corresponding to that which now exists?—For a time it was very much the same, but I do not think that it continued so long.

"Was there very much difficulty in collecting rents, or in finding tenants for the farms at that period?—There was, I think, nearly as much difficulty in collecting of the rents as there ever has been, I think, in my experience. I do not think there was such a general panic; nor do I believe there was so much shyness in tenants embarking their capital in farming as there is at the present time."*

Here we have the same effects following the same causes in these two periods. The harvest of 1815, like that of 1820, was abundant. According to Mr. Hodgson's evidence before the Agricultural Committee, p. 264, 37 Winchester bushels per

* See Minutes of Evidence before Select Committee on Petitions complaining of the depressed state of Agriculture, p. 338, 339, 340.

acre was the produce as estimated by his house for 1815; and for 1820, $37\frac{3}{10}$. But his evidence negatives the idea of 1819 being an abundant year, for the estimate of the produce of that year is $27\frac{7}{10}$ bushels per acre.

It is surely very repugnant to the common sense and experience of mankind to say, if the agricultural community were blessed with a harvest of 25 per cent greater produce in 1820 than in 1819, that in 1821 they should be in a state of general distress, incapable of paying their rents, unless from the savings of previous years, or by forcing produce and live stock to market, to save themselves from bankruptcy! Well might Mr. Iveson say, "that I know of no crop that has produced it; I know of no abundance that has produced it hitherto."

We have the evidence of Mr. Wakefield, another extensive practical land agent, who was asked,

"Is not a great part of the fall in the price of corn owing to the two succeeding good crops which you have mentioned?—I think not entirely; I think it is a question of currency and good crops, and the want of demand, as I stated before, for the army and navy, and for Portugal and Spain." P. 210, Evidence, &c.

"Do you think the import contributed at all to it?—I think very little; there has been no imported corn in the market of late." P. 210.

"Be so good as state, generally, your opinion, how the alteration of currency has operated on the agricultural distress? I certainly think it is a main and great reason of the distress.

"You take it to be the main reason of the distress?—I attribute it more to a change of currency than any other thing.

"How do you take it to operate upon it?—In a general fall of prices.

"Is it not a fact, that there has been a great diminution in the usual accommodation to farmers, from the country banks?—To a wonderful degree; I think, that up to the year 1813, between 1796 and 1813, there was an accommodation given by the country bankers to farmers, and all persons in trade, to a most unwholesome degree, if I may use the expression. I say, that the failure of all those banks (where they were not persons of very great capital) in 1813, was partly in consequence of that; and though the failures were hurtful to a very great extent at the moment, I am of opinion, that they must be of great good to the country in the long run. I have often heard it used as an argument by gentlemen, that farmers need not take the country bank notes, unless they please; but I say it is utterly impossible for them to take other than the notes of the provincial bank of the market town, where they take their produce to market; and the distress which I have seen experienced by farmers in different districts, on the failure of a great country bank, has been very striking indeed.

"When was the period of the greatest facility of that sort of accommodation which you have alluded to?—Up to the year 1813 there were banks in almost all parts of England, forcing their paper into circulation at an enormous expence to themselves; and, in most instances, it has been done to their own ruin. There were bankers who gave commissions, and they sent persons to the markets to take up notes of other bankers; and these people were called money changers; and commission was paid for doing it in this way. In every instance where I have traced such commission transactions, I have found that failure has certainly ensued. No banker can afford to pay for getting his notes out over his counter.

"Do you not consider, that that circumstance contributed mainly to the very high prices at that period?—I think so. I think the facility with which money could be borrowed at that time was partly the cause of them. I know no persons more distressed at this time than farmers, who were considered very opulent persons up to the period I am speaking of, namely, in 1813. They were persons who purchased their own estates, and whose measure of value was seldom looked to, as to their intrinsic worth; it was merely a question of how much money they could raise in order to pay for them. At that time no person bought an estate too dear; at that time those estates were encumbered by mortgages, and there are very few of them which the buyers would not gladly bring to sale at a depression of 10 or 20 per cent less than they cost them; and there are many instances in which they would gladly escape at a greater loss; but, some of these estates are mortgaged for more than they are now actually worth; and the buyer has lost the earnings of his life, which was the surplus he paid beyond the money he had borrowed on mortgage.

"Did you ever hear, in the course of transactions at that period, either on the part of the land purchasers, or of persons who lent money on mortgage, any opinion that the value of money was likely to undergo any great alteration in time of peace?—The rise in prices was gradual, and, with the majority of persons, I believe imperceptible, and every body was acting as if no bad times were ever to take place.

"Has not then the alteration in the currency, first by rendering money less valuable, and since by rendering it more valuable than it was, been the cause of deceiving and ruining a great many industrious persons who were in a state of opulence and ease?—I have observed it most particularly, and to an extraordinary extent.

"Have not those fatal consequences resulted, mainly, since the period that money has become more valuable?—They were unknown before.

Up to the year 1813, one man might buy his estate dearer than another; but none appeared to be too dear, for they might always be sold a year or two after for a higher price than had been given for them."*

A great deal more of Mr. Wakefield's valuable evidence might be extracted, which would more fully confirm the opinion, that the general agricultural distress throughout the country in 1821 had its origin in the contraction of the currency. We shall have occasion to refer to his evidence hereafter.

The evidence of Mr. Custance, another extensive land agent, is corroborative of the fact, that the agricultural distress of the country was occasioned by the contraction of the currency. Mr. Custance was asked, "Have you, ever since you have been a land agent, seen the farmers in so distressed a state as they are at this time?—I think they were more so in 1815 and 1816; at that time it was difficult to sell; but a man may now sell his commodity if he will take the price of the day.

"If you think the farmers more distressed in 1815 and 1816, have they had time, since that period, to recover from the distresses of that period?—I think not, there was a great shock at that period.

"You have stated just now, that you conceived the farmers of the present day to be in a better

* See Minutes of Evidence, p. 213, 214.

situation than they were in 1815 and 1816?—I think there was a greater check generally, in the years 1815 and 1816; every thing was positively at a stand still at that moment, *till money began to circulate again.* I am not prepared to say, that they are better off at this period.

"Do you think, that, at any period since the years 1815 and 1816, the farmers have been in a better situation than they are at the present moment?—Yes; I think they were after the bad harvest; *I think in* 1817, *money came more into circulation,* and they began to procure breeding stocks again; lambs and sheep sold very well, and they were better off in 1818 than they are now.

"Is it your opinion, that the farmers are in a gradually declining state, or that the present distress arises from any sudden shock, similar to that which occurred in 1815 and 1816?—I think, if the present prices remain, the farmer must sink; it is only in the expectation that some change will take place, that they can hope to go on; the shock has not been so sudden as in 1815 and 1816: the depression has been more gradual.

"Have you considered whether an abundant, an average, or short crop, is the most advantageous to the farmer?—*I should think an abundant crop; I see that a farmer is always anxious to get quantity; therefore, I suppose it is the quantity that is to pay him.*"

Here we have a mass of evidence from practical

men of experience, that the distress attending the agricultural community in 1815 and 1816—again in 1819, 1820, and 1821, was occasioned by a contraction of the currency, the existence of which we have already stated. That in 1815 and 1816 was more severe, because more sudden, than in the latter years—and sooner removed, according to Mr. Custance's evidence, for in 1817 *money came more into circulation.* I have already stated, that the increase of the circulation of the Bank of England (independent of the sovereigns issued), and of the country banks, was equal to 13 per cent compared with the year 1816. Prices rose as a consequence, and distress diminished. The year 1818 was reckoned a year of tolerable prosperity; that is to say, prices rose, or kept the level of 1817. The Bank of England probably increased the amount of circulation this year, compared with 1817; and the country circulation was increased about 29 per cent above that of the preceding year.

Besides the mere rise of prices, in consequence of this extension of the currency, there would be the speculative rise, which always attends the facility of obtaining credit; and as this facility has its origin in the abundance of currency, it is impossible exactly to determine the extent of it.

When credits are easily obtained, individuals purchase commodities with no other view than to sell them again at a profit. On every such transaction private paper is created; and the demand for bank paper is increased in the ratio of such transactions. Though it is the interest of bankers to extend their issues to the greatest amount consistent with their own safety, the prudential feeling on their part is likely to operate sooner, than on those who are in want of credit, and a sudden stop is made to its further extension. The contraction of the currency then becomes much more rapid than was its extension, and distress and embarrassment follow as a natural consequence.

Upon such grounds I think the distress of 1815 and 1816; and of 1819, 1820, and 1821; may be rationally and satisfactorily explained. Indeed, a very little consideration would make it evident, that all great convulsions in public credit and prices must have their origin in alterations in the amount of the currency, and can only occur where the power of sudden augmentation exists, and that power may be said to be peculiar to a paper currency. The power cannot exist with a purely metallic circulation.

I do not, therefore, attribute much, if any, of the distress in the years in question to the abundant harvests—experience, I think, is decidedly against the fact; and I think the principle itself cannot be supported by sound reasoning.

Let us suppose, for the sake of argument, that we had no other than a metallic currency (subject only to such variations in value as are attached to

it as a standard by which commodities are valued —and it is admitted, that such variations from year to year are not, and cannot be, extensive) and that we have a harvest more bountiful than the one preceding by 25 per cent. It seems to be generally admitted, that the fall in prices would exceed 25 per cent (and, under the operation of our corn laws, I think such admission warranted, though if the trade in corn was as free as in bullion, such admission would not be required), let us say 30 per cent, for it does not necessarily follow, that a farmer should wish to carry his abundant crop to market with greater haste than a less productive one. The loss to the farmer, then, will only be 5 per cent; and for a part of this loss he will find indemnity by a reduction in the price of labour on his farm, and the keep of horses, &c. &c.

On the other hand, if corn is produced in such abundance, it will alter the relative value between money and corn. Money rises in value; and corn, and all other commodities, fall in price, because the wages of labour will fall with the price of corn; and all commodities will fall, the production of that labour. The farmer will here have a further compensation for the reduction in the price of his abundant crop. Moreover, the commodities produced by the fall in the wages of labour will be exported; and from the high value of our currency bullion will be imported in return, until the value of our currency is restored to the level of other countries; and then prices will rise, if not to their former level, at least to such an extent as to place the farmer on a footing of equality with other producers. If it is contended that the wages of labour are not so speedily adjusted to the price of corn, as is here supposed, but continue as before the abundant crop, then increased consumption will tend to prevent such a fall in prices as to be injurious to the farmer.

If such would be the case with a metallic currency, there ought to be no difference in the result with a well-regulated paper one, convertible into gold on demand. In my opinion, therefore, general agricultural distress can never follow as a consequence of abundant harvests.

Mr. Tooke has laid great stress on the abundance of the supplies of the leading articles of consumption, brought to market, in justification of his opinion of the fall in prices being occasioned by abundant production.

"Of the fact," says Mr. Tooke, "of abundance of supply of the leading articles of consumption there cannot, I should think, be any reasonable doubt.

Let any corn factor be asked whether the supplies of wheat and flour in Mark-lane, at the close of 1821, and through the first half of 1822, were not quite sufficient to have produced the fall of prices, and the apparent tendency to a further de-

pression as long as there was no security against a continuance of so overwhelming a supply; and whether there is any appearance of a want of funds, or of inclination on the part of buyers to speculate, if they could be satisfied of an inadequateness of the stock in this country? Indeed, since the tide of supply has somewhat abated, within the last three months, there is a decided improvement in the market. The same may be observed of oats. Barley, being decidedly short in quantity, has got up to a high price, relatively to wheat.

"The extreme low price of cattle has of late attracted so much attention, that I insert a statement of the numbers sold at Smithfield for the last four years:

	Neat Cattle.	Sheep and Lambs.
1819......	135,226......	949,900
1820......	132,933......	947,990
1821......	142,133......	1,107,230
1822......	143,830......	1,353,043

"The comparative increase has been equally great at Liverpool and Hull; and I am told that the supplies at the other markets in England have been no less superabundant. How, then, can there be any difficulty in accounting for the very low price of meat during the last twelve months? It may be said, that this excessive supply has arisen from distress, and that it cannot continue; this may be true; *but whatever be the cause*, the excess actually in the market must equally affect the price. There has been a trifling falling off in the quantity within these few weeks, and a little corresponding advance in the price." P. 191, 192, Part I. Thoughts and Details, &c.

In this statement, Mr. Tooke seems to me to have mistaken an effect for a cause. Throughout his whole work he wishes his readers to understand, that the extreme lowness of prices is owing to abundant crops; "without imputing any agency to the currency beyond the improvement of the paper as compared with gold." And this is admitted to be from five to ten per cent only.

If the argument I have stated be correct, regarding the effect of abundant crops, we must abandon the idea of abundance producing such general distress as existed in the four years in question; and we must account for that distress upon some other principle.

It has been already stated, that the diminution of the currency in 1819, 1820, and 1821, on the part of the Bank of England and country bankers, was as follows:

In 1819, by the Bank of England, and country bankers, compared with the circulation in 1818	15 per cent.
In 1820, by ditto	20
In 1821, by ditto	15
	—
	50 per cent.

It is an admitted principle, that the price of commodities will be in relation to the amount of the currency, and if the latter is diminished, prices will necessarily fall, and by their fall as necessarily cause a stagnation of purchases and sales during the contraction. Here we have a progressive diminution in the amount of the currency at the rate of about 17 per cent per annum, for three successive years. Yet we are asked to believe, that the fall in prices, as connected with the currency, has been no more than that of the market to the mint price of gold, or at the utmost 10 per cent.

It may be asked then, how do I account for the excessive supplies brought to market?—and my answer is, in the words of Mr. Tooke—"*that this excessive supply has arisen from distress.*" If we reflect for a moment on the situation of the agricultural community, we shall see that it could not be otherwise.

The farmer has certain fixed rates to pay—such as rent, tithes, taxes, and poor rates, &c. that will not immediately conform themselves to falling prices. He has a reluctance to sell in the face of a falling market, and there is a corresponding reluctance to buy. The quantity, therefore, brought to market is the precise amount of the consumption—a consumption narrowed considerably by the diminished power of purchasing in consequence of the contraction of the currency. The fall in prices, therefore, will be less in the first year than in the second, but greater in the third than in the second —and the reason is obvious—the farmer will endeavour to make good his money payments of rent, &c. in the first year, without forcing his produce on the market. Mr. Iveson was asked, "You have stated that the farmers in a great many instances have paid their rents from their capital?—Yes.

"What do you mean by capital?—I do not know that I can explain it better than by giving a sort of instance, that men have had 300*l.* or 400*l.* laid by, or have had it out at interest, or have bought it in the funds, or have had it lying in some country bank, and they have been obliged to call in a portion of that to make up half a year's rent."

The progressive declining prices, in consequence of the progressive contraction of the currency, would soon exhaust the spare capital of the farmer; and to maintain his money engagements, which remain unaltered, he must force sales of produce at the market price. This state of things will satisfactorily explain the apparent abundance of supplies brought to market—and account for the general distress of the agricultural interests in the years in question.

Mr. Tooke's table of the sales of cattle at Smithfield, which has been already inserted, will prove this fact. In 1819 and 1820, the quantity of cattle sold was nearly the same. But in 1821,

there were about 7 per cent more of neat cattle sold than in 1820, and of sheep and lambs about 15 per cent. In 1822, the neat cattle sold exceeded 1821, little more than 1 per cent, and in sheep and lambs not less than 22 per cent. Mr. J. M. Rodwell stated in his evidence before the Agricultural Committee, in 1821, in answer to the following questions: "Can you tell us, of your own knowledge, how rents in general are paid in your part of the country?—I am able to state, in many instances, that the rents are very backward. I am authorized to make use of a gentleman's name, who lives in my parish, Sir William Middleton, who permitted me to say, that many of his rents are unpaid to Michaelmas, 1819; some of those that have paid have requested to have the money lent to carry on their business.

"Do you know, of your own knowledge, several other instances of the same kind, that you are not authorized to mention the name?—Yes; I have the honour to be employed by several gentlemen; I have not asked their permission, but I know the rents to be unpaid to Michaelmas, 1819; and that *the stock upon their farms,* which they are by their leases compelled to keep, is very much diminished; in one instance, where the person is under engagement to keep ten score sheep, he has not thirty pounds' worth of stock upon his farm; in consequence of which, supposing corn to be of the same price it was seven years ago, I consider the land so much depreciated, that it would not let for any thing like the same sum of money that it did then; and I know of several farms of my own knowledge in the same state.

"Have you observed in the farm yards, in your part of the country, whether there are as many bullocks put up to fatten upon corn, and in good style, as there used to be?—I think I may venture to say, there is not a tenth part; within a few years, there was scarcely a farmer in the neighbourhood that had not his yard filled with beasts, fattening upon corn or oil cake; at the present time, it is very difficult to meet with such a thing." P. 83, 84.

Mr. Wakefield, p. 207 and 209, states the same fact: "I am inclined to think, that a great deal of rent the last year has been paid out of what may be termed their capital; either by means of borrowing, or prematurely selling their stock."

In answer to a question, if Mr. Wakefield had made any observation as to the quantity of stock, in his last circuit, he answered, "Yes, I have; and particularly made inquiries upon the subject; and I think the live stock of the country greatly diminished in numbers."

Here we have the evidence of intelligent men, first, as to the existence of distress; and, secondly, the consequence of it, viz. a premature selling of stock. This, I think, will satisfactorily account for the abundant supplies sent to market. In

1822, the currency became more stationary in its value, the distress became less pressing, and, according to Mr. Tooke, "There has been a trifling falling off in the quantity, and a little corresponding advance in the price." P. 192.

During the discussions in Parliament regarding agricultural distresses, and the state of the currency in 1821 and 1822, considerable stress was laid upon the great importations of grain from Ireland, stated as a cause for the low prices in the English market. Such importations were generally admitted as a proof of the excessive productiveness of that country. But it must be recollected, that, in 1820, there was a sudden and violent contraction of the currency of the sister kingdom, by the destruction of the greatest proportion of the private banks, followed by such a fall of prices as rendered exportation the only chance of obtaining money for agricultural produce. Mr. Nowlan was asked, in the committee on the depressed state of agriculture, in 1821, "Is there much grain in hand of the last crop of Ireland?—Indeed, I should infer not, from the great poverty of the farmers, and their anxiety to convert whatever they have into money. In this case, as in England, I would attribute the low price of Irish corn, and the consequent increased exportation, to the contraction of the currency."

The advocates, however, of the principle, that low price from abundant production was the cause of general distress (always excepting the effect on prices by the fall of gold to its Mint price), did not confine themselves to commodities, the production of our soil or manufactures, but inferred, from increased importations, that other countries were subject to the inconvenience of abundance. As this involves one of the most interesting problems connected with currency, it may be worth while to pay particular attention to it.

I think, it is a generally admitted principle, that if the currency of all countries was metallic, and trade perfectly free, there would be a corresponding steadiness of general prices; because each country, in spite of monopoly, and prohibitions against the exportation of the precious metals, would obtain its proper proportion in relation to its wants. All history agrees in this proposition. Now, let us suppose a case; and in the statement of the argument, I admit it to be an extreme one, that England is suddenly deprived of 25 per cent of her currency. Prices must necessarily fall 25 per cent. The power of purchasing is so much impaired; and as all fixed charges for a time remain unaltered, such as rent, taxes, tythes, &c. general distress must necessarily follow. Commodities, in relation to currency, would appear to be in *excess*. But the reluctance of individuals to submit to such a sacrifice of price, would in the first instance induce them to supply the market sparingly; but in the end, necessity

knows no law, and they must submit to circumstances, and bring their produce to market for whatever price they can obtain. A scale of prices may then appear perhaps so considerably under the actual contraction of the currency, as to induce the belief, that the excessive supplies arise from excessive production, and hence the cause of the apparent abundance.

In those countries where no diminution of the currency had taken place, prices for a short time will remain stationary, but for a short time only; for as soon as the high value of money in England is known, those countries will immediately export a portion of their currency to supply the deficiency of England; the import of foreign produce will be checked, the low prices of England holding out no inducement to send commodities to our market. English commodities may be exported, in return for bullion; but this will only add to the disproportion between commodities and currency in the foreign market, and rather depress than raise general prices. Until, therefore, the bullion value of the currency of all countries is restored to its level, there must be a cessation of the import of foreign commodities.

Let us apply this reasoning to the state of England in 1815 and 1816, when we were subjected to a contraction of our paper currency by the Bank of England and country bankers, of 23 per cent in these two years,—and to an extension of the currency by the Bank of England paper, and country paper in 1817 and 1818, of 23 per cent; and I think we shall have no difficulty in accounting for the excessive imports mentioned by Mr. Tooke, as the token of increased production. The check which had been given to importation, from the contraction of our currency in 1815 and 1816, became apparent in the imports of 1817 and 1818, but these imports do not in my opinion afford any proof of that "*indefinite abundance*," that Mr. Tooke supposed to exist. The abundance, I think, may be fairly traced to the stagnation in buying and selling, and the diminished consumption, that will necessarily attend so great an alteration in the circumstances of all classes, by so great a contraction of the circulating medium. It is the operation of this principle that renders the use of a paper currency so hazardous, not only to the country using it, but to all other countries with which it may be connected in commercial affairs. It would be very difficult to estimate the loss of wealth to the country during the years 1824 and 1825, from the mass of imported commodities sent to our markets for the high prices then existing.

CHAPTER VII.

An examination of the cause which leads to general speculation and over-trading, as connected with the amount of the currency.

In the preceding chapter I have endeavoured to show that general distress is not, and cannot be, the natural result of general abundance; that such a state of things can only be produced by a sudden and extensive contraction of the currency; and may occur under any state of the supply and demand of home or foreign produce.

I shall now proceed to state the cause, which appears to me fully and satisfactorily to explain the theory of general speculation, ending in what is usually denominated over-trading. It is impossible not to attach very great importance to this principle, as it involves the welfare and safety of the whole community.

This subject has been discussed at large by Mr. Tooke, in his work on high and low prices. As I differ in opinion with Mr. Tooke on this important subject, I shall quote, from his work, his opinions at large, before stating my own.

Mr. Tooke states, that, "in 1815, and the early part of 1816, the exports from this country had been made with great forbearance and prudence, because almost every class of merchants was at that time suffering from the effects of too great eagerness of adventure.* This forbearance was, of course, attended by a large profit on what had been sent; and the consequence of the favourable result of shipments on a small scale was, as usual on such occasions, not only that some of the regular houses extended their shipments, but that fresh adventurers embarked in them to a considerable extent.

"So many circumstances combining to the creation of private paper, and to the multiplying of transactions on credit, would, I am persuaded, have been felt in a general advance of prices in 1817, if there had been no increase whatever in the circulation of the Bank of England; and, in fact, corn had already reached a higher price in the first six months of 1817 than it has ever since been at; and several other articles had also risen by that time, although not yet in any considerable degree; all, however, indicating revived confidence, and an

* The undue speculations here mentioned, I think will be found in the very great extension of the Bank of England paper in 1813, and 1814, and the forbearance of export from the general derangement of commercial credit, the necessary result of the contraction of the currency, to the extent of 23 per cent, in the years 1815 and 1816, just mentioned. In all statements and reasoning on general prices, exports and imports, the increase and decrease of the currency must never be lost sight of. The state of the currency will, in all cases, regulate the temperature of commercial enterprize.

increase of transactions. Now, down to July, 1817, the increase of Bank of England notes was very inconsiderable, viz. about 700,000*l.* above the average of 1816, but still a million below the average of the corresponding six months of 1814; and there was no issue of gold worth mentioning during the first six months of 1817.* Will any person, then,

* Mr. Tooke may be correct in his statement, that the increase on the half-year's average of 1817, of the issues of the Bank did not exceed 700,000*l.*; but if we compare the notes in circulation, in November, 1816, with February, 1817, we shall find a very different result. On the 30th November, 1816, the average notes in circulation amounted to £25,593,120

On the 22d of February, 1817........	27,236,220
Showing an increase in three months of	1,643,100
If we compare the month of May, 1817, with November, 1816, the increase will be ..	1,576,320
If we compare the notes in circulation on the 22d February, 1817, with those in circulation on the 30th August, 1817, a period of six months, the increase will be found to be	2,217,550
And, if we compare May 31st with the 30th August, a period of three months, the increase will be found to be	2,374,330†

By the first statement it appears that the addition to the currency was more than double what Mr. Tooke supposed it to be; and in the last it is three times as much. From November, 1816, to February, 1817, a period of three months, the increase exceeded a million and a half; and therefore the rise of prices

† See an account of the amount of Bank of England notes in circulation in the last week in February, May, August, and

continue to maintain that the rise of prices, down to the end of June, 1817, (wheat, and several other

in the first six months did not precede the addition to the currency, but followed, as it ought to do, that addition.

I am certainly not one of those that would admit that an addition to the currency of 700,000*l.*, or 2,374,300*l.*, would raise prices 100 per cent; nor do I think, bad as the harvest of 1816 was, that it was deficient to an extent to raise prices 100 per cent. Mr. Hodgson, in his evidence, p. 264, before the Select Committee on Agriculture, in 1821, stated that "the crop of 1815, according to the method explained, gave a result of 37 Winchester bushels per acre; 1816, gave $25\frac{3}{10}$; 1817, gave $33\frac{4}{10}$, and 1818 gave $32\frac{6}{10}$; 1819 (called one of the years of over-production), $27\frac{7}{10}$; 1820, $37\frac{3}{10}$; this is the quantity reduced to Winchester bushels, at 60lb. a bushel." From this estimate, Mr. H. admits, that about one-sixth ought to be deducted for loss by hedges, ditches, harvesting, &c. &c. Now, according to this statement, the harvest of 1816 was deficient, compared with 1815, about 32 per cent only; and before the first six months of 1817, the price of wheat rises 68 per cent beyond the reputed deficiency of the crop. What I contend for is, that wheat would not have obtained this high and unwarrantable speculative price, but for the addition to the currency, not of 700,000*l.*, but of upwards of 2,000,000*l.*, before the harvest of 1817 was off the ground: that the speculations in wheat, and general produce, had their origin in, and were promoted by, the abundance of the currency, and gave rise to that creation of private paper and credit that would not, and I think could not, have existed independently of the

November, in each of the years from 1790 to 1819, both inclusive, page 320, Appendix to the Lords' Committee of Secresy, in 1819.

"N. B. These days have been selected by the committee as remote from the quarterly periods at which the dividends are paid."

descriptions of agricultural produce having at that time advanced above a hundred per cent,) corresponded with the addition made within the same period to the circulation of the Bank of England, the rise of prices, moreover, having preceded even this addition? There is no doubt, however, that this addition, small as it was, proved to be excessive, because it coincided with circumstances calculated to enlarge the circulation of private paper; and the exchanges, accordingly, as early as the first six months of 1817, manifested a tendency downwards, and the price of gold upwards; and if the Bank Directors had not, unfortunately, upon system, disregarded, in the regulation of their issues, the indication by which their predecessors, previous to 1797, professed to be guided, they would have been warned to contract, instead of enlarging, their issues. But if the increase of about 700,000*l.* Bank notes in the first six months of 1817 was excessive, under the circumstances described, what is to be said for the prudence, or propriety of the further increase which took place to the extent of near two millions on the average

increase of the currency. The further extension of the currency is in a manner forced upon the Bank Directors, by the presenting of bills for discount during the progress of the speculative rise in prices. The first merchants are embarked; and there is a reluctance, for a considerable time, to give any check to the creation of private paper, by refusing discounts at the Bank.

of the following six months, when all the circumstances tending to make the former amount excessive were in full operation? when, by a simultaneous issue of gold, the circulation was still further, although for a moment only, enlarged? Such an enlargement of the basis of the currency, co-operating with the causes favouring the extension of country bank notes, and private paper generally, tended certainly to accelerate the rise of prices of such articles as were in a relative degree of scarcity, and to promote the spirit of speculation and over-trading. Several articles that had been the objects of speculation reached their utmost elevation by the close of 1817: some others being still scarce, or supposed to be so relatively to an increased consumption, continued to advance till August and September, 1818. There was accordingly, down to that period, a considerable briskness of circulation, and a frequency of transactions on credit; and, in general, the spirit of speculation having been so fully excited, did not immediately subside with the cessation of the original impulse; that spirit had likewise been kept alive, with reference to agricultural produce, by the extraordinary character of the weather in the summer of 1818. It must be within the recollection of most of my readers that a drought of four months prevailed from May to September, and apprehensions were, in consequence, entertained of stunted crops of every kind. Hay got up to 8*l.* per

load; beans, turnips, and potatoes, were supposed to have totally failed; large orders were sent, and ships chartered, to fetch beans from the Mediterranean; oil cakes were in such demand, that linseed advanced considerably, and the crops of corn, though healthy, were expected to yield below an average produce.

It was on the ground of these anticipations of scarcity, that British corn was bought freely on speculation, and that many farmers were induced to hold back their stocks; many persons, likewise, importers as well as dealers and farmers, reasoned erroneously on the operation of the corn laws, and supposed that, when once the ports were shut, having the monopoly of the home market, they would be secure of obtaining, at worst, within a trifle of the opening prices. Hence the price was prevented from falling sufficiently to shut the ports till the February following, and there was a large importation of corn from the Baltic in 1818.

But the result of the harvest disappointed these anticipations; the drought had not extended to Ireland, nor to Scotland, nor indeed much to the north of the Trent in England; and even in those parts where the drought had prevailed, the quality and condition of the corn were generally good enough to compensate, in some measure, for the shortness of the straw; the autumn, too, turned out singularly genial for the recovery of the pastures, and was followed by a mild open winter.

I have been thus particular in a description of the season of 1818 (which in strictness would come more properly into a subsequent part of this work), because the extent and variety of miscalculations upon particular descriptions of produce were greater than I have ever known: and the effect of those miscalculations on prices was very considerable while they lasted. All these circumstances, both as affecting agricultural produce, and other commodities, were calculated to keep up, if not to extend, the amount of private paper, and of transactions on credit, till an advanced period in 1818. By the autumn, however, all speculations on a scarcity for that season had ceased, and prices assumed slowly that tendency downwards which, with a few intermediate abortive speculations upon the precariousness of subsequent seasons, has continued till within these few weeks. At the same time, with the cessation of apprehensions of scarcity of our own agricultural produce, there was a general increase in the stock of imported commodities; the rise of price of a large proportion of them had taken place in the year before, and sufficient time had therefore elapsed to admit of the encouragement thus held out, being followed by a greatly enlarged importation in the autumn of 1818. And while European, American, and West Indian produce (coffee excepted) were thus coming forward in abundance, unusually large supplies of cotton and sugar were poured in from the East

Indies. It is material to bear in mind that, by the concurrence of all these causes, a general abundance was restored by the autumn of 1818; and, what was perhaps of fully as much influence on the eventual course of prices, it was discovered that many of the sources of supply could furnish a much larger quantity, upon the slightest additional encouragement. There was, therefore, not only the full weight of actual abundance on the markets, but there was the further depressing effect of contingent and almost indefinite abundance. The death-blow, accordingly, was given to the range of high prices as early as between July and October, 1818; and I have dwelt the more at large upon the circumstances leading to this point, because, in as far as the restoration of abundance was an adequate cause for a fall of prices to the full extent to which they were eventually depressed, it negatives the assumption of a connexion between that fall of prices and the prospect of the near termination of the Bank restriction. That prospect was certainly no ingredient in the fall of any of the commodities that I was practically concerned in at that time; nor is it probable that it should have been: for, with the exception of a few individuals, advocates of the paper system, who, it afterwards appeared, had some private interviews with Ministers to deprecate the resumption of cash payments, the public generally, or at least the mercantile public, seemed to attach little importance to the subject.

I am alluding to the autumn of 1818; the case was different in the spring of 1819. The fall of prices having then become manifest; the tocsin of alarm, which was sounded by the advocates of the paper system, brought forward in support of it all those who were suffering or expected to suffer from that fall, and who were ready in perfect good faith to attribute to an alteration in the currency what was the consequence of their own miscalculations of probable supplies. In truth, what need of resorting to the supposed agency of an occult and disputed cause, when there existed one plain, palpable, and irresistible, as relating to the commodities which experienced soon after that time the most decided fall, viz. a great and overwhelming increase of quantity. Take the following among several other instances:

IMPORTS INTO GREAT BRITAIN.

	Silk.	Wool.	Cotton.
1816	lb. 1,137,922	lb. 8,117,864	bales 370,000
1817	— 1,177,693	— 14,715,843	—— 477,160
1818	— 2,101,618	— 26,405,486	—— 665,300

	Hemp.	Tallow.	Linseed.
1816	tons 18,473	tons 20,855	qrs. 70,892
1817	— 22,863	— 19,193	— 162,759
1818	— 33,020	— 27,011	— 237,141

Now can any body, acquainted with the course of markets, hesitate for a moment to pronounce what must be the effect of such an excess of supply?

and indeed what can be more legitimate or simple than the inference, that if the scantiness of the supply in 1816 and 1817 was a sufficient ground for a considerable advance, the restoration of abundance would fully account for the fall? It is well known, however, that the resistance to a change, whether from a low to a high, or from a high to a low range of prices, is at first very considerable, and that there is generally a pause of greater or less duration before the turn becomes manifest: in the interval, while sales are difficult or impracticable, unless at a difference in price, which the buyer, in the one case, and the seller, in the other, are not yet prepared to submit to, the quotations are regulated by the last transactions, but are said to be, and are in fact, nominal. A struggle of this kind prevailed more or less, according as the articles were in greater or less abundance, through the autumn, and into the winter of 1818—1819, when many articles which had become unsaleable from excess were still quoted at nearly as high prices as they had attained in 1818.* I mention

* As it was not until the spring of 1819 that the contraction of the currency was really felt, prices, from the first feeling of difficulty in obtaining money accommodations, would remain nominal, when fully felt by the public, they would fall, and Mr. Tooke says they did fall in the spring of 1819. It is necessary here again to refer to the actual state of the issues of the Bank. From the account just quoted, we find that

this, in order to point out the disingenuousness or ignorance which has induced some of the opponents

the amount of notes of the Bank of England in circulation in 1818 was as follows:

			Decrease.
February 28, 1818	£27,770,970		
May 30, 1818	26,745,010	......	1,025,960
August 29, 1818......	26,450,610	......	294,400
November 28, 1818....	26,250,220	......	170,390
February 27, 1819	25,126,690	......	1,153,530
Being a reduction in twelve months, of			2,644,280

Now the effect of this contraction of the issues of the Bank was in some degree counteracted by the large issues of gold made by the Bank in 1818, in payment of notes dated previous to the 1st January, 1817. But from the state of the foreign exchanges, the coin could not add much to the excess of the circulation, there being a considerable profit on its exportation, so that towards the end of 1818 and beginning of 1819, there appears to have been a reduction of a million and a quarter of the issues of the Bank, and co-existent with this contraction we had a general fall of prices, both of home and imported commodities. Mr. Tooke says, that the fall in prices arose from abundance; in my view of the case, the fall was consequent on the contraction of the currency, and the interruption of buying and selling attending it, and the abundance was merely *relative* to the diminutive amount of currency. If upon a contraction of the currency of 40 or 50 per cent, individuals, sellers, would immediately submit to the reduction in price, consumption would be in the ratio of supply and demand, and not appear excessive. But we know that this is not the case; and the reluctance of the holders of commodities to take the diminished price, from the diminished currency, checks

of Mr. Peel's bill to bring forward price currents of February, 1819 (being the time when the Committees of Inquiry into the state of the currency were appointed), for the purpose of contrasting the quotations of that date with those of the present time.* But leaving such reasonings and such proofs to the fate they deserve, I have to remark, that the process by which private paper and transactions on credit are diminished, came once more into operation at the close of 1818 and beginning of 1819. The most extensive failures commenced in the cotton trade, being that in which the excess was first and most decidedly felt, and which was on the largest scale in point of amount. Importers,

the transfer of produce from the producers to the consumers; and with accompanying diminished consumption, during this struggle, we have the appearance of general abundance. If the scarcity of the currency is prolonged, the appearance of general abundance will accompany it. The facts adduced by Mr. Tooke will really confirm this view of the case; as a rise in prices took place towards the end of 1822, either low prices had increased consumption and diminished the appearance of abundance, or the currency had attained its bullion value, and the rise in prices reduced the supply and demand to *their* proper proportion.

* I cannot conceive a more legitimate use of facts, than to contrast the prices of February, 1819, before the operation of Mr. Peel's bill, with prices in 1821 or 1822, when its effects are fully evident. It was not Mr. Peel's bill, abstractedly speaking, that produced the low and ruinous range of prices; it was the mismanagement of those who had to carry it into effect.

speculators, and manufacturers, were successively ruined by having embarked too largely, upon the anticipation of the maintenance of the former high range of prices. Similar disasters followed in several other branches of trade; and these reverses, and the consequent distress, were not confined to this country; indeed it may be of importance to observe, that extensive failures at Paris, Amsterdam, and Hamburgh, and other places on the continent, in several instances, preceded the disasters which were felt here. The fall in agricultural produce was more slow than in 1815 and 1816, as it was from a lower range, and consequently the failure in country banks were not so sudden and extensive, nor the contraction of their notes so immediate; but still the tendency to a diminution of their issues must have been felt early in 1819.* At the same time that there was so decided a reduction of private paper and credit going forward, as the consequence of renewed abundance of native and imported articles, there were considerable failures connected with a recoil from overtrading in shipments to the East and West Indies, and to the United States. This

* In 1815 and 1816 the destruction of the country paper amounted, as already stated, to about 37 per cent. In 1819, 1820, and 1821, it amounted to 75 per cent, and in 1819 and 1820 to 47 per cent, so that in both cases the effects were precisely similar, and in my opinion arising from the same cause, viz. a sudden contraction in the amount of the circulating medium.

re-action was naturally felt in all the branches of manufacture connected with the articles which had been the objects of speculative import. And here again was a very adequate cause for a great reduction of paper, and of transactions on credit.

"There was, thus, a combination of all the circumstances requisite to diminish that part of the circulating medium which does not consist of Bank of England notes and coin;" (Why this exception? For the diminution of credit can only mean, the want of power to get bills discounted, which is equivalent to a reduction in the amount of coin, or of Bank notes;) "and to increase the functions of the remaining part by the diminished occurrence of purchases and sales on credit, without the intervention of paper. And the fact corresponds with what, from previous reasonings, it ought to be; for there is no doubt of a very great reduction having taken place since 1818, in the aggregate of private paper, and transactions on credit. The continuance of the same circumstances, viz. the abundance of supply, precluding any exercise to the spirit of speculation, and the absence of any new inducement for overtrading on an extensive scale,* fully account for the confinement of

* Mr. Tooke has a theory as to the cause of speculation and overtrading, that does not seem to me to be correct. He says, "the circumstances which give rise to a spirit of speculation and overtrading are scarcity, or, in other words, deficiency of the supply of some important articles compared with the

credit to the accustomed channels of trade; credit

average consumption, and the opening of new and extensive markets, or, in general, of any new sources of demand."

Mr. Tooke further adds, "that agricultural produce, which forms by far the largest portion, as well as the most valuable class of commodities, and which, as it includes the subsistence of the labourer, and supplies the raw materials of some manufactures, affects the value of many other commodities, is that of which any casual scarcity most powerfully contributes to a temporary increase of the circulation of private paper." P. 87 and 88. Let us examine this argument in relation to a defective harvest, and see if it will bear out Mr. Tooke's theory; and that we may more clearly state the case, let it be supposed that the state of society is that of barter. A defective harvest would alter the relative value of corn to hats, coats, &c. &c. If before the defective harvest, a quarter of wheat exchanged for three hats, or three coats; the value of wheat to hats and coats would be as 1 to 3. A deficient harvest ensues; and the quarter of wheat will command four coats or four hats, because it is the wheat alone that has altered in quantity; and it is that alteration in quantity with the same extent of disposition to consumption, that enables the holder of wheat to get four hats or four coats in exchange.

This state of things is essentially necessary for the distribution of the diminished quantity of corn among the same extent of population. Wheat, therefore, being in scarcity, rises in value compared with other things; but this circumstance alone will operate to prevent either the hatter or the tailor investing their stock of hats and coats on speculation in wheat. The object of both is subsistence, and at as small a sacrifice as possible.

There, therefore, could be no motive for speculation in corn, from a defective harvest, beyond that necessary for its distribution according to its altered quantity, in a state of society where barter was the medium of exchange. The circumstances

in those channels being necessary for the proper

of the case will not be altered, if we admit of the introduction of coined money into society. The quantity of coined money that a country possesses, or can possibly possess, must depend on the same circumstances, according to which it possesses any other commodity—the rate of profit on its production. From the small bulk and great value of the precious metals, their distribution is rapidly effected, and their value in all countries as nearly as possible on a level, and accurately proportioned to the wants of the community. A defective harvest occurring under such circumstances would cause a rise in the money price of wheat. If the proportion of money and wheat was as three sovereigns for the quarter, three coats or three hats for the quarter, or for three sovereigns, we would say that wheat was to sovereigns as 1 to 3; to coats and hats as 1 to 3. Now, suppose a defective harvest alters the proportion of wheat to money, so that the quarter of wheat commands four sovereigns; the quarter of wheat will also command four coats or four hats. There is no difference, therefore, in the situation of the possessors of money, hats, and coats; they are all equally incapacitated from speculating in wheat, because each has to pay 25 per cent more of his money or his commodities for subsistence.

If we admit a free trade in corn, a defective harvest would, by lowering the value of our money in relation to corn, cause its exportation. Two effects would follow; the exportation of the coin would prevent the same extent of rise in the price of corn, as if the money had staid at home; and importations in return for the coin exported would also check the rise in prices. But the possessor of coats and hats is in the identical situation of the holder of money. There is a diminished demand for coats and hats, as well as money, from the high price of food, and the coats and hats may be exported as well as the money. But as all classes of the community are in the same situation, there is no motive, or even means, for speculation and overtrading.

If we advance one step further in the argument, and supdistribution of commodities from the producers

pose that paper money, convertible into coin on demand, is introduced into the community; and that the power of convertibility is so strict a check upon the issuers of paper, that the coin and the paper, at any one time, would never be greater in amount than if the whole currency were metallic,—a defective harvest, occurring under such circumstances, would not have any other effect than when the currency was entirely metallic. The possessors of capital, or commodities, and currency, would be in precisely the same relative situation. There is not only an absence of the motives of speculation and overtrading, but there is positively less power to do either, from the high relative price of corn, which is equivalent to a diminished power of accumulating capital.

The case, however, will be materially altered, if we admit into the community a class of persons possessed of the power of adding to the capital of the whole community, without that capital being the result of a capital previously employed in production; such as paper money, and the extended and extending credit that accompanies it. It is unnecessary here to enter into the question of what portions of currency and credit form capital. Every man must feel, from the facility of obtaining credit, from an enlargement of the currency, how much his powers of speculating are increased. The rise of prices that accompany an undue increase to the amount of the currency must be general; and it is the operation of this principle that makes the speculations of Lancashire and Glasgow keep pace with those in London. For example, when, in 1824, the Bank of England increased the London circulation 8 per cent above 1823, the circulations of Lancashire and Glasgow would immediately follow, for the high prices of London would induce the manufacturers of Glasgow and Lancashire to send their goods there; and drawing for the amount, the very discounting of the bills gives that increase to the currency that will immediately bring it to the level of London. It is this

and importers to the consumers. † In this state of

increase to the currency that generates speculation and overtrading; and from the principle explained, that overtrading must become general, it can never be local, or confined to one class or portion of the community. It does not take place because commodities are scarce, but because money is abundant, and increased in an undue proportion by other than the means by which commodities are produced.

If this reasoning be correct, it negatives the idea that general speculation and overtrading are a necessary consequence of scarcity; and leads to the opposite conclusion, that abundance, rather than scarcity, supposing the amount of currency the same, is the time when speculations, from the investments of real capital, will be made; that is, when the prices of commodities are so low as to be near the cost of their production. Now this is precisely the state of the money market, or of the holders of money, who, when their commodity is abundant, begin to speculate on the means of lending it. There can be no real difference between the producer of money, and the producer of corn. If money were scarce, it will be admitted that there would be no speculation and overtrading in money; and why should there be speculation and overtrading in corn—an essential of life, because it is dear, when subsistence can only be obtained by the sacrifice of those means that may purchase other enjoyments, or go towards accumulation. That a scarcity of corn should raise its price, is not only natural, but it is necessary for the distribution of the article in proportion to the wants of the community, so that it may be eked out for the support of the population. Individuals will invest capital in such a speculation, and they may be fortunate; others may exceed the bounds of prudence, and be ruined; but here, as in every other case, the *degree* or extent of the speculation will depend on the facility and extent of credit that can be obtained; if so, the principle of speculation, ending in general overtrading, has its origin in the state of the currency, and might things, there is less competition of borrowers, and consequently a reduction of the rate of interest;

be produced at any time, and in any state of the supply and demand for commodities. In confirmation of this opinion, I have only to refer the reader to the state of the currency in 1820, 1821, and 1822, when there was no speculation that attracted public attention; when the bullion value of the currency was so high as not to generate that spirit; and to 1824 and 1825, when we had an addition to the currency that gave such a fearful latitude to the energy of speculation and over-trading.

† This principle, as expounded by Mr. Tooke, seems to me to be inconsistent with fact and with sound reasoning. If general or universal abundance could ever suddenly (that is in one or two years, to give Mr. Tooke the whole advantage of his argument) be produced, disconnected with, and independent of, the amount of currency, why should it affect public credit, or lead to a destruction of the amount of paper and credit arising from such abundance? If the abundance was the production of previously employed capital—the currency remaining the same, prices would certainly fall; but the whole extent of the evil would be a reduction in the rate of profit upon the capital so employed. To suppose, therefore, that abundance should cause a reduction of paper and transactions on credit, is supposing that capitalists, carried on production until they made a sacrifice of all profit, and of capitals to that extent, that was really injurious to their public credit. But it is not only unnatural to suppose such a state of things, but it is at variance with all experience and principle to suppose its existence to be general. The extent of the speculations in question, therefore, must have depended upon the extent of credit to be obtained from an increase of the circulating medium; and its destruction, upon the diminution of such accommodations, by the reduction in the amount of the currency.

the reduced rate of interest again tending to diminish the cost of production, and thus being a fresh element of cheapness. It is perfectly clear, therefore, that by the conjoint operation of these causes, the restoration of the value of the currency was inevitable, unless, indeed, which was hardly probable, an overwhelming and unprecedented increase in its issues were purposely resorted to by the Bank of England. To prove that these causes were amply sufficient to occasion a restoration of the value of the circulation, without any contraction of the basis of the currency, it is only necessary to refer to the declaration of the Governor of the Bank, who stated, in a Court of Proprietors, on the 21st of March, 1822, that "if the Bank had erred, it was not on the side of a reduction of the circulating medium; for, upon looking at the amount of their issues, he found that on the 9th of March, 1822, their issues exceeded, by the sum of 3,859,000*l.*, those of the same date in the preceding year (9th of March, 1821), and that the latter exceeded the issues of the 9th of March, 1820, by the sum of 3,440,000*l.* It was, therefore, quite clear, that the repayment of the government debt, called for in July, 1819, did not induce the Bank to diminish their issues; for they had been increasing them in the years which had since followed."

In answer to a question from a proprietor, the Governor added, "that the account of issues from which he had quoted, of course included the sovereigns issued by the Bank." *

* I have found it impossible to reconcile the statement made by the Governor of the Bank in March, 1822, with any documents presented by the Bank to Parliament; and the following statement exhibits a very different result:

The average amount of Bank of England notes in March, 1820, by Parliamentary Paper, No. 21, was 22,646,487*l.*, of which there were notes under 5*l.* amounting to	£ 6,597,970
The average in 1821, by Parliamentary Paper, No. 672, was 23,436,015*l.*, of which there were notes under 5*l.* of	6,549,755

So that the increase in 1821 above 1820, is only 789,528*l.*, in place of 3,440,000*l.*, as stated by the Governor of the Bank. Now it was not until May, 1821, that the Bank had the *option* of issuing gold; so that we may presume, by March, 1821, she had not added the difference between 789,528*l.* and 3,440,000*l.* to the circulation in sovereigns.

In 1822, according to Parliamentary Paper, No. 319, the average circulation of the Bank in March was 17,778,287*l.*, of which were notes under 5*l.*	1,300,370
Making a reduction of 1*l.* and 2*l.* notes from 1821, of	5,249,385
Which if added to the	17,778,257
Will make the aggregate of notes and coin, the latter being a substitute for the notes of 1*l.* and 2*l.* of	23,027,642
Which is less than the amount of 1821, by	408,443
Though greater than in 1820, by	381,085

And an ex-Bank Director has made a declaration to a similar effect in print: "With regard

By this analysis of the issues of the Bank from the returns made to Parliament, there does not seem ground for supposing that there had been an increase of issues, comparing the 9th March, 1821, with the 9th March, 1820, of a sum of 3,440,000*l.*; for previous to May, 1821, the Bank had not even the *option* to issue coin, until authorized by the bill passed in the session of 1821, to give her the option of issuing coin, instead of 1822, as fixed by Mr. Peel's bill.

With regard to the comparison between the 9th March, 1822, and the 9th March, 1821, of an increase of 3,859,000*l.* it may be correct, by supposing, that the Bank had made issues of coin beyond the amount of 1*l.* and 2*l.* notes.

The amount of 1*l.* and 2*l.* notes in circulation in March 1820, was	£ 6,597,970
In March, 1822	670,632
Withdrawn	5,927,338
Add the circulation 9th March, 1822	17,778,287
	23,705,625
Deduct the issues of 1821	23,436,015
	269,610
Add issues of coin to make up the excess stated by the Governor in 1822, over 1821	3,589,390
	£ 3,859,000

It would have been highly satisfactory had the Governor quoted from documents to which the public have access; an error on a matter of such importance should, if possible, be avoided, as conclusions have been drawn from it that otherwise would not.

to the effect of Mr. Peel's bill on the Bank of England, I can state, from having been in the direction during the last two years, that it has been altogether a dead letter. It has neither accelerated nor retarded the return to cash payments, except as, by ordering the repayment of ten millions of Exchequer bills to the Bank, it enabled it to expend those ten millions in the purchase of bullion without in any way curtailing its other advances. The Directors of the Bank of England, as plain practical men, without turning to the right hand or to the left, as converts to the new doctrines promulgated by the Bullion Committee, and by so doing have already thrown into general circulation, within the last twelve months, more than eight millions of sovereigns, without having diminished, except in the most trifling degree, the usual average of its notes of five pounds and upwards."

"According to these statements, then, the effect of Mr. Peel's bill on the conduct of the Bank was altogether a dead letter; and I firmly believe it to have been so. So strong, indeed, was the tendency of the causes which I have enumerated to improve the value of the currency, the amount of the basis of it remaining the same, that it would have required a great effort on the part of the Bank, avowedly, and of settled purpose, to put itself out of condition to fulfil its engagements. Supposing the Bank Directors to have been capable of entertaining such a design, which I do not believe, they would hardly have taken the responsibility upon themselves of carrying it into effect without the sanction of the legislature. Not only therefore was Mr. Peel's bill in my opinion wholly inoperative to occasion, or even hasten, the restoration of the value of Bank paper, but it would have required, in order to prevent that restoration, a solemn Act of Parliament for the purpose of debasing the standard." P. 154 to 168.

In the quotation that I have thus made from Mr. Tooke's work, will be found the theory of his principles upon high and low prices, from 1815 to 1823, from which I differ. In 1815 and 1816, as has been already stated, there was a contraction of the general currency of the country, by the Bank of England and country bankers, to the extent of about 18 per cent. The effect on prices, as a consequence, is generally admitted, and may account for that forbearance and prudence in the export of commodities, that Mr. Tooke mentions in the first paragraph I have quoted. There had been great individual losses from the effect on prices; and it is very probable, that whatever exports were made by merchants of capital, from the low price of commodities, was done on very advantageous terms, and may have tempted others to engage in the same speculations; the natural effect of such exportations would unquestionably be to raise prices; but this effect again would be to check exports, and consequently to stop that "creation of private paper, and the multiplying of transactions on credit," that, Mr. Tooke, in the second paragraph, states, would "have been felt in a general advance of prices in 1817, if there had been no increase whatever in the circulation of the Bank of England."

It is of great importance to observe, that the first rise of prices in 1817 (agricultural produce excepted, a part of the rise in which may be accounted for by the defective harvest of 1816) was co-existent with an increase of the general currency of the Bank of England and country bankers to the extent of 13 per cent, besides the gold issued in this year by the Bank of England;* we cannot accurately state the extent of the issues of gold; but it is probable that, with the gold, and the extension of paper, the currency was augmented above that of 1816 about 20 per cent. That a "creation of private paper, and the multiplying of transactions on credit," would follow, not precede, as I think Mr. Tooke erroneously supposes, this addition to the currency, I think, cannot be doubted.

* The Bank coined of gold in 1817 and 1818, 7,137,711*l.* (See account, p. 321, Appendix to the Report of Secrecy, House of Commons, 1819.) The greater proportion of which must have been issued in this and the following years; for the first Report of the Committee of Secrecy, in 1819, recommended the expediency of passing a bill, restraining "all payment in gold coin until the Report shall have been received."

I am of opinion, that if the currency in 1817 had been maintained on the same level as in 1816, we should have had no such augmentation in general prices as Mr. Tooke supposes (excepting agricultural produce from the deficient harvest of 1816) would have taken place, even "if there had been no increase whatever in the circulation of the Bank of England." General prices cannot rise, unless the medium in which commodities are valued is altered; here we have an increase to the currency of about 20 per cent, and prices rise accordingly. The facility of obtaining credit, under such circumstances, gives rise to speculations; as they proceed, the demand for currency is daily augmented, and prices may for a time, from speculation, very considerably exceed the actual increase of money.

Mr. Tooke admits, that the increase to the currency in the first six months of 1817, which I have already proved to have been much greater than he supposed, was excessive; and censures the imprudence of the Bank for a further extension of two millions in the last six months of the year. "Such an enlargement of the basis of the currency," Mr. Tooke observes, "co-operating with the causes favouring the extension of country bank notes, and private paper generally, *tended certainly to accelerate the rise of prices* of such articles as were in a relative degree of scarcity, and to promote the spirit of speculation and over-trading."

It appears to me, that Mr. Tooke, in his conclusion, has mistaken an effect for a cause. The rise of prices, according to Mr. Tooke, in the beginning of 1817, was the *effect* of speculations. In my view of the case, it was the increase of the currency that was the *cause*, and speculations followed as an *effect* arising from that cause.

If the currency of the country had been entirely gold, when no rapid increase could be made to its amount, general prices would have remained stationary (excepting agricultural produce, from the bad harvest of 1816); there would have been no undue motives for speculation; but add 5, 10, or 20 per cent to the currency, and we shall at once call into action all the motives for speculation that attend rising prices.

In 1818 we had a further increase to the amount of the currency of about 20 per cent, and prices maintained their high range. To this continued and progressive increase to the currency, I attribute the whole of that spirit of speculation which Mr. Tooke mentions, which, "having been so fully excited, did not immediately subside with the cessation of the original impulse." To Mr. Tooke's reasoning on the state of the harvest in 1818, I do not attach much importance; as any speculation in agricultural produce must, sooner or later, yield to the general

principles of a sound currency; in the present case prices did not so yield, until there was a very considerable contraction of the currency, and then prices and speculation found their level in the country. It is of the greatest importance to observe the coincidence between the contraction of the currency, the fall of prices, and the termination to the spirit of speculation; they are in constant and uniform keeping with each other.

In 1819 the average issues of the Bank of England were reduced, comparing the first with the last month about 16 per cent, and the circulation of the country notes 15 per cent, making the general contraction about 15 per cent. Now, let any one for a moment imagine, what would be the state of a country that lost nearly one-seventh of its currency in twelve months! There could no surprise exist that prices fell; no one would think of tracing the low prices to abundance; more particularly, as in 1817 agricultural prices rose, from scarcity, above 100 per cent. Yet this is the doctrine which Mr. Tooke maintains. I think, if Mr. Tooke had been aware that so great a contraction of the currency had taken place, he would have modified his statement in page 160.

With regard to the abundance of commodities in the market in 1819, I think it possible to give a reasonable explanation of it. The imports of silk, wool, cotton, hemp, tallow, and linseed, in 1816, 1817, and 1818, nearly doubled their amount in 1818, compared with 1816. Now, in 1815 and 1816 the great contraction of our currency, and the general derangement of commercial transactions arising therefrom, would necessarily check the importation of these articles from the low prices in our market; but when the currency was augmented in 1817 and in 1818, and prices rose, foreign countries would avail themselves of these prices, and throw their whole accumulated stock upon the market. But if our currency had remained in 1819 as in 1818, I do not see that prices would have fallen to the extent they did from that abundance alone. It is one of the evils attending an extended paper currency, even though payable in gold on demand, that its contraction may, from peculiar circumstances, be very sudden, and attended with a complete derangement of the common transaction of buying and selling; this derangement is not only internal, but must likewise affect all external, or foreign commerce. No man likes to buy while prices are falling; and for the same reason, no man can sell. Mr. Tooke has very accurately described the sort of resistance to a change, whether from a low to high, or from high to low prices, and the difficulty or impracticability of effecting sales, unless at a difference in price, which the buyer in the one case, and the seller in the other, are not yet prepared to submit to. During this struggle, all articles, excepting those for immediate consumption, are nearly unsaleable: that is, during a progressive contraction

of the currency, and a consequent augmentation in its value, the power of exchanging commodities for currency, as well as the disposition, from falling prices, is diminished; and with these causes operating, a diminished consumption ensues, and suddenly there appears a *relative* abundance of commodities, in *relation* to *currency*. Now, in the latter end of 1815 and 1816, these causes were operating. But in 1817 and 1818, we had a very decided increase to the amount of our currency, and a consequent rise in prices. Internal commerce was revived, and, with it, foreign commerce, from the rise in prices, was prodigiously increased; and it could be increased, from the stock remaining on hand, from the fall of prices, the diminished consumption, and the reluctance to submit to the sacrifice, in the preceding years of 1815 and 1816.

In 1819 we have another state of things. Mr. Tooke observes, "that the process by which private paper and transactions on credit are diminished, came once more into operation. At the close of 1818 and beginning of 1819;* the most extensive failures commenced in the cotton trade, being

* The process by which transactions on credit are diminished—that is, the power of obtaining money by the discount of bills, can only mean the refusal of the possessors of money to discount bills; so that the process of reduction resolves itself into a question of currency entirely; it is the want of power to obtain money, that checks the creation of private paper, because, accompanying the diminution of money, there is a

that in which the excess was first most decidedly felt, and which was on the largest scale in point of amount.* Importers, speculators, and manufac-

corresponding check given to the transfer of commodities, prices fall, and the creation of private paper ceases.

* As I conceive it of the greatest importance to attend most accurately to facts, in any matter relating to prices and currency, I think it proper to notice, from Mr. Tooke's table, the imports in 1816, 1817, and 1818, the proportion of the imports in 1816, compared with 1817 and 1818, p. 162.

Imports.

1816, Silk..........	lb.	1,137,922		Per Cent.
1817, Ditto........	lb.	1,177,693	Increase	$3\frac{1}{2}$
1816, Wool........	lb.	8,117,864		
1817, Ditto........	lb.	14,715,843	Increase	$81\frac{2}{10}$
1816, Cotton......	bales	370,000		
1817, Ditto	bales	477,160	Increase	$28\frac{9}{10}$
1816, Hemp	tons	18,473		
1817, Ditto	tons	22,863	Increase	$23\frac{7}{10}$
1816, Tallow	tons	20,835		
1817, Ditto	tons	19,193	Decrease	7·88
1816, Linseed......	qrs.	70,892		
1817, Ditto........	qrs.	162,759	Increase	$129\frac{1}{2}$
1817, Silk..........	lb.	1,177,693		
1818, Ditto	lb.	2,101,618	Increase	78·4
1817, Wool	lb.	14,715,843		
1818, Ditto	lb.	26,405,486	Increase	79·4
1817, Cotton	bales	477,160		
1818, Ditto	bales	655,300	Increase	37·3
1817, Hemp	tons	22,863		
1818, Ditto	tons	33,020	Increase	44·4
1817, Tallow	tons	19,193		
1818, Ditto	tons	27,011	Increase	40·7
1817, Linseed	qrs.	162,759		
1818, Ditto........	qrs.	237,141	Increase	45·7

In this analysis of Mr. Tooke's table of imports, it would ap-

turers, were successively ruined by having embarked too largely upon the anticipation of the maintenance of the former range of prices. Similar disasters followed in several other branches of trade; and these reverses, and the consequent distress, were not confined to this country: indeed, it may be of importance to observe, that extensive failures at Paris, Amsterdam, and Hamburgh, and other places on the continent, in several instances preceded the disasters which were felt here."

Now, Mr. Tooke reasons that it was the abundance of imports, that led to the disasters he here mentions; but if the amount of the currency had remained the same in 1819 as in 1818, I contend that no such fall in prices would have occurred. In 1817, imports were decidedly increased above those of 1816, and prices continued to rise. If Mr. Tooke's reasoning were correct, prices ought to have fallen, when, in five out of the six articles he mentions, the increase on an average was above 40 per cent, the tendency of

pear, that with the exception of tallow, the imports of cotton were the least in point of quantity. It appears to me, that Mr. Tooke, in the whole of his work, has not given sufficient attention to the actual amount of the currency, and its effect upon prices. The chief object in analyzing this table of imports is to show the rate of increase during a period of the progressive extension of the currency; confirming the view which I have taken of the subject—that such increase of imports was a *consequence* of that increase in the amount of the currency.

prices ought to have been downward; but Mr. Tooke states, "that through the autumn of 1818, and into the winter of 1818 and 1819, when many articles unsaleable from excess, were still quoted at nearly as high prices as they had attained in any time in 1818."

Now, what were the facts of the case as to the state of the currency in the period in question? In 1819 we had a progressive diminution of the issues of the Bank, so that, comparing January with June, the issues were diminished 10 per cent; and comparing January with December, they were diminished $15\frac{8}{10}$ per cent. The circulation of country bankers was diminished in 1819 about 15 per cent compared with 1818, making about 15 per cent in the whole. Surely such a diminution of the currency should not have escaped Mr. Tooke's attention; had he observed it to its full extent, I am sure, from his known candour, he would have given it its due influence upon prices, and not have attributed the whole to excessive abundance; an abundance, by the bye, so sudden as should have startled him as to the probable cause of its existence. That it was an abundance *relative* to a diminished currency, I think will be admitted; but which would not have been so apparent, if at all, had the amount of the currency remained throughout 1819 as it was in 1818. On the contrary, from the probable exhaustion of accumulated

stocks, and the consequent diminution of supplies, prices would have risen, or have maintained their former level.

I cannot, therefore, agree with Mr. Tooke, that the continuance of the same circumstances, viz. abundance, or, at least, adequateness of supply, should preclude any exercise of the spirit of speculation on an extensive scale. On the contrary, I would maintain, that if the spirit of speculation was to be roused, it would be when prices are low, not high. If the question was reasoned in relation to a currency entirely metallic, which could neither be suddenly increased nor contracted, and low prices from abundance existed—increased consumption or increased exports would be the natural mode of relief, and the transactions on credit would rather be increased than diminished. But the case becomes completely altered if the currency is diminished 15 per cent, and commodities remain the same, or increased. Before the contraction of the currency, every man's credit, if I may be allowed the expression, was at *par*, or 100; after the contraction, and before he could be prepared for its effects, it is reduced to 85. The consequences must be, (for every man is supposed to trade to the extent of his capital and credit,) embarrassment, bankruptcy, and ruin; and Mr. Tooke, though from a different mode of reasoning, admits that such were the consequences in 1819. In further confirmation of the view I have taken of the cause of speculation and overtrading, depending entirely on the relative abundance of the currency, I have only to refer to the recent and present state of the commercial and trading community.

CHAPTER VIII.

On the effects produced by Mr. Peel's bill, as connected with the principle of speculation and overtrading.

In the preceding chapter, I have endeavoured to show, that the peculiar state of the markets, as to supply and demand, and prices, was a state of things produced by alterations in the amount of the currency; that these alterations were of sufficient magnitude to derange the ordinary state of commercial credit, and led to a fall of prices, producing the most distressing results throughout the country.

To this opinion, there is opposed that of Mr. Tooke, who attributes the fall of prices, and destruction of public and private credit, to the excessive abundance of all commodities in the market, excepting that fall, that would accompany the rise in the value of the currency, by the fall of gold to its mint price. Mr. Tooke has endeavoured to strengthen his view of the case by quoting the speech of the Governor of the Bank.

Unless that speech could prove, that from the beginning of 1819 there had been no diminution of the issues of the Bank, which it does not prove, it cannot possibly support Mr. Tooke's view of the case. His quotation from Mr. Turner's work is equally unsatisfactory, because, if it proves any thing, it proves a contraction of the currency. Mr. Turner states, that "with regard to the effect of Mr. Peel's bill on the Bank of England, I can state, from having been in the direction during the last two years, that it has been altogether a dead letter. It has neither accelerated nor retarded the return to cash payments, *except as*, by *ordering the repayment of ten million of Exchequer bills to the Bank*, it enabled it to expend those ten millions in the purchase of bullion, without in any way curtailing its other advances."*

Now the question at issue is not, what the Bank in relation to its usual advances to the public did; the question is, was the currency contracted as a consequence of the passing of Mr. Peel's bill. Mr. Turner satisfactorily answers the question. The repayment of ten millions of Exchequer bills to the Bank was the consequence of that measure. Now, let any one reflect for a moment, who is acquainted with the principles of currency, what must necessarily be the effect of the Government

* Mr. Turner states, that the repayment of ten millions of Exchequer bills by the Government to the Bank enabled the latter to purchase ten millions of gold. But I shall have occasion to state that the Bank purchased about twenty millions of gold in 1820, 1821, 1822, and 1823. Now, what I contend for is, that the Bank could not have issued ten additional millions of paper, in the purchase of gold, but for the destruction

collecting out of the circulation of London, the sum of ten millions of Bank of England notes, and paying them into the Bank for Exchequer bills. Let it be admitted, that the payments to

of the country circulation, following the first and great contraction of the issues of the Bank in 1819.

The country circulation in 1819 was reduced below that of 1818	£3,140,125
In 1820, it was reduced below that of 1819	5,590,000
In 1821, it was reduced below that of 1820	3,353,080
And in 1822, it was reduced below that of 1821	347,013
	12,430,218
Add to this the repayment of Exchequer bills to the Bank	10,000,000
	22,430,218
In 1818, however, the country circulation was in excess, and let it be supposed that it was so, to the whole extent of the contraction in 1819, amounting, as above, to	3,126,700
Giving the Bank the power of issuing	19,303,518

of notes in the purchase of gold, which agrees very nearly with the actual amount purchased. The object of this statement is to show, that the Bank could not have issued more for gold than the repayment by the Government, had it not been for the void made in the general currency by the extensive contraction of the country circulation in these years. This statement, I think, is calculated to throw much light upon the state of prices throughout the years in question, and further confirm my general reasoning as to their true cause. It tends to prove how completely the Bank of England has the power over the country circulation.

the Bank were gradual, say one million monthly, which was the understanding between the Bank and Government, still the effect upon the circulation, credit, and general confidence, must have been prodigious. The contraction would proceed until the exchanges were raised, and gold imported. It is during this interval that the mischief is done. The whole fabric of commercial credit is shaken to its basis. It commences in London, and, like an electric fluid, it is felt at the remotest corners of the land. When the Bank purchased gold with her paper, and not till then, the circulation would begin to be extended. The scarcity of money operates upon every man's credit—creating a want of confidence—producing a disposition to borrow, but a stronger one not to lend; thus, in fact, rendering the currency more scarce and valuable; every one who has the means reserving them for his own wants. That such were the consequences that followed the repayment of the ten millions of Exchequer bills cannot be doubted. Indeed, if such consequences had not followed, it would have been clearly impossible for the Bank to have issued ten millions of paper in exchange for gold. If the currency had not been forced considerably above par, by the destruction of the country circulation, following the contraction of the issues of the Bank, it would have been impossible that the latter should have issued so much paper in exchange for gold. The attempt would have been met by a fall

in the exchanges, and a check to the importation of bullion. To admit that the ten millions could have been so issued for bullion, admitting that there was no other abstraction from the general amount of the currency, would be to admit that the same amount of paper, by the Bank, could have been kept in circulation, as in May 1818, with the exchanges above par, and gold at its Mint price. For the argument supposes, that the paper is issued, and the gold deposited in the coffers of the Bank.

It was the operation of the same cause that enabled the Bank, in the years 1820, 1821, 1822, and 1823, to amass a treasure in gold and silver much greater than she perhaps ever possessed at one time. It has been estimated at from ten to fifteen millions sterling, and this, independent of her issues of sovereigns to replace the 1*l.* and 2*l.* notes.

If the destruction of the country circulation, to the enormous extent that it has been stated, had not taken place, it would have been impossible, upon any of the known principles of currency, for the Bank to have issued so much paper in exchange for bullion. In the first place, the currency must have been above par, that is to say, all the foreign exchanges must have been favourable to England, otherwise gold would not have been imported, and so much above par, that the whole issues of the Bank in exchange for gold did not turn the exchanges against us. It was not until July, 1824, that the exchanges became unfavourable to England, and the exportation of gold began. Silver rose from 4*s*. $11\frac{1}{2}$*d*. to 5*s*. $0\frac{1}{2}$*d*. per oz., being a rise of $1\frac{68}{100}$ per cent.

I cannot, therefore, agree with the Governor of the Bank, with Mr. Turner, nor with Mr. Tooke, that Mr. Peel's bill was a dead letter. Mr. Peel's bill was to restore Bank notes to their metallic value. The object of his bill was obtained, and therefore it cannot be considered as a dead letter. Measures had been taken by the Government and the Bank, as early as May, 1818, to restore the paper to its metallic value, by the payment of five millions of Exchequer bills to the Bank. In my opinion, the effect of withdrawing half that amount from the currency would have produced the desired effect, had the repayment of the Exchequer bills not been entirely counteracted by the issue of sovereigns by the Bank in exchange for notes issued previous to the 1st January, 1817. In 1817 and 1818 the Bank coined upwards of seven millions of gold, which was purchased, judging by the state of the foreign exchanges, in the latter end of 1816 and beginning of 1817. This treasure must have been nearly expended by the end of 1818,* for a bill was passed early in 1819 to exonerate the Bank

* By the Report of the House of Lords on the Affairs of the Bank in 1819, the gold paid by the Bank amounted to 6,809,000. P. 4 of the Report.

from such payments. The effect, therefore, of repaying five millions of Exchequer bills to the Bank from May, 1818, which, by the Report of the House of Commons on the Affairs of the Bank in 1819, was carried only to the extent of four millions,* was frustrated by the measures of the Bank Directors,† which is to say, that their issues of coin exceeded the repayments to the Bank, and the value of their paper fell, rather than rose, in relation to gold. In April, 1818, before any repayment was made, gold was 4*l*. 1*s*. and silver 5*s*. 4*d*. per oz., the exchange with Paris 24.20; and in December, gold was 4*l*. 1*s*. 6*d*. silver 5*s*. 6*d*. per oz., and the exchange with Paris 23.65. Gold rose 12*s*. 4*d*. per cent, silver 3*l*. 6*s*. per cent, and the Paris exchange fell $1\frac{1}{2}$ per cent.

It is quite clear, therefore, that the principle of Mr. Peel's bill was attempted to be acted upon by the Government in 1818, and its effects frustrated by the measures of the Bank. In 1819 the same

* See Report of the House of Commons, p. 8.

† Besides the issue of coin, Mr. Dorrien, in his evidence before the House of Commons' Committee, stated, that in consequence of the repayment of the four millions in 1818 to the Bank, the Bank had issued the whole, or greater part, in discounts to merchants, the demand for discounts increasing with the payments by government, that is, the rate of interest rose by the contraction of the currency, or in other words, bill brokers not being able to supply the demand for discounts, the bills were carried to the Bank. See p. 31 of the Evidence.

measure is put in practice, and to the same extent, viz the repayment of five millions more to the Bank, under the sanction of Mr. Peel's bill, and with the desired effect. By the 1st of October, 1819, gold and silver were reduced to their Mint prices, and the exchange with Paris rose to 25.55.

The contraction of the currency, therefore, did not begin until early in 1819, and it is admitted by Mr. Tooke, that the fall of prices was not apparent until "the winter of 1818 and 1819, when many articles which had become unsaleable from excess, were quoted at nearly as high prices as they had attained at any time in 1818."

Mr. Tooke, however, believes, that Mr. Peel's bill had, in the hands of the Directors of the Bank, been altogether a dead letter; that is, that it produced no effect whatever upon prices, excepting the fall of the market to the Mint price of gold. Another, and a large portion of the community, view Mr. Peel's bill as a sort of Pandora's box, out of which issued all manner of evils. That the mode of carrying into effect the object of Mr. Peel's bill produced incalculable mischief, I am willing to allow; but the principle of the bill, and the manner in which it was made to operate, are distinct things; and ought to be separated. The first was the measure of the legislature, the second was left to the experience and practical knowledge of the Bank. The great mistake that appeared to me to have been made, was the amount of the pay-

ments made by the Government to the Bank. One million was to be extracted from the circulation of London monthly. Now the whole issues of the Bank in the first three months of 1819, were rather under twenty millions. One million taken from that amount was nearly 4 per cent, in the second month 4 per cent, in the third and fourth months 4 per cent, and in the fifth month 5 per cent, making in all 20 per cent.* It has been already stated, that about 16 per cent was the diminution of the issues of the Bank, in 1819, comparing the first with the last months of the year. It was this large and progressive diminution of the circulation, the consequent embarrassments in commercial credit in London, spreading throughout the country, and affecting largely the credit and issues of the country bankers, that produced so much ruin and distress. Speculations and speculators failed, because there was no longer the same extent of currency and credit to maintain the prices of 1818.

* I have long been of opinion, that the Directors of the Bank had but an imperfect notion of the effect upon the currency, that would be followed by even a very small contraction of its amount. When Mr. Dorrien was examined before the House of Lords in 1819, he was asked, "What do you mean by a considerable repayment by Government of the advances?

"The circumstance of re-opening must be a question of experiment; and in the first instance, I should think not less than 9,000,000*l.* would be sufficient to make the trial." P. 29, Evidence.

If this question was reasoned in relation to a metallic currency, (from which there could not in the ordinary course of commercial affairs be an abstraction of 4 per cent, that being considerably above the charges of bringing in, or of sending gold out of the country) and if we suppose that 16 per cent was withdrawn from it by hoarding, what other would be the effect upon prices and credit, than that which followed the rapid contraction of the currency in 1819 by the Bank. I must therefore conclude, that neither the Governor of the Bank, Mr. Turner, nor Mr. Tooke, have adverted to the contraction of the currency in the year in question. This omission on the part of Mr. Tooke, I think, invalidates the whole of his reasoning upon prices in 1819, and subsequent years.

The inconveniences that attended the contraction of the currency, particularly the discredit of the country circulation, was prolonged, in my opinion, by the purchases of gold bullion by the Bank. Had the Mint possessed a capital by which she could, upon the first importations of gold after the contraction of the currency, have given on demand, after a delay of twenty-four or forty-eight hours for assaying the bullion, coin for it; it would have come immediately into circulation, and spread itself over the country, particularly where the country paper was discredited, for in such places currency was in demand. It may be

answered to this, that as the Bank issued the same amount of paper which the bullion could be coined into, the effect would be the same. I think otherwise; the Bank of England paper issued in London was not a substitute for the discredited paper of the country bankers. Until May, 1821, gold could not be obtained; and the stagnation of buying and selling, that uniformly accompanies a contraction of the currency, prevented for a considerable period the restoration of that confidence necessary for the currency obtaining one general value throughout the country. We have a case in point with regard to Ireland in 1820. In this year the extensive failure of the country banks created a sudden demand for currency. A number of individuals brought gold bullion to the Mint for coinage. A new regulation was adopted of giving a Mint bill for 75 per cent of any deposit for coinage, payable fourteen days after date. The consequence was, that nearly a million sterling was coined and sent to Ireland in the space of a few months, and assisted materially in diminishing the extensive distress then prevalent over the greater part of the island. This plan would probably have been continued if the Bank had abstained from purchasing gold, but the Bank were desirous to buy all the gold imported; and to induce the importers to carry it to the Bank, it was purchased at the Mint price, without paying the accustomed brokerage of an eighth per cent.

I have no doubt, therefore, that public confidence would have been sooner restored after the great contraction of the currency that followed the passing of Mr. Peel's bill, had the powers of the Mint co-operated to reduce the currency to its Mint value.

CHAPTER IX.

On the state of the issues of the Bank of England from 1823 to 1825, as connected with its own interests, public credit, and the country circulation.

I SHALL now proceed with the analysis of the state of the currency from 1823 to the present time; and recent occurrences have rendered this an investigation of very great interest and importance.

During the whole of 1823, the foreign exchanges appear, by the table in the Appendix, to have been favourable to this country—that is, the bullion value of the currency of England was rather higher than that of France and Hamburgh. The price of gold was throughout the year at 3*l.* 17*s.* 6*d.* per oz.;* the exchange with Paris from 25.50 to 25.90, with Hamburgh from 37.8, 38.2 to 38.4. In the beginning of 1824 the exchanges began to drop, and by May the Paris exchange was 25.40, and Hamburgh 37.6. The

* The price of gold as quoted *under* the Mint price, is no guide as to the *actual* value of the currency. In July, 1822, the Directors of the Bank came to the resolution of buying gold at 3*l.* 17*s.* 6*d.* per oz. At the same time, the Mint had such a quantity of gold from the Bank to coin, that, waiting *their* turn of importation, the importers could not leave their gold for coinage without making a greater sacrifice by loss of interest, by the delay in coinage, than the 4½*d.* per oz.

three per cent consols, which in May, 1823, were 78, were now raised to the price of 96, being a rise in twelve months of 23 per cent.

I shall now examine what was the state of the issues of the Bank in 1824, compared with 1823, and try and find a solution for this rapid rise in the price of the funds. It must be remembered, also, that it was in the spring or summer of 1824 that the first decided impulse was given to the spirit of speculation, that led to the formation of so many joint stock companies in it, and the spring and summer of last year.

In comparing the issues of different periods of the Bank of England, it is of importance to compare the months of the year we are examining with the same months of the year preceding; by so doing we can perceive the progressive increase or diminution of the currency, and its effects on prices.

The following comparative statement of the issues of the Bank is made from "An Account of the Amount of all the Promissory Notes and Post Bills of the Governor and Company of the Bank of England, in Circulation at the Close of the Business on Saturday in every Week, for Three Years preceding the 6th Day of April, 1825; together with the average Amount, or Value, thereof, according to the said Account, which the Governor and Company of the Bank of England are directed, by the Act 55 Geo. III. chap. 184, to deliver an-

nually on the 1st Day of May, to the Commissioners of Stamps."

In the following table I have compared the monthly issues of 1823, with the same months in 1824, stating the increase per cent monthly, together with the price of consols, first quotation every month, for 1823 and 1824, with the increased rise per cent in 1824 above 1823:

	Average Amount of Bank of England Notes in Circulation for 1823.	Ditto for 1824.	Increase in 1824 above 1823.	Per Centage of Increase.	Price of Consols 1st of Month, 1823.	Ditto 1824.	Rise in 1824 above 1823.
Jan. ...	19,096,476	19,8006,14	704,138	$3\frac{6}{10}$	80	87	$8\frac{7}{10}$
Feb. ...	18,174,771	20,067,549	1,892,778	$10\frac{4}{10}$	$76\frac{1}{4}$	$90\frac{1}{2}$	$18\frac{6}{10}$
March..	17,339,537	19,093,681	1,754,144	$10\frac{1}{10}$	$73\frac{1}{4}$	$93\frac{1}{2}$	$27\frac{6}{10}$
April..	18,567,423	20,647,449	2,080,026	$11\frac{2}{10}$	$74\frac{3}{8}$	95	$27\frac{7}{10}$
May ...	18,288,297	19,926,896	1,638,599	$8\frac{9}{10}$	$78\frac{1}{4}$	$96\frac{1}{4}$	23
June ...	17,050,414	19,141,058	2,090,644	$12\frac{2}{10}$	$80\frac{3}{4}$	$94\frac{1}{2}$	17
July ...	19,700,494	21,660,973	1,960,479	$9\frac{9}{10}$	$81\frac{1}{2}$	$93\frac{1}{4}$	$14\frac{4}{10}$
Aug. ...	19,743,656	20,775,385	1,031,729	$5\frac{2}{10}$	$81\frac{1}{2}$	$92\frac{1}{4}$	$13\frac{1}{10}$
Sept. ...	18,234,629	19,177,783	942,154	$5\frac{1}{10}$	$82\frac{1}{2}$	$93\frac{3}{4}$	$13\frac{6}{10}$
Oct. ...	18,681,589	20,355,378	1,673,789	$8\frac{9}{10}$	$83\frac{1}{4}$	$95\frac{1}{2}$	$14\frac{7}{10}$
Nov. ...	20,406,565	21,123,241	716,676	$3\frac{5}{10}$	$83\frac{1}{4}$	$96\frac{1}{8}$	$15\frac{4}{10}$
Dec. ...	17,955,779	19,553,771	1,597,992	$8\frac{9}{10}$	$84\frac{1}{8}$	95	$12\frac{7}{10}$
	223,239,630	241,323,778	18,084,148	97·9			
Average	18,603,302	20,110,314	1,507,012	$8\frac{1}{11}$	$79\frac{9}{10}$	$93\frac{5}{10}$	$17\frac{1}{10}$

From this table it appears that throughout the whole of 1824, the issues of the Bank of England were increased above those of 1823 fully 8 per cent; that the increase was attended with a progressive but large advance in the price of Government securities; so that the three per cent consols, on the average of 1824, rose 17 per cent above the average prices of 1823. The three per cent consols, on the average of 1823, afforded an interest at the rate of *3l.* 15*s.* per cent. In 1824, the rate of interest was reduced to *3l.* 4*s.* per cent.

That the rise in the price of consols was consequent on the increased issues of the Bank, I think there cannot be a doubt; that the rise should exceed the numerical increase of those issues, is what we ought to expect. It is the sudden abundance of money that is the main spring of all gambling transactions in our funds, and in articles of general consumption; and the rise in prices is forced, by speculative buying and selling considerably beyond the actual increase of the currency. It is to this cause alone, and under every circumstance in which, as a nation, we can be placed, that I attribute the whole of the speculations, now and heretofore, that have appeared to begin in prosperity, and to end in the distress and ruin of thousands. Such a state of things seems inseparable from a paper currency, administered as our paper currency has been. Payments in cash on demand, it is clear, is no adequate protection; and though the chances of a failure in commercial credit may, by judicious regulations for the future, as to the state of the currency, be diminished, they cannot, perhaps, be altogether averted. That which can be suddenly increased,

and may be forcibly decreased, can never possess an uniform value; and therefore it is in vain to expect that steady and uniform range of prices that would follow from the application of actual capital to the agriculture, manufactures, and commerce of the country.

The power which the Bank of England appears to possess over the funded property of the country, and, indeed, of all other property, is of such magnitude as to require, and to deserve, the gravest attention of the legislature. They have it in their power, by an extension of their issues, of from one to two millions, in the course of a few months, unknown to the public but from their effects, to raise the price of consols from 20 to 30 per cent; and, by withdrawing them again, cause as serious a fall. This is a power which the combined influence of the King, Lords, and Commons, does not possess; and yet it is delegated to twenty-four individuals in the ordinary walks of life. Let us suppose a very ordinary case in human affairs, that the Directors of the Bank perfectly understood the nature and extent of the power they possess, that they conceived it their duty to the Bank proprietary to become dealers in three per cent consols (they are admitted dealers in Exchequer bills, and, as such, must influence the market, and benefit, or otherwise, the proprietary); they determine on an extension of their issues, say to 5 or 8 per cent, previous to which they become larger holders of consols to account; the issues are made, and the price rises, and they are certain it must rise, say 20 or 25 per cent. They may now sell progressively, and realize some portion of the above profit on their speculation. The matter may not stop here; for the Bank may, at the high price, sell as much more to the account than they had purchased. They begin to contract their issues by the sale of Exchequer bills, or refusing discounts: and consols are forced down, in the course of a few weeks, to the level at which they were previous to the first extension. The account may then be balanced by new purchases at the reduced price. In such transactions there is no risk of failure to the Bank; they have the exclusive means in their hands to prevent the slightest chance of disappointment.

Such are the powers of the Directors of the Bank of England, and, in some such degree, are the powers of each individual Director.

If the Bank Directors are aware of the principle in question, I believe there is but one general and universal opinion of their conduct—that they have never made use of it. Beyond the buying and selling of Exchequer bills, which in its principle does not materially, if at all, differ from the buying and selling of consols, I have never heard that the Bank were dealers in Government securities; nor am I aware that the transactions in Exchequer bills were ever entered into upon a principle of speculation and profit. It is, nevertheless, most important that the powers of that establishment should be thoroughly known to the public.

I must now, however, recur to the issues of the Bank in 1824 and 1825.

The exchange with Paris, during the progressive increase of 8 per cent in the issues of the Bank, fell just about $1\frac{1}{2}$ per cent. The price of gold remained at *3l.* 17*s.* 6*d.* until November, 1824; it then rose to *3l.* 17*s.* 8*d.*; and, in December, to *3l.* 17*s.* 9*d.*, at which it continued to May, 1825; when it rose to its Mint price of *3l.* 17*s.* $10\frac{1}{2}$*d.* per oz.

Let us now examine the state of the country circulation for 1823, 1824, and 1825.

I have already stated, that the amount of the country circulation for 1822, was	£8,067,260
There was stamped in the year ending 1823	4,657,589
Add one-third of 1821	1,329,194
And two-thirds of 1822	2,811,494
	8,798,277

Making an increase of 731,017*l.* and equal to 9 per cent.

There was stamped in the year ending 10th of October, 1824	6,093,367
Add one-third of 1822	1,405,747
And two-thirds of 1823	3,105,058
	10,604,172

Making an increase of 1,805,895*l.* and equal to $20\frac{5}{10}$ per cent.

There was stamped in the year ending 10th of October, 1825	£8,532,438
Add one-third of 1823	1,552,529
And two-thirds of 1824..........	4,062,244
	14,147,211

Making an increase of 3,543,039*l.* and equal to $33\frac{4}{10}$ per cent.

I have already stated, that the rate of the exchanges in 1823 indicated that the bullion value of our currency was somewhat higher than on the Continent, and continued so for some months in 1824, so that the addition of 9 per cent to the country circulation in 1823 was not felt in the general currency. Besides, the country circulation in 1820, 1821, and 1822, was unexampledly low, and a restoration of confidence may account for the increased issues in 1823. In 1824, however, the Bank added 8 per cent to her issues; and it is followed by an addition of the circulation of country bank notes, of .... $20\frac{5}{10}$ per cent.

And in 1825, of.............. $33\frac{4}{10}$

So that in two years about 21 per cent is added to the general amount of the currency.

It must be admitted, that the means of ascertaining accurately the amount of the circulation of country bankers is by no means precise. It is an approximation to the fact only. We have here an addition to the

country circulation in 1825 above 1824, ending 10th of October, of no less than $33\frac{4}{10}$ per cent. It is probable, at the same time, that the average issues of the Bank of England in 1825, ending 10th of October, were somewhat less than the average amount in circulation ending on the 10th of October, 1824; for in 1825, from April to September, we are certain that the Bank withdrew 670,000*l.* of notes by the sale of Exchequer bills, as stated by the Governor of the Bank. Are the issues of the Bank, therefore, of themselves, a true criterion of the real state of the currency? If they are, and the circulation of the country bankers is merely brought up to the level of the London currency, it would appear, that the issues of the Bank in 1824, and early part of 1825, produced an excess in the general circulation far exceeding the numerical addition to her issues, which we have seen did not much exceed 8 per cent. If the addition to the issues of the Bank in question is the only increase to the currency in Bank notes, and if the creation of private paper on credit is, under the circumstances of the extensive speculations then existing, an addition to the currency, or equivalent to it, we may find that the increase to the country circulation was a necessary consequence in accordance with the principle we have attempted to explain, that there cannot be two ratios of currency and prices existing for any length of time in the same country. The rise of prices that would accompany a disproportioned amount of currency would speedily cause the transmission of goods to the best market, and equalize the currency and prices. If this explanation is not satisfactory, we must come to the conclusion that the country banks have the power to add 33 per cent to the amount of their issues, independently of the amount of the issues by the Bank of England. This conclusion, I think, is not warranted; it is at variance with the general principles of currency. The true explanation of the great increase of the country circulation, I think, will be found to be the following. If the Bank of England (and it is clear no other bank could do so from the want of power and capital) add unduly, or inconsistently with the true principles of currency, to the amount of her issues, by loans on mortgage, dead weight, or on Exchequer bills, 8 per cent above her previous issues, a rise of prices takes place in London proportioned to the increase of the currency. Goods are sent from the country to London, bills are drawn, which, being discounted by the country bankers, bring the country currency at once to the level of London. But the rise of prices in London is accompanied with a general desire to speculate in produce, the proportion of currency and commodities being altered, and then comes the general speculative rise of prices. The speculative rise probably exceeds the addition to the currency as the squares of the quantities added. If 2 per cent is added, prices will rise 8; if 4, they

will rise 16; and if 8, 32 per cent. During the whole of this rise of prices in London, there will be a constant transmission of goods to the London market; for the high prices, and bills being drawn on London and discounted by the country banker, maintain the circulation of the country on a level with the speculative prices of London.

In 1824 and 1825 there seemed to be an increase of the country circulation in those years, compared with 1823, of about 54 per cent, giving an average of 27. Now the increase to the issues of the Bank was fully 8 per cent in 1824, and early part of 1825, compared with 1823; and the rise in prices, in consequence of this addition, may be measured by 27 per cent, 8 per cent the rise by an addition to the currency, and 19 per cent from general speculation.

If, on the other hand, there is a contraction of the issues of the Bank of England, so as to force the currency above its bullion value (and it will be as evident in this as in the other case, that that contraction can only emanate from such a body as the Bank), say 8 per cent, it will be attended with such a destruction of public credit and confidence in buying and selling, and fall of prices, that the circulation of the country bankers will fall much below the actual contraction on the part of the Bank; indeed, the suspension of buying and selling of itself implies the non-use of currency, and the contraction will be in a similar ratio, as we have seen in the case of extension. In both cases it seems an effect on prices, independent of the actual amount of the currency. In the one case, the rise of prices is a consequence of general speculation and overtrading: in the other, the fall is a consequence of the suspension of the usual and general interchange of commodities for currency. These are the evils, and they are evils of great magnitude, that attend the use of a paper currency.

There is a range of *extension* and *contraction* in the use of paper, that does not belong to a metallic currency, and which, perhaps, does more than counterbalance all the advantages to a nation from the use of paper.

The state of the currency in 1820 and 1821 presents us with this state of things. The bullion value of the currency, if measured by the price of silver, was increased in value about 5 per cent, and the contraction of the country circulation was about 60 per cent, in these two years, compared with the year 1819.

Whatever dependance, therefore, can be placed on this view of the effect of an extension or contraction of the issues of the Bank, both may take place; and the state of the foreign exchanges and the price of gold will be no very accurate criterion of the real value of the currency, compared with existing prices. As long as the Bank possess the means of selling gold at the rate of 3*l.* 17*s.* 10½*d.* per oz. by exchanging her paper for gold, no

excess of the currency will appear. Nor will the foreign exchanges be any better test of excess. As long as the dealers in bullion are satisfied with the usual profits on exporting gold, no considerable excess will appear. Bullion dealers in this case act when there is a profit, and do not calculate that by a delay of some days or weeks their forbearance will increase that profit. Such a state of things could only be produced by a combination among them, and this is supposing a very extreme case. If the Bank of England was forced to a suspension of payments, and a restriction bill passed, while the excess of the general currency existed, then, and then only, would the market price of gold measure the excess of the currency. Such a state of things, however, can hardly ever exist; for the pressure on the coffers of the Bank for gold is the monitor of excess, and they are, in the end, forced to withdraw their notes. In doing so, it must, to be effectual, be to such an extent as to force the excess of the country circulation back upon the issuers of it; the parties being, I may say, unprepared for answering such excess returned, for gold or Bank of England paper, suffer in their credit, and those of limited capital and credit fail. This will explain the general crash among the country bankers in December last.

During the period of this increase to the paper currency, every note issued was payable in gold on demand; yet gold remained steadily at and under its Mint price, and the foreign exchange lowered to the extent of only $1\frac{1}{2}$ per cent. I shall hereafter endeavour to explain this state of things. In the mean time I may remark, that such a state of things was never expected to exist under a system of cash payments. Payments in gold on demand were supposed of themselves sufficient to keep the currency of this country so on a level with all others, that it never could be either greatly contracted or increased; and now we have had instances of both, and to such a degree, that it requires the facts to be before us to give belief to them.

In the state of the currency, therefore, alone shall we find the true explanation of the state of public madness for speculations that existed throughout 1824 and the earlier part of the last year. With the increase of money, affecting generally for the time the rate of interest, the madness began; as the means of excitement were supplied it continued; and when withdrawn, suddenly and perhaps unexpectedly at the fountain head, the first cause, the Bank of England, we see the nature and extent of the calamity that is spread over the country.

To the increased issues, therefore, of the Bank of England in 1824 I am disposed to attribute the whole of the consequences that have followed that measure. I do not wish, however, to be understood as censuring the Bank for that increase; at least I am far from supposing that they thought any such increase was to be attended by such consequences; so that the error may be counted one of judgment rather than of intention.

Generally speaking, when the Bank are subject to payments in cash, there can be but one state of things that can force upon their attention the desire decidedly to increase their issues of paper, and this will be when they have a large amount of treasure in their coffers for which they are obtaining no interest. What then was the probable state of the treasure of the Bank in January, 1824? We can only approximate to the truth, but I think we shall not be very remote from it.

In 1821* the Bank coined	......	£9,520,758
In 1822 ditto	......	5,356,787
In 1823† ditto	......	759,748
In 1824 ditto	......	4,065,075
In 1825 ditto	......	4,484,899
		24,187,267

These coinages include about 4,000,000*l.*, from guineas which were converted into sovereigns, so

* The coinage of 1821 by the Bank was the first, preparatory to the opening of the Bank for payments in cash. The coinage of 1820 was by individuals for the supply of Ireland, in consequence of the extensive failures of the country banks.

† See No. 60, Parliamentary Paper, 1825.

that the Bank had purchased above twenty millions of gold in four years. In the last six months of 1824 and 1825 the Bank could buy no gold, from the state of the exchanges. The 1*l.* and 2*l.* notes of the country bankers being allowed to remain in circulation by the bill of July, 1822, left the Bank to apply this immense mass of treasure for withdrawing her own notes of these denominations.

In May, 1821, by a bill then passed, the Bank was permitted to pay in cash at her option. In January, 1821,* the Bank had in circulation about 6,500,000*l.* of notes of 1*l.* and 2*l.* value. On the 6th† January, 1824, they were reduced to 501,700*l.*; so that the Bank issued six millions of sovereigns in exchange for her 1*l.* and 2*l.* notes; and if we now admit that the whole are withdrawn (it must be evident to the reader that I do not allude to the recent re-issuing of 1*l.* and 2*l.* notes), the Bank have issued six millions and a half of sovereigns. And let it be supposed that the country circulation, where no such substitution was required, absorbed two millions and a half more, which is a large allowance as dead stock to be kept in the coffers of the country bankers, the

* See an account of the total weekly amount of Bank notes, &c. No. 27, Parliamentary Papers, dated 10th February, 1821, Bank of England.

See ditto, No. 37, Parliamentary Papers, dated 16th February, 1824, Bank of England.

whole issues of the Bank, up to January 1, 1824, could not much exceed nine millions of sovereigns. On the 1st of January, 1824, therefore, the Bank were in possession of about fifteen millions of gold, besides silver; which, by the account of the quantity exported in the year ending January 5, 1825,* must have amounted to about two millions sterling. According to this estimate, therefore, the Bank, in January, 1824, possessed a treasure of gold and silver of about seventeen millions sterling.

That the Bank should have taken means to reduce this extensive dead stock, should not be matter of surprize; if they failed in doing it judiciously, it must depend on the measures they adopted.

As I am opposed to the doctrine, that any sudden or decided increase in the demand for currency can exist, or arise, from the ordinary course of buying and selling; the Bank, in my opinion, could not, through the ordinary channel of discounts, add materially to their issues. An increased demand for currency, arising from legitimate commerce, would be slow and progressive. If the Bank did not supply such demands, or at such a rate of discount as to be above the real value of capital, the Mint, if properly regulated, would be the next and only source of supply. Indeed, it is impossible that a country should ever

* See account of the quantity of gold and silver imported and exported in each year, since January 1, 1810, to January 1, 1825.—No. 204, Parliamentary Papers, dated Custom House, March 30, 1825.

be without a sufficiency of currency, if the Mint is properly organized; for currency, in its proper signification, is one portion of capital, which certain individuals, for a given profit, depending of course upon the ordinary rate of profits, lend to individuals of the community for that profit. In the form of discounts, therefore, the Bank could not add materially to her issues. I believe the state of the money market in 1822 and 1823 corresponded to the opinion here expressed. The Bank, by discounting at 3 or at 4 per cent, might certainly for a time increase the amount of her paper, if that rate of discount was below the market rate of interest; but it must be evident, from the extensive speculations which the abundance of money would create, that the Bank could not continue that rate of discount, if subject to cash payments; the increase of the currency would lead to the exportation of gold, and she would, in self defence, be obliged to contract the currency or suspend payments. In contracting the issues, the rate of interest would also rise. This is precisely what the Bank has lately done; but witness the ruinous consequence of the attempt.

The Bank found, therefore, that this, the only legitimate mode of disposing of her capital, would not enable her to reduce the amount of her treasure, and losing interest, she began, I believe, in 1824, to lend on mortgage. To whatever extent, therefore, the Bank lent in 1824 upon such securities, was a *permanent increase* to the currency, over which

she could have no immediate control. At a meeting of the Bank Proprietors, 22d September, 1825, the Governor of the Bank admitted that the loans on mortgages did not exceed 1,400,000*l.** The Governor of the Bank did not give any date of these loans; but if we compare the extent of them with the increase of their issues in 1824, I think we may conclude they were made in 1824; to this measure alone, therefore, may be ascribed all the calamities that have lately visited the commercial and trading community. I have already explained the principle how that a very small apparent increase to the currency should produce such consequences.†

The next mode that the Bank took to increase the amount of the currency, and to render it profitable to export a part of her treasure, was lending money on stock. This is certainly a less objection-

* See Report of the Meeting, Morning Chronicle, 23d September, 1825.

† There is a remarkable co-incidence between the situation of the Bank in 1824, and what it was in 1791. The cash and bullion in the Bank was 10,097,000*l.*, and her notes in circulation 10,217,360*l.*; the Bank lent to Government 1,500,000*l.* in this year, and by the end of 1792, she had parted with about seven millions of her treasure. In 1793 we had the commercial crisis; no doubt occasioned by the contraction of the issues of the Bank, to diminish the drain for gold. One hundred country bankers failed, the excess of their notes was returned back upon them; and Mr. Tooke supposes that it required nearly three millions of gold to supply the void occasioned by the discredit of the local notes. See State of the Currency, p. 83.

able measure than lending money on mortgage; because the Bank have it in their power to recall such advances when they please, and at short notice. I still, however, think it objectionable, inasmuch as it, without any legitimate demand, increases the amount of the circulation. Its tendency, therefore, is to foster that spirit of speculation and gambling that uniformly accompanies an over abundant state of the currency. Its effect on the price of the funds must be to maintain them at a higher market price than they could possibly be kept, if the individuals in want of money were obliged to bring their stock to market. But perhaps the strongest argument against such accommodations by the Bank is her inability, from the very nature of her institution, to continue them. It is of the same nature, and must lead to the same consequences, as the Bank discounting bills at a rate of interest lower than the market rate. It leads to such an increase of the currency as creates and fosters the spirit of speculation; the maintenance of which is constantly demanding an increase of currency, as its natural support, rendering it, in the end, profitable to export gold; and the safety of the Bank, sooner or later, requires a suspension of such accommodations, the currency is contracted, and stocks fall to their natural level.

Any interference, therefore, with the currency, so as suddenly and unnecessarily to increase its amount, otherwise than the regular and legitimate demands of trade require, and such as would alone

occur if the whole currency were metallic, would seem to be at variance with the soundest principles of the science. To such interference on the part of the Bank of England, however unintentional on her part, I apprehend must be attributed the whole of the gambling speculations that have disgraced the country for the last eighteen months, that led to the extensive issue of the country banks, and to the sudden and general destruction of their credit that we have so recently witnessed.

Some consideration, however, it may be urged, is due to the Directors of the Bank, in regard to the situation they were placed in, in relation to their proprietary, in the beginning of 1824, from having so large a treasure yielding no interest. They expected at one time, I believe, that in 1823 the circulation of the one and two pound notes of the country banks would have ceased, and have been replaced by gold, which they had purchased for that purpose. The passing of the small note bill in July, 1822, put an end to this expectation on the part of the bank. Whatever disappointment the Directors experienced by this measure did not prevent them from purchasing, in 1823, all the gold imported. The amount was considerable, perhaps not less than four millions, as will appear by the extent of her coinage in 1824. It is clear, however, that as long as the Bank could issue paper for the purchase of gold, so long she possessed the entire monopoly of the London currency. If the Bank had not purchased the gold, but allowed the importers to coin it, and send it into circulation, it would to the same extent, abating the difference in the rapidity of circulation, have diminished the demand at the Bank for discounts; the coin would have passed into the hands of bankers and bill brokers, and have been a substitute for its notes. Its notes passed into those channels, and became a substitute for the gold.

If the one and two pound notes had been withdrawn from the country circulation, and replaced by gold, the gold could only be drawn out of the Bank by presenting her notes for payment; but as the gold was a substitute for country notes only, the Bank would be able immediately to re-issue the same amount of paper as she had taken in exchange for gold. The passing of the small note bill, therefore, prevented the Bank from issuing gold to the whole amount of that proportion of the country circulation; and realizing the usual profits on that amount of her capital: the amount may have been from four to five millions.*

The situation of the Bank, then, in 1824, was, that with a paper currency of about twenty millions, she possessed a fund of gold of about fifteen millions. It is clear, that if the Bank could have issued ten millions of her gold, to supply the place of the country circulation, she would have been re-

* A great misapprehension exists in the public mind as to the extent of the circulation of one and two pound notes. The fol-

ceiving interest on a capital of thirty millions. If the object of the Bank had been to reduce the amount of her treasure, seeing she could not substitute it for the country circulation, this could only take place, by the Bank issuing gold instead of her own paper. The issues of the Bank in this case, would have been ten millions of gold and ten

lowing is an approximation to their amount. In no year did the notes of *2l. 2s.* amount to 100,000*l.*, so that they are excluded in this statement.

In the year ending the 10th Oct. 1823, there were stamped of notes, not exceeding *1l. 1s.*....	2,065,822
Add one-third of notes not exceeding *1l. 1s.* stamped in 1821	677,095
And two-thirds of those stamped in 1822	1,308,210
	4,051,127
In the year ending 10th Oct. 1824, stamped of notes, not exceeding *1l. 1s.*................	2,394,204
Add one-third of notes, not exceeding *1l. 1s.* stamped in 1822	654,105
And two-thirds of those stamped in 1823....	1,373,214
	4,421,523
In the year ending 10th Oct. 1825, there were stamped of notes, not exceeding *1l. 1s.*........	3,079,661
Add one-third of notes, not exceeding *1l. 1s.* stamped in 1823	688,607
And two-thirds of those stamped in 1824	1,596,136
	5,364,404

millions of paper. When the Bank substituted gold for her one and two pound notes, her issues fell from twenty-seven or twenty-eight millions to twenty. But she received interest for the gold so issued as she had for the paper withdrawn.

Had Mr. Peel's bill prohibited the Bank from dealing in bullion, and opened the Mint for payments in coin on demand for bullion, the issues of the Bank would have been regulated by the rate of profit derived from coinage. If the rate of profit on the capital employed in coinage had been 4 per cent, and the Bank discounted at 5 per cent, the coin would necessarily have displaced the Bank notes, indeed no one would have applied to the Bank for discount under such circumstances; as bills on discount became due, the issues of the Bank would be withdrawn. If, on the other hand, the Bank discounted bills in Bank notes at 4 per cent interest, when the rate of profit on coinage was 5 per cent, it is clear that the coinage must cease, as borrowers would not pay 5 per cent to the coiners, while the Bank lent at 4. The Bank, however, could not for any length of time affect the rate of interest; her increased issues for discounting under the market rate of profit on coinage would return upon her for gold for exportation, until the value of the paper was exactly proportioned to the Mint value of old.

The Bank, however, having the monopoly of

coinage, as well as paper, may vary more frequently the market rate of interest than would be the case if the trade in money was entirely free. Her desire of profitable returns in the one case, and her fears of safety in the other, subject us to a variation in the value of money, much greater than could ever possibly arise from the adoption of two standards, an evil in itself of sufficient magnitude to render legislative interference desirable.

If the foregoing reasoning is correct, the Bank could derive no permanent profit from getting rid of her gold, unless the gold so withdrawn could have displaced an equal amount of country bank paper. The exportation of the gold could not add to the profits of the Bank beyond the profit on those extra issues that lowered the value of the currency, so as to render it profitable for merchants to embark their capital in its exportation. This seemed to be effected by an addition of one million and a half, which at 4 per cent interest was equal to 60,000*l.* per annum; and it is doubtful whether the Bank could keep out this excess, so as to obtain the profit for one year. The state of public and private credit in December last must have convinced the Bank of the hazard of such an experiment. A small excess, therefore, of the issues of the Bank, continued for a length of time, might deprive her of her whole stock of gold. Gold is her capital—the representative of her paper; and if she thinks proper to have the whole of her capital represented by paper, and keep her gold in her coffers, which is her safest plan, it will no more add to her profits beyond the excess already mentioned, and even those are doubtful, than if the half of her capital was circulated in coin, and the other half in paper; nor will the latter diminish her profits compared to the first. In a national point of view, however, the case materially differs—the gold withdrawn from the Bank for her paper becomes capital, and is reproduced with a profit. If the Bank Directors became trading merchants, and made use of this capital for their proprietary, then the general concern would be benefited: or if the capital that could be thus liberated was divided among the proprietary, it would put it into the power of each to extend his private concerns. It would be, in fact, a bonus to the proprietary.

If the Bank, then in 1824 increased its issues with a view to reduce its amount of treasure, and thereby to add to its profits, it must have misapprehended the nature of the result.*

* I have heard it stated, that the Bank was induced to lend on mortgage, stock, &c., from the circumstance of having so large a stock of treasure. If this is the case, I may be excused if I further attempt to show, that to diminish her treasure could not be attended with any such advantages as the Bank may have anticipated. I shall suppose a case that five millions of Exchequer bills are purchased by the Bank, in Bank notes; the currency would be in excess, the foreign exchanges would become unfavourable, and the notes so issued would be re-

It is, therefore, exceedingly difficult to account for the conduct of the Bank in increasing the cur-

turned to the Bank, for gold for exportation. When the process in this case was finished, the Bank would have five millions less gold, and five millions of Exchequer bills bearing interest at 3 per cent per annum; her issue of notes being the same as previous to the purchase of the Exchequer bills.

But during the process of extension by the purchase of Exchequer bills, there is a rise of prices in London, and a creation of private paper for discount at the Bank, which, if granted, will continue the unfavourable foreign exchanges, and the Bank will be daily called upon to pay the excess of her issues in gold for exportation. Whatever this excess may be that the Bank kept out, will return her a profit at the ordinary rate of discount. If the Bank persevere in this measure she will ultimately lose the whole of her treasure for the profit attending the extra issue of notes. It is true, the Bank have the power, by a reduction of the issues, to correct the exchanges, and prevent the further exportation of gold; but this is more difficult than at first sight it appears. The state of commercial credit is very different after such issues on the part of the Bank than before; and the Bank find it impossible to make such reduction in her issues, without producing such a convulsion in public and private credit as to deter her from the attempt, until the state of her own credit make the state of all other credits secondary. Then the Bank begins to sell Exchequer bills, to withdraw the excess of her notes; and in doing so, she, of course, loses the interest upon this part of her capital. This, however, is not the only difficulty that the Bank has to encounter. The high prices of London, which in my opinion greatly exceed the numerical addition to the issues of the Bank, from the increase to the currency, and the general spirit of speculation and overtrading arising from it, cause a transmission of goods from the country to London, bills are drawn in the country on London, and discounted by country bankers, producing a new excess of rency in 1824, and continuing it during the latter part of that year, and 1825. If the reason which

the general currency, the whole of which falls on the coffers of the Bank for gold for exportation, and may force the Bank, in the end, to a sale of the whole Exchequer bills, purchased with a view to diminish her treasure; and when this process is ended, the Bank has probably gained very little or nothing; she has lost the whole of her treasure, and her issues remain very nearly as before she made the experiment.

Any attempt, therefore, on the part of the Bank to diminish her treasure by forced issues, must be attended with the most calamitous results to public and private credit, while the advantage to her own interests is but problematical.

If we take another view of the case, and suppose that the Bank had not purchased one ounce of gold, it is quite clear that the amount of her issues would have been less by the whole amount of the gold purchased, and the gold would have been coined and added to the circulation. A portion of the gold would, in the ordinary course of business, have passed into the coffers of the Bank as into any other bankers, and it would be optional in the Bank to issue that gold in discounts or her paper. If she chose to be at the expense of manufacturing the paper, instead of issuing the gold, that was optional, but her profits would neither be increased nor diminished, but in as far as the expense of her paper manufactory diminished them. Now, suppose that the Bank, abstaining from buying and coining gold, became possessed of fifteen millions of sovereigns in the course of business, by always laying up the gold as it was paid in, and issuing paper, all such issues would be lent in discount, and her profits be precisely the same, whether she issued the paper or the gold in such discounts, excepting the expense of her establishment for manufacturing the paper. Under these circumstances, let us suppose that the issues of the Bank on discounts are five millions in notes, and are to be paid in and replaced by five millions of new discounts. If the Bank

I have assigned (viz. the reduction of the treasure of the Bank) be not the true one, but on the other

in the progress of these discounts, made the whole by the issue of gold in place of notes, it is clear her treasure would be diminished, and she would save the expense of fabricating the Bank notes, profits would remain the same, with the exception of the expense of the paper only. The error which the Bank seems to me to have made, was in supposing that she could maintain the same extent of issues in paper, and realize a profit on that portion of her gold that might be withdrawn from her coffers. But it seems to me, that she could not do both with profit; that the only profit she could realise was on those extra issues that produced the unfavourable exchanges and led to the exportation of gold. The consequences that follow this attempt are of so serious a nature, as to the stability and credit of the Bank, that I think such profits are by no means a compensation for the risk.—They are not permanent, and evidently tend to a re-action that must ultimately place the Bank, as to profits, in nearly the same situation as if she had not made the attempt. In January, 1824, I have supposed that the Bank possessed fifteen millions of gold; on the 15th Dec. 1825, she possessed very little; now if the amount of her issues were nearly the same at these two periods, her profits would be in relation to these issues, and unless the Bank can show a deposit of fifteen millions of Exchequer bills or other securities, for the gold withdrawn from her coffers, I do not see where her profit can have arisen, by diminishing the amount of her treasure. In December last the issues of the Bank must have been largely increased by the discredit of the country circulation. The extent of those issues would afford a tolerable criterion of the extent to which country bankers had to withdraw their notes.

It is admitted, I believe, by the Bank Directors, that they obtained no profit for those notes issued for the payment of gold. If so, why did they purchase the gold? If they had not hand the increase arose from discounting at a rate of interest below the real market rate, and by

purchased the gold, they could not have added to the amount of their notes; they could not have kept the same amount in circulation. If the whole gold imported had been coined by the importers, and sent into circulation, there would have been a check to the issues of the Bank to the extent of these purchases. I have endeavoured to prove, that the Bank could not have accumulated so much treasure, but from the continued contraction of the country circulation, arising from the high value of the currency of the Bank in 1820, 1821, 1822, and 1823. The profits of the Bank were the same, whatever course was adopted. Her profits arose from her capital lent to Government, and on discounts to merchants—the purchases of bullion added to her issues, without profit—and neither affected the profits on capital lent to Government, nor on discounts to merchants. If this reasoning is correct, in what way could the Bank realize a profit on the disposal of her gold, which was accumulated without profit? If the gold was withdrawn from the Bank, it was by presenting the very notes with which it was purchased. If the Bank reissued the notes, say in the purchase of Exchequer bills, they would be returned again for gold, until the Bank had parted with her treasure. In this way it may be said, that the Bank might convert the whole of her gold into Exchequer bills, and derive a profit of 3 per cent per annum.

Now let it be supposed that the Bank carried on this process from the 1st January, 1824, at which period I suppose she possessed fifteen millions of gold, and that she kept the same amount of paper in circulation, and in place of fifteen millions of gold, possessed fifteen millions of Exchequer bills. If the Bank could have carried on this process without any change whatever in the mercantile and trading world, it is clear she would be deriving a profit upon her gold at the rate of interest on Exchequer bills. But what I contend for is, that the Bank

loans on mortgage, without reference to the amount of treasure; the Bank believing that it had the power at any time to stop the exportation of gold—had gone into such measures, it is evident, from the enlargement of the country circulation, that the exercise of the power of narrowing the currency, to prevent the exportation of gold, would be one of great difficulty, and the longer it was delayed, attended with increased danger to the credit of the country. That the Bank was not aware of the whole extent of the increase to the

could not carry on this process; that the excess of the currency, caused by the process, would raise prices, generate speculation and overtrading, attended necessarily and inevitably by such an excess on the part of the country circulation, much greater than the numerical addition to the currency by the Bank, for the reasons already stated, that the whole excess would fall on the Bank for gold for exportation, and she, to save her credit, must go on selling Exchequer bills, to restore the currency to its Mint value.

To whatever extent, therefore, the Bank could convert her treasure into securities paying interest (for in supposing she could do so with fifteen millions of gold is an extreme case) to that extent only would the experiment be successful and profitable: that this is limited in amount I have no doubt whatever, from the extension of the circulation by the country bankers, producing a general and extensive excess in the currency, which returns upon the coffers of the Bank, so as to render her profits in this way extremely doubtful; they may continue for a month, for six or twelve months, depending upon the amount of her treasure, but in the nature of things cannot be permanent.

country circulation, until the exercise of the remedy was dangerous, I think very probable, for we have no test that I am aware of by which an excess of the country circulation can be accurately measured in London. If its judgment was guided by the state of the foreign exchanges, it is true they appeared to indicate no great excess, for they had fallen very little under par, though sufficiently so to render gold a profitable article of export. As long, however, as the general mass of the currency was below its bullion value, so long would that general excess fall on the coffers of the Bank, and this is the true test of the general excess to the Bank, and it is at her peril that she disregards it. The Bank was thus placed in a situation, not only to answer for the excess of her own issues, but for the whole of the excess of the country circulation. If the Bank had been unable at any time, during this excess of the currency, to answer the demands for gold, the foreign exchanges and the market price of gold would have immediately indicated the extent of that excess. But as long as the Bank could pay in gold, there would be no indication of excess in the currency, either by a rise in the market above the Mint price of gold, or a fall in the foreign exchanges, beyond that point, that afforded a profit upon its exportation.

But let us appeal to the facts of the case in support of this reasoning.

I have already stated, that the computed amount of the country circulation on the 10th of October, 1823, was ...	£8,067,270
And on the 10th of October, 1825	14,147,210
Making an increase of	6,079,940
Add the increased issues of the Bank of England, in 1824	1,500,000
And we have an addition of	7,579,940

to the currency in these two years.

The coffers of the Bank were answerable, and were made answerable, for the whole of this excess. Nay more, in consequence of the Bank continuing to re-issue in discounts the paper returned for gold, the progressive drain was prolonged, until her coffers were nearly exhausted.*

By an account presented to the House of Commons of the quantity of gold and silver exported and imported from 1815 to 1825—No. 204, of the Parliamentary Papers of 1825, already noticed, it appears that the quantity of gold exported, in the year ending the 5th of January,

* It is the excess of the country circulation so greatly exceeding the excess of the Bank's issues that makes it so difficult for her to contract to the extent necessary to prevent the exportation of gold. An addition of one million and a half by the Bank of England is followed by six additional millions by the country banks—the question then is, what proportion of this general excess can the Bank withdraw without shaking commercial credit to its centre?

1825, in bullion, Foreign and British coin, amounted to 1,134,407 oz. 13 dwts., and at 3*l.* 17*s.* 10½*d.* per oz. to 4,417,092*l.* If we had the same account continued to the 5th of July, 1825, I have no doubt but we should find that the export of gold has considerably exceeded the whole addition to the currency in 1824 and 1825.

Under the peculiar circumstances of the case, the Bank of England were in a great measure obliged to be, if I may so express it, neutral spectators of the scene. With such an excess in the general circulation, any contraction of her issues to stop the exportation of gold must have been made upon a scale of such magnitude, as would at once have paralysed the whole frame of the banking, commercial, trading, and agricultural community.* In this state of

* For example, take the average issues of the Bank of England in 1823	£18,603,302
The average circulation of the country bankers at	8,067,260
	26,670,562
The average circulation of the Bank of England in 1824, was	20,110,314
The average of the country circulation was. .	10,604,172
	30,714,486

being an increase of 4,043,924*l.* and equal to 15 per cent. This will at once explain the difficulty which the Bank must at all times experience in correcting the unfavourable exchange. If it is done suddenly, it is sure to produce the most mischievous

neutrality I apprehend she remained until the month of April last. By this time her treasure was considerably reduced, and the state of the foreign exchanges made it still profitable to export gold. At last the Bank were forced to act; and we have the authority of the Governor of the Bank at the meeting of the Quarterly Court of Proprietors in September last, that the Bank had, in the course of three months, sold Exchequer bills to the amount of 670,000*l.** The Governor admitted, that the amount of the notes then in circulation was 18,200,000*l.* so that 670,000*l.* having been withdrawn by the

effect upon credit, leading immediately to the discredit of the country circulation, and I have no doubt, if the facts of the case could be produced, the operation of this principle would explain the true cause of the extensive destruction of public credit in 1793, 1797—1815 and 1816, in 1819, and in 1825.

* See Report of the Proceedings, Morning Chronicle, 23d September, 1825.

As every thing connected with the history of the currency in 1825, from recent circumstances, must be extremely interesting, I insert a part of the proceedings of the Quarterly Court at the Bank in September last.

Mr. Grundy stated, that "he held in his hand a few questions, which appeared to him to be of vital importance, and he trusted that when he submitted them to the Chairman, that honourable Chairman would not feel any hesitation in giving them a straight forward reply."

"The Chairman trusted that every proprietor would bear him out when he asserted, that to the questions that had formerly been asked him he had given clear and candid replies. To do so he deemed it but right in the situation that he held, and on the present occasion he had only to say, that he was sale of Exchequer bills, was about $3\frac{1}{2}$ per cent of the whole. Now what followed this reduction of

certainly disposed to give any information that might be required of him, and that he would, consistent with the duty he owed to the proprietors."

"Mr. Grundy was glad at being so encouraged in the questions he was about to propose. The first one that he would ask was, what amount of Bank notes there was at present in circulation?"

"A proprietor submitted that it might be as well if the honourable proprietor were to propose the whole of the questions at once, by which means the Court would be able to perceive how far it was his intention to go."

"The Chairman did not seem to think that that was necessary. He was perfectly ready for any question, merely reserving for himself the discretionary power of answering it or not, as might seem to him most proper. With respect to the first question, he had to state, in reply, that the present Bank note circulation amounted to 18,200,000*l.*, being about 400,000*l.* less than at that time twelve months.

"Mr. Grundy's next question was—What decrease or increase has there been in the sale of Exchequer bills, during the last six months?

"The Chairman.—Very little either way. In my opinion, the public is very much deceived in their idea of what is done by the Bank in the way of Exchequer bills."

"Mr. Grundy.—The gist of my question was to ascertain whether any large sales had lately taken place?"

"The Chairman.—The whole amount that has been sold by the Bank *is but* 670,000*l.*; and nearly three months were occupied in selling that amount. *Hear, hear!*"

"Mr. Grundy.—My next question is—What advance has there been on mortgages?"

"The Chairman.—The mortgages do not exceed 1,400,000*l.*"

"Mr. Grundy.—And what advance has been made on stock?"

the issues of the Bank. On the 5th of April, three per cent consols were $93\frac{1}{8}$, and on the 3rd

"The Chairman.—I believe, the last time that I was asked that question, I stated that the advance amounted to between 5 and 600,000*l.* In this I now find that I was incorrect, having considerably exaggerated the amount. It was at that period only 480,000*l.*, and it has since increased a little, but not much."

"Mr. Grundy.—My last question, Sir, is, what has principally occasioned the large alterations that have taken place in the money-market? (laughter.)"

"The Chairman.—I must really beg the honourable proprietor to apply elsewhere for an answer! I can assure the Court that the Governors have most indefatigably gone through the task imposed upon them by their office, without attending either to good or ill report."

"Mr. Grundy.—Am I then, Sir, to understand that you profess ignorance of the cause?"

"The Chairman.—Not in the least, Sir. All I did was to *exonerate the Bank Directors.* I set out by saying that you must apply elsewhere."

In the report of these proceedings at the Court of Proprietors, we have a proof, among others already noticed, how little importance seems to be attached, by the Directors of the Bank, to either an increase or a diminution in the amount of the currency. The effect to be produced by the one or the other is totally lost sight of by the Governor of the Bank. The augmentation of 1,400,000*l.* on mortgage is stated, as if it were a mere matter of figures, and as if no consequences injurious to the public, or the Bank itself, could result from the measure. To this measure alone I attribute the origin of all the mad speculations that we have witnessed. The addition to the currency immediately affected the current rate of interest, as we have seen by the rise in the price of the funds; the rise in twelve months being about 23 per cent, and the rate of interest reduced of September, they were at 87. Money became extremely scarce, and credit was very generally

from 3*l.* 15*s.* to 3*l.* 4*s.* It was the abundance of money that produced this state of things, and induced every man with capital to speculate; and those who did not possess capital were enabled to do so from the facility of obtaining credit. On the other hand, the reduction of the circulation, by the sale of Exchequer bills, is mentioned by the Governor as if no importance could be attached to it;—"*very little either way*," is his answer to Mr. Grundy's question. "In my opinion," he adds, "the public is very much deceived in their idea of what is done by the Bank in the way of Exchequer bills." This being no answer to Mr. Grundy's question—the Governor subsequently stated that "the whole amount that has been sold by the Bank *is but* 670,000*l.* I have already stated, that sale to this extent was equal to 3½ per cent of the whole issues of the Bank. When the sales were completed, the extent of credit and accommodation in the money market was reduced to a much greater extent than the reduction of the currency. There is the same number of individuals wanting credit, but the power of giving it is diminished. Bankers and others who have the diminished power, are more cautious in using it—and this circumspection increases the evils that accompany a contraction of the circulation; it is, in itself, a further contraction. The scarcity of money is generally felt; and from the private mode of managing the concerns of the Bank, individuals are at a loss to whom they should ascribe their difficulties. By the sale of Exchequer bills by the Bank, to the extent of 670,000*l.* a reduction of 3½ per cent of all her issues was accomplished, the effect on commercial credit may be increased two or three times beyond the actual reduction in the currency. Mr. Grundy's question, therefore, as to the causes of the large alterations that had taken place in the money market was both a natural and a very proper one to put to the Chairman. The

impaired. The exchange with Paris, rose after April, from 25.15 to 25.25, being a rise only of 7*s.* 11¼*d.* per cent, though the contraction of the London circulation had been 3½ per cent.

Dr. Kelly in his table No. 1, of the Pars of Exchange, p. 146, vol. ii, states the par with Paris in gold to be 25.26 by assay, which is the correct bullion value of the currency. Now, if there had been no excess in the general currency of the country, the reduction of the issues on the part of the Bank of England must have turned the exchanges greatly in favour of London. The whole effect, however, was to raise the exchange to par. It had, however, the effect which the Bank wished to produce, it checked for the time the further exportation of gold.

The effect of the contraction of the circulation was severely felt in London, where credit towards the latter end of September and throughout October, was nearly annihilated. In November, the Bank, it was said, became alarmed for the state of credit, and became more liberal in her discounts. That such was the case is probable, as the exchange with Paris, which on the 7th of October

reply of the Chairman, requesting Mr. Grundy to apply elsewhere for an answer, his desire being to *exonerate* Bank Directors, was declaring at once that they were not, in their own judgment, the cause of the alterations in the value of money. If my reasoning has been correct, a different conclusion must be drawn.

was 25.40, was by the 18th of November at 25.20. By this time, however, the state of credit in London was widely felt throughout the country. Country bankers could no longer find the usual extent of accommodations from their London correspondents; and those who had deposits in London began to withdraw them in October and November, from a conviction that they must be prepared for the worst; this greatly increased the difficulties in London, and still further impaired the general state of credit. It was impossible any longer for the London bankers to support the credit of the country ones; and the failure of a few brought discredit on the whole: so that there was hardly a banking-house throughout England that had not a run upon it for gold or Bank of England notes. The inevitable consequences of such a state of things was, to force the sale of all securities that could be converted into Bank of England paper; that gold might be obtained to maintain the credit of the country circulation. This in its turn produced a run upon the Bank of England for gold; and we may judge of the extent of her means to meet this run, when she was forced, in the course of a week or ten days, to have recourse to the issue of one and two pound notes. It was a tacit acknowledgment that her treasure was nearly exhausted. On the 11th of November, three per cents sold for 87; and on the 16th of December, they were as low as 75½. The credit of the London bankers was generally affected, there was a run upon several, and five or six stopped payment. Such a scene of alarm was never before witnessed on the London exchange; credit was entirely destroyed; and for immediate and temporary purposes, the interest of money was from 40 to 60 per cent.

Thus closed the year 1825, a year that will be memorable in the history of our currency and credit, and the value of money. In December, 1824, the three per cent consols were 96; in December, 1825, 75½. A fluctuation entirely owing to the unsettled value of the currency. It is to be hoped that the lesson that has been taught the Bank of England and country bankers will not be lost upon them. The extent of the mischief to the community cannot yet be measured. It must materially interfere with the receipts of the exchequer; and the hope of a further abolition of taxes must for the present be abandoned. The total stagnation in buying and selling must affect, for a considerable time, the welfare of the trading community. From the state of credit, the fulfilment of existing engagements is rendered difficult, in many cases impossible, and distress and bankruptcies will follow as a necessary consequence.

CHAPTER X.

Recapitulation of the principles attempted to be established in the foregoing chapters.

In the foregoing pages, I have endeavoured to establish the following principles:

1. That in a country with a paper currency, payable in gold on demand, any undue or unnecessary extension of its amount, such as would not be called for in the ordinary course of commercial transactions, and never would be made if the whole currency were metallic—but such as may be made by loans to Government, purchase of Exchequer bills, on loans, mortgage, or on stock—will lead to a reduction of the current rate of interest, an unnatural rise in the price of Government funds, and a general spirit of gambling in all money securities.

2. That if the currency of the country were entirely metallic, or the proportion of paper the lesser quantity of the two, we might be less subject to such violent and extensive fluctuations in the value of property, so productive of ruin and distress to the community, and rendering it a matter of doubt whether as a nation we derive any advantage from the substitution of a paper for a metallic circulation.

3. That under a system of cash payments, the Bank of England could not add to the amount of the currency, beyond the legitimate demands of the country, or such as would be demanded if the whole circulation was metallic; unless she resorted to loans to Government, or on mortgage, purchase of Exchequer bills, or loans on stock; and that when she has recourse to such measures, so completely at variance with the soundest principles of banking, it is followed by an extension of the circulation of country bankers, in a far greater proportion than the increase to the basis of the currency, in the first instance, by the extension of the issues of the Bank of England; and sooner or later will produce a demand for gold on the Bank, so as to force her to a contraction of the currency —endangering her own safety, destroying the credit of the commercial community, and the banking establishments of the country. That when the Bank of England is obliged suddenly to contract its issues, either to preserve its gold, or to augment its amount, it may be followed by such a contraction of the country circulation as for a length of time to keep the bullion value of our currency much higher than in other countries, and causing a fall of prices from diminished consumption, the want of confidence, and the means of exchanging commodities, that bears no true relation for the time to the state of the foreign exchanges on the market price of gold, as ap-

pears to have been the case in 1820, 1821, and 1822.

4. That while the Bank of England possesses the monopoly of the currency—paper as well as metallic, by the existing regulations of the Mint she has the power of regulating the current rate of interest, which would otherwise be regulated by the current rate of profits on coinage; that under the operation of this monopoly, she may acquire an extent of treasure, which in the end may be attended with such a supposed sacrifice of her profits, by loss of interest, as to induce her to adopt measures to free herself from the encumbrance, and lead to very great fluctuations in the value of money and property generally.

Lastly.—From the undue or unnecessary increase of the currency, which could not take place if the whole were metallic, we have the origin and sole cause of general speculations and overtrading, which proceed with its increase, and in their progress demand or require new additions to the circulation and credit; and, from the consequent facility of obtaining credit, may far outstrip the actual increase of the currency; a state of things that cannot be prolonged beyond the safety of the Bank, which again depends on the stock of her treasure: the issues are then contracted, this is followed by the contraction of the country circulation, credit is destroyed, and suddenly our markets assume the appearance of low

prices, over-production, or indefinite supply.* If this principle is applied to the contraction of our currency in 1815 and 1816, with the low prices that followed; its extension in 1817 and 1818, and the general speculation, overtrading, and high prices, that succeeded; and again, to its contraction in 1819, 1820, 1821, and 1822, and the general complaint of abundance of foreign and home produce, and low prices that continued throughout these years; and lastly, to the increase of the currency in 1824 and part of 1825, with the accompanying rage of speculation, overtrading, and high prices that followed, we see the establishment of the principle in all its forms and effects.

In the opinion of Mr. Tooke, general speculation and overtrading may take place in a country where the currency is purely metallic, and instances the extensive failures in Hamburgh in 1798. But it must be remembered, that these failures were *subsequent* to, and I have hardly a doubt were *consequent* upon, a very sudden and violent contraction of the currency of England in 1797, and extended throughout the whole of 1798, as a reference to the then foreign exchanges will confirm. It is more than probable that the exten-

* High prices are not necessarily favourable to speculation and over-trading, but on the contrary, low, and rising prices; which imply a new relation between commodities and currency, from an increase of the latter. The evils of such a system are not confined to England, but must produce a corresponding effect on the commercial relations and credit of every country with which England holds intercourse.

sive speculations in Hamburgh, which failed in 1798, had their origin in the extended currency and high prices of England in 1795 and 1796. In these years we had also our speculations and overtrading, and they were checked by the necessity imposed on the Bank to diminish its issues. The failure of credit in England would extend to Hamburgh, as a matter of course; Hamburgh at that time being most extensively connected with us in commerce.

If we refer to the state of the money market in Hamburgh, in December last, we shall find, even with her purely metallic currency, that the state of her public credit was not different from our own; but it was in this case also, as in 1798, *subsequent* to, or accompanying, the state of public credit in England.*

If these are legitimate conclusions, it would appear, that the evils of our paper currency are not confined to England; and are far more extensive than has hitherto been conceived or admitted; and may be an argument, stronger than any yet produced, for remodelling our system of paper currency, and, if not abolishing it altogether, to confine it within such limits, as to diminish, as much as possible, the chances of its producing such extensive mischief.

*By recent accounts from Paris, we have been informed of extensive failures on *their* Stock Exchange; but these failures have been *subsequent* to the contraction of the circulation in England.

CHAPTER XI.

Proposed remedies for the regulation of our currency.

I SHALL now proceed to state such remedies as may enable us to avoid in future the evils that seem to be inseparable from the present system of our currency.

It is necessary to begin with the Bank of England, as I think the cause of the late failure in commercial credit has in a great measure, if not altogether, been traced to her measures for unnecessarily, unless for her own interest, increasing the amount of the currency. I would, therefore, take the power from her of lending to Government on Exchequer bills, on mortgage, or on stock. None of them seems consistent with the legitimate principles of banking. It would be desirable also, and I think it very practicable, for the Government to raise money at any time on Exchequer bills, for the arrears of the consolidated fund, without doing so through the medium of the Bank. If the Government would establish in the city a banking-house—call it the Exchequer and Treasury Banking-house, where every public accountant would have his accounts, by which the Treasury would at all times have the balances of every public account at command (which balances amount on an average to from four to five millions) they could, through the means of their own bankers, raise money in the public market at the current rate of interest. Such a plan as this would avoid all interference with the current business of the Bank. If she retained the management of the national debt, the Treasury and Exchequer bankers would pay over to her the interest due quarterly, and no more intimate connection need exist. The Treasury and Exchequer bankers, according to the balance of cash on hand, could apply it to the purchase of Exchequer bills, and so diminish the charge of interest to the Exchequer. The profit which the Bank now makes on these balances would be transferred to the public, and would do more than pay the expences of the banking establishment. The result would be the same as if the *Treasury* kept the accounts of all its servants, and made a profitable use of the balance in hand.

As it has been proved, and I hope satisfactorily, that our paper currency is in an undue proportion to its metallic basis, I would propose that the Bank of England should not issue notes below the value of 20*l.* If this became the general regulation for all banks issuing promissory notes, it might bring back our currency to the state it was in a few years previous to the suspension of cash payments in 1797, when our gold currency was estimated by Lord Liverpool, Mr. Rose, and others, at from

twenty-five to thirty millions. That such a measure would not entirely prevent the variations in the value of money, inseparable from the use of a paper currency and so injurious to the public welfare, I am willing to admit. The nearer the approximation to a currency entirely metallic, the more steady and uniform will its value be; and perhaps the essential interests of the community would be consulted by prohibiting the circulation of any promissory note below the value of 50*l.* giving the bank of England the power, for the convenience of the country, to issue Bank post bills for sums of 10*l.* and upwards.

If these regulations were adopted, I would propose that the trade in coined money should be perfectly free; that the Mint, according to the plan I had the honour to propose before the Committee of the House of Lords on the Affairs of the Bank in 1819, should possess a fund, which would enable her, immediately on the quality of the bullion being ascertained by assay (and in no case should this exceed forty-eight hours) coined money would be given in exchange for it.

I have already endeavoured to show how important and essential such a regulation is to the interests of the community, and the probability, that if such a regulation had been co-existent with Mr. Peel's bill, we should have escaped from the long continued ruinous prices that followed the measures of the Bank before and after the resumption of cash payments.

I would further propose, for the general convenience of all classes, but particularly the lower, that an addition of three or four millions should be made to the silver currency at the rate of half a million per annum. The silver currency in the country can never be said to be proportioned to the wants of the community unless every labourer throughout the kingdom can receive his weekly wages in the current coin of the realm. That this is not, and has never been, the case in this country, I think I may safely affirm. On the contrary, we have had *5s.* and *2s. 6d.* notes, and checks upon provision shops, and meetings between masters and servants in public houses for the payment of wages, taking from the labourer the power of spending his wages where he pleases, and the advantages of a ready money purchase. The tendency of such a system is to render the labourer more dependant and degraded than he would otherwise be, and in point of fact it must operate, more or less, as a tax on his wages. I am satisfied that an abundant silver currency would add decidedly to the morality, comfort, and independence, of the labouring classes of the community.

The profit which the government would derive from these progressive annual coinages (which can be suspended on the first appearance of excess),

would defray the greater part of the charges of the Mint establishment.

With regard to the circulation of the country bankers, I would propose, first, that the banking system should be thrown open to within sixty-five miles of London, as agreed upon by the Government and the Bank in 1822,* but that they should issue no notes of lower denominations than the Bank of England. If joint stock banking companies followed the freedom of the trade, there would be sufficient security for the public, and the power of overissuing considerably reduced by the paper currency being confined within narrower limits. That portion of the currency from a 1*l.* note up to twenty or fifty, whatever may be the limit, will hereafter, being metallic, form the solid capital of those who think it their interest to follow the profession of banking. This portion of their capital bankers will lend at interest in the discount of bills, as formerly; but as it is a real and substantial capital, it will not be liable to the same changes from scarcity to abundance, or from abundance to scarcity, as if it were entirely paper. The effect of this plan would be, to give great solidity to our banking system; it would be men of real and substantial capital that would embark in the business, and the public would be freed from the

* Since this was written this desirable point has been arranged between the Bank and Government.

ruinous consequences that follow an extension and contraction of the paper circulation. A really useful system of paper currency, that system in fact that enables a nation to apply a portion of her metallic capital to other and productive purposes, ought to be the aim of the Government. If that portion of capital, whatever it may be, can be saved, without producing ruinous speculations and overtrading, it will be beneficial; but if it is attempted to save more capital, by the substitution of paper, than the nature of the system will bear, and subject the community to much more extensive loss by the attempt, it proves something bad in the system: it becomes a question, then, what are the proportions of paper and coin, if any, that can be maintained beneficially in a country, so as not to cause a greater destruction of capital, by speculations and overtrading, than the saving which results from the substitution of paper for gold. This is the true mode of estimating the advantages and disadvantages of a mixed currency, such as we have in this country. Supposing the whole currency of the three kingdoms to be fifty millions. If twenty-five millions of gold and twenty-five millions of paper do not keep us free from the evils of a greatly varying value in money, we ought to try any other proportion, greater of gold, and less of paper. If every proportion fail in giving us a fixity of prices, such as would result from a purely metallic currency, beneficial to all, and injurious to none; we ought

at once to come to the resolution of having no other than a metallic currency. In other words, make England as the county of Lancashire.

An opinion prevails, and I think an erroneous one, that if we were to abolish our paper currency, neither rent nor taxes, of course the interest of the national debt, could be paid. We have attempted to prove that all the advantage to be derived from our paper currency, as a substitution for gold, is the profitable use of that capital for which the paper is a substitute. If this is five, ten, or twenty millions, then the reproduction of that capital, with a profit, is the limit, as it is the maximum, of the actual advantage of our paper currency. Inasmuch as it is an increase to the amount of the productive capital of the country, in so far it assists in the payment of taxes, but no further. Taxes are never paid from currency, though paid in currency. It is from the profits of capital alone that taxes are paid, and currency is the medium by which they are paid. It is of no consequence, therefore, whether the currency is all paper, or partly paper and metallic, or entirely metallic, as far as the payment of rent and taxes are concerned. There has been attributed to the paper currency of this country a sort of magic power, by which wealth has been created and the Government revenue collected, to a much greater extent than it could otherwise have been done, by which the interest of the national debt has been paid, and without which landlords could not have received their rents; and the inference drawn is, that if the paper currency was restricted in amount, or entirely abolished, the Government could not carry on the affairs of the nation, and landlords could not receive their rents. In this conclusion I cannot agree. If the paper currency at any time has kept prices in this country above their bullion value, which is admitted was the case during a considerable period of the restriction on cash payments, rents would also rise. The restoration of the currency to its Mint value would restore prices to their bullion value, and rents would fall to their proper level, but the landlord would sustain no further injury. The rise of rents from a depreciated currency was not all gain to the landlord, for the purchasing power of his rents was reduced in value from the rise in price of all the articles of consumption. When rents, on the other hand, fall to their bullion value, the loss to the landlord is more nominal than real. General prices are lower, and his diminished amount of rent can command a greater amount of the necessaries of life.

I have thought it necessary to state thus much of the principles of currency, before noticing what regulations it may be advisable to introduce with regard to the circulation of the country banks.

This subject has deservedly occupied a great

deal of public attention of late, and several plans have been proposed with the view of introducing health and stability into this portion of our circulation.

The assimilating of the country banks of England to those of Scotland has been urged as a remedy for the evils of the present system. That the introduction of joint stock and chartered banking companies into England would be attended with great advantage, no one will deny—that is acquainted with the stability of the Scotch banks. It would operate as a complete protection to the holders of notes against the insolvency of any of the banks. Here the benefit would end; and great as it manifestly is, I think it the lesser of the two evils that exist in the present country banking system of England. The extensive distress at this moment felt throughout England, from the discredit and insolvency of the country bankers, has its origin in the power of adding largely and unduly to the amount of the currency. This evil was not confined to England. Scotland has had her currency augmented to the level of England; has had her joint stock speculations and overtrading; has also had her circulation contracted, and public credit impaired; her labourers thrown out of employment, and a general stagnation in trade. The only difference in the two cases is the distress and loss that the lower classes of England have sustained from being the holders of the notes of such banks as have become insolvent. But even this distress, great and lamentable as it may be, is not to be compared with the far greater misery that afflicts the population in both countries, from the want of employment that follows the destruction of credit and capital during the stagnation of buying and selling. The poor must suffer until general confidence is restored; and supply and demand resume their ordinary level.

The introduction, therefore, of the Scotch system of banking into England, though much superior to that now existing, would be no effectual remedy for the greater evils of our present paper currency, inasmuch as it would not take away the power of adding suddenly and largely to the currency, or diminish the necessity arising from the use of that power, of suddenly and extensively contracting the circulation.

Another plan has been proposed in the Scotsman's newspaper, 17th of December last. The writer states, that "the repeal of the injurious and absurd restriction which has obtained for more than a century in England, by which more than six individuals are prevented from entering into any co-partnery for the issue of notes, has been suggested as a remedy for the evils complained of. But though this repeal would, by allowing the formation of great joint stock banking companies, possessed of adequate capital, be a very great improvement on the existing system, we are very far

indeed from thinking that it would of itself be sufficient. There must always be infinitely more hazard in conducting the business of banking in a highly commercial country like England, than in Scotland; and nothing can be more absurd than to argue, that because few of the Scotch banks have failed, they would therefore succeed equally well in England. There is more speculation in Lancashire in a single week than there is in Scotland in a twelvemonth; and the risk incurred by the banking establishments there must be proportionably great. The fact is, that no company, whether it consists of *six*, or *six hundred thousand partners*, ought to be permitted to issue notes at pleasure. For you can have no security that they will not abuse the power to do so; at the same time, that it is certain that the ruin occasioned by the bankruptcy of any establishment will most commonly be directly proportioned to the number of its partners, and the credit and confidence it has enjoyed. To insure the public against the bad faith or the imprudent conduct of the issuers of paper money, it has always appeared to us to be quite indispensable that a law should be enacted, compelling all individuals or associations who issue notes to hold a certain amount of Government securities proportioned to their issues, as a guarantee for the payment of their paper. There may be some difference of opinion as to the limit at which this proportion ought to be fixed, but we do not think it ought to be less than *two thirds* of the total amount of the stamps issued to them. It is to no purpose to contend that this would be laying banking companies under any improper restraint. Had the freedom they have hitherto enjoyed been productive of no bad consequences, they would have had some grounds for protesting against being subjected to any restriction; but after the wide-spread mischief, and destruction of individual fortunes, caused by their misconduct and want of capital, Ministers are not only warranted, but they are called upon by a just regard to the public interests, to interfere to put down the present system. Besides, it must be remembered that the bankers will get the same rate of interest on the funded property that is got by other individuals; while the obligation to hold it will have the effect to exclude all persons who are not possessed of capital from the trade, and will prevent those who are possessed of capital from improperly extending their issues. Neither do we attach any weight to the objection of those who contend that this measure would be opposed to the principle of the freedom of industry; for, though generally true, this is a principle that does not hold universally. It is, for example, admitted on all hands, that in order to prevent the confusion that would arise from the currency of coins of different values, but of the same denomination, it is expedient that Government should interfere to prohibit the circulation of

private tokens, and of all coins which have not been struck at the public Mint. But if such a regulation be, as it most certainly is, expedient, why should it not also be expedient to endeavour to secure the public against loss from the issue of worthless *paper* money. Women, mechanics, labourers, and individuals of all descriptions, who are no wise qualified to judge of the stability of different banking companies, are all dealers in money; and they have a clear and undoubted right to expect protection and security from such an obvious cause of loss as the granting of permission to every one who chooses to send notes into circulation."

This plan has for its object the protection of the public, who are the holders of the notes of the English country bankers, from any loss in case of the insolvency of any of the banks. In this respect, the plan would be productive of the same effects as the joint stock banking companies of Scotland; and beyond this security, the writer does not seem to have any other object in view; and admitting that it would be a guarantee to the public, which I think it would, it is clear, that it is obtained by a sacrifice of a portion of the rate of interest on banking capital in England, to which Scotland and the Bank of England are not subject. It is, I think, objectionable. The writer justifies the principle of his plan, because, in his opinion, there must necessarily be more hazard in conducting the banking concerns of a highly commercial country like England than in Scotland. Now the competition of capital, and the consequent rate of profit, must be the same in Scotland as in Lancashire, and the relative amount of capital and currency will be the same in both. Consequently, there can be no higher state of commercial credit, or greater speculations, in the one country than the other, and no greater hazard to the banks of England than to the banks of Scotland. If, by any regulation the relative amount of currency could be decidedly greater in Lancashire than in Scotland, more extensive speculations and more decided hazard would attend banking in Lancashire than in Scotland—but this is supposing a case entirely at variance with the principles of currency, which reduces itself to one common level throughout a country. It is the operation of this principle, that renders speculation general, and never local in a country. Speculation and overtrading, as I have already endeavoured to explain, have their origin in an undue increase of the currency, and such as could not take place if entirely metallic, and when this increase takes place in one part of the country, from the very nature and intimate connection of commercial transactions and banking, it becomes in a very short time general in all. There therefore cannot be two rates

of speculation in a country, without a disproportionate amount of currency, which in the nature of things cannot exist.

As far, therefore, as the principle of speculation is concerned, there seems no motive for placing the capital of country bankers in England upon a different footing from that of Scotland, which is admitted to give complete security to the holders of their notes.

I doubt, however, that such a plan could be carried into effect. For if the rate of interest on banking capital was 5 per cent, a country banker would prefer converting that portion of his capital which he is required to hold in Government securities at $3\frac{1}{2}$ or 4 per cent into gold, and lend it at the current rate of interest at 5 per cent. The operation of the plan, therefore, if attempted, would be to bring us precisely to the same result, though in an indirect and objectionable way, that would be obtained by the plan that I have in conclusion to propose, that of reducing the paper currency, so as to leave the proportion of one-third paper and two-thirds gold. This would leave the banking trade perfectly free, and the security of the public will be found in the amount of capital in gold and silver in circulation compared with the proportion of paper.

I would, therefore, propose as a general plan for our currency, that no bank issuing promissory notes payable on demand in England, Scotland,

and Ireland, should be permitted to issue any note of less value than 20*l.* The accomplishment of this plan should be very gradual, lest the currency should be forced, as in 1819 and 1820, to an unnaturally high value. I would propose, therefore, two years for withdrawing all notes of the value of one and two pounds; in the third year, notes of the value of 5*l.* may be withdrawn; and in the fourth those of the value of 10*l.*; so that in four years the plan would be in full operation.

With a view to facilitate this measure, and give perfect freedom to the trade in money, I would propose to place the Mint under such regulations, with a capital of 250,000*l.* as would convert all the bullion brought for coinage into currency in forty-eight hours.

If this plan was objected to as more expensive, and leading to more extensive coinages, I would answer, that from 1777, when the reformation of the gold coinage was completed, to 1797, the average yearly coinage was about one million and a half of gold: or about thirty millions; and from 1817 to 1825, a period of nine years, the average annual coinage has exceeded three millions and a half, or upwards of thirty-two millions sterling.

CHAPTER XII.

Remarks on the plans proposed in Parliament for improving the currency of the country.

SINCE the preceding pages were sent to press, Parliament have met, and the state of the currency has been matter of discussion. The general opinion seemed to be, that the circulation of the country bankers was the chief, if not the whole cause of the evils from which the public are suffering; more particularly that portion of it which consisted of notes of one and two pounds value. There can be no question that the insolvency of the country bankers, having a large amount of small notes in circulation, is an evil of great magnitude, and seriously affects the comfort of those in whose hands such notes ultimately fall. But this is a minor evil, in my opinion, to the existence of a power, which has been very frequently called into active operation, that of adding largely and unduly to the amount of the currency; originating schemes of speculation and overtrading, which in their reaction not only affect the comfort of the lowest classes, but (with the exception of annuitants and persons of fixed money incomes) all classes of the community, far beyond the failure of a few country banks. In the late panic about

70 country bankers became insolvent; and let it be supposed, that the actual loss to the holders of their notes amounted to one million and a half; which is about one-eighth of the whole country circulation in 1825. And if it be further supposed, that one half of the whole, or 750,000*l.* was held by the working classes (which I think is a liberal calculation), and if their numbers be taken at 500,000*l.* in England and Wales, their individual loss would be 1*l.* 10*s.* To a labourer with a family, I will admit, that the loss of thirty shillings is a matter of considerable consequence; but great as the injury done to him is, I think it comparatively trifling, with the sufferings he and his family endure by his being thrown out of employment, during the stagnation of trade and manufactures, following such a crisis as we have lately experienced in the money concerns of the country. But the labourers are not the only sufferers; their employers and their families suffer also; and relatively, perhaps, to a much greater extent. Their capitals are deteriorated, and numbers of them sink from respectable stations in society, to a state not much removed from their servants. For such transitions from comfort and affluence to poverty and distress, a remedy ought if possible to be found.

In the preceding pages, I have endeavoured, by facts, to trace the cause of such overwhelming distress to its origin, and I hope successfully. If it

is to be found, as I think it is, in the nature and management of our currency; the remedy can only be applied in a system that will protect the whole community from a recurrence of such extensive ruin and misery as we are now witnessing.

The remedial measures proposed by his Majesty's Government, though in themselves beneficial, will not, in my opinion, be attended with such extensive benefit as may be supposed. The introduction of joint stock banking companies, upon the Scotch system, will be as complete a check against insolvency as now exists in Scotland; and here the benefit will cease. The lower classes, indeed all classes, will be freed from the risk of the insolvency of the country banks—as much so, as if the whole country circulation were supplied by branch banks of the Bank of England.

The second measure, that of introducing gold for the one and two pound notes, will be of very little consequence, provision being made against the insolvency of the country bank; and ought to be no more necessary in England than in Scotland, under the same circumstances.

Neither measure, it appears to me, is even of the nature of a remedy for the main evil, because they do not take the power from the Bank of England of adding extensively to the currency. It is from the exercise of this power that I have endeavoured to trace the cause of general speculation and overtrading, the reaction of which produces such extensive mischief throughout the community. As this in my opinion is the greatest of the two evils, I should have been glad to see the remedy extend to both.

The substitution of four or five millions of gold for the country one and two pound notes, will operate as a very slight protection against an over-issue of paper by the Bank of England. It must be remembered, that in 1793, we had a very similar failure of commercial credit to the present; and at that time, I think I am correct in stating that the Bank of England had no notes in circulation under 10*l.*, and the country bankers none under 5*l.* But even with this extensive metallic currency, we were not protected from general speculation and over-trading, the reaction of which produced such extensive calamity at that time. Mr. Tooke states in his recent work on currency,* that in 1790, the amount of treasure possessed by the Bank was 10,097,000*l.*, and its notes in circulation amounted to 10,217,360*l.* In 1791, the Bank increased its issues by an advance to Government of 1,500,000*l.*; and it was followed by an increase of the country circulation; and I have no doubt to a greater extent than the mere issues of the Bank, upon the principle I have in the preceding pages explained. The consequence was a drain upon the Bank for gold; so that its treasure

* State of the Currency, p. 83.

by September, 1792, was reduced to 6,255,000*l.* Mr. Tooke states, that there was a further drain of nearly three millions more in the next six months, which he supposes supplied the place of the discredited notes of the country bankers. In February, 1794, the issues of the Bank amounted to 10.963,380*l.*, and in February, 1795, were increased to 13,539,160*l.*, being 2,575,780*l.* or fully 18 per cent. By the 31st December, they were further reduced to 9,204,500*l.*, being a reduction from February, 1795, of 4,334,660*l.*, and equal to 32 per cent.* There can be no surprise, with such facts as these, that the public should be subject to the mania of speculation and over-trading; nor at the re-action that follows the contraction of the currency. It was tampering with the currency that produced the dreadful crisis of 1797. If the Bank of England increased its portion of the currency 23 per cent in one year; the circulation of the country bankers, upon the principle that I have attempted to establish, would considerably exceed that of the Bank. The attempt, on the part of the Bank, to check the drain upon its coffers for gold, produces a general discredit of the country paper, as in December last; so that, in fact, to find a sufficient remedy for the unwholesome state of the currency, we should begin with the Bank of England; for it would seem that the

* See the Lords' Report of Secrecy, 1797.

evils originate with that establishment. Any remedy, therefore, that does not impart to the currency an uniform value will not be attended with prospective benefit.

The substitution, therefore, of gold for the one and two pound notes, will not protect us from an over-issue of paper. It is from this conviction I have proposed that the metallic basis of the country should be still further extended; and that no notes should be in circulation under 20*l*. I do not say that this will protect us entirely from an over-issue of paper by the Bank of England; but it will certainly operate as a check. When the monopoly of the Bank expires, and the trade in money is perfectly free, a better order of things may arise, and more paper and less coin may be employed, with perfect security to the public; for there is no reason why the competition of capital employed in banking should not produce a steady and uniform result, alike beneficial to the public and to the capitalist. The competition of capital would protect us from any fluctuation in the current rate of interest; the circulation would be always full, but it would never be in excess; any attempt at excess would be instantaneously returned upon the Bank that made the experiment: neither would there be any deficiency, as it would be the interest of every banker to keep the circulation to the level of the value of money in other countries. A similar result would follow, as if the

whole currency were metallic; prices would be steady: capital would be freed from its present violent fluctuations in value; the wages of labour would be uniform; and there would be no transitions from comfort and affluence to poverty and want. The moral tone of the community would be improved; there would be a check to the spirit of gambling, general speculation, and over-trading. The completion of such decided improvements ought to be the aim of the legislature.

APPENDIX.

No. I.

An Account of the Market Price of Standard Gold and Silver, the Courses of Exchange with Hamburgh and Paris, and the Price of 3 per Cent. Consols, from Jan. 3, 1815, to Dec. 30, 1825. Extracted from Lloyd's List. First Quotation Monthly.

	Market Price of Gold per Ounce.			Market Price of Silver per Ounce.		Course of Exchange with Hamburgh, $2\frac{1}{2}$.	Course of Exchange with Paris, 1 day's del.	Price of 3 per Cent. Consols.
1815.	£	s.	d.	s.	d.			
Jan. 3	4	6	6	5	9	32.4	22.40	$65\frac{7}{8}$ R.†
Feb. 3						32.1	22.10	65
March 3				5	$11\frac{1}{2}$	32.2	22.0	$63\frac{3}{4}$
April 4	5	7	0			28.0	18.80	57
May 2	5	6	0	6	$9\frac{1}{2}$	28.2	20.0	$57\frac{1}{4}$
June 2*	5	5	0			28.0	18.30	59
July 4	4	16	0			32.0	21.30	59 R.
Aug. 1	4	11	0			32.2	21.80	57
Sept. 1	4	10	0			32.6	22.0	$56\frac{7}{8}$
Oct. 3	4	6	0	5	6	33.2	23.20	$57\frac{1}{8}$
Nov. 3	4	3	0			33.8	23.30	$61\frac{1}{2}$
Dec. 1	4	3	0			34.3	24.0	$61\frac{1}{8}$
1816.								
Jan. 2	4	2	0			34.4	24.10	$59\frac{1}{2}$ R.
Feb. 2	4	2	0			34.6	24.40	$61\frac{1}{2}$
March 1	4	2	0	5	4	34.9	24.80	$61\frac{1}{2}$
April 2	4	2	0	5	$2\frac{1}{2}$	35.0	25.10	$60\frac{5}{8}$
May 3	4	0	0			35.10	25.60	$62\frac{1}{8}$
June 4	4	0	0	5	$1\frac{1}{2}$	35.10	25.35	$64\frac{1}{4}$
July 2	4	0	0	5	$0\frac{1}{2}$	36.3	25.45	$62\frac{3}{4}$ R.
Aug. 2	3	19	0	5	0	36.10	25.80	63
Sept. 3	3	19	0			36.9	25.80	$61\frac{3}{4}$
Oct. 1	3	19	0	5	0	36.11	25.80	$61\frac{1}{4}$
Nov. 1	3	18	6			36.8	25.30	$61\frac{7}{8}$
Dec. 3	3	18	6	4	$11\frac{1}{2}$	37.2	25.80	63

* Bonaparte landed in France in March, 1815. The Battle of Waterloo was fought on June 18.

† When 3 per Cent. Consols are shut, 3 per Cent. Reduced Stock has been quoted.

	Market Price of Gold per Ounce.	Market Price of Silver per Ounce.	Course of Exchange with Hamburgh, 2½.	Course of Exchange with Paris, 1 day's del.	Price of 3 per Cent. Consols.
1817.	£ s. d.	s. d.			
Jan. 3	3 18 6		36.7	25.40	63¼ R.
Feb. 4			36.2	25.20	64
March 4	3 18 6		36.6	25.40	68½
April 1	3 18 6		36.2	25.20	72½
May 2			35.5	24.70	72⅜
June 3	3 19 0		35.	24.60	73
July 1	3 19 0		35.5	24.80	75¼ R.
Aug. 1	4 0 0	5 3½	34.8	24.30	79⅛
Sept. 2			35.	24.40	79¾
Oct. 3	4 0 0		35.2	24.40	81¼
Nov. 4	4 0 0	5 3½	34.10	24.40	82⅞
Dec. 2		5 3½	34.7	24.40	83⅜
1818.					
Jan. 2	4 0 6		34.6	24.40	81 R.
Feb. 3			34.2	24.20	79
March 3		5 4	34.	24.[illegible]	78⅛
April 3	4 1 0	5 4	34.3	24.20	80
May 1	4 2 6		34.3	24.20	79½
June 2	4 1 6	5 5½	34.	24.5	79
July 3		5 5	34.5	24.30	78⅜ R.
Aug. 4		5 5	34.2	24.20	77¼
Sept. 1		5 4½	34.6	24.40	73½
Oct. 2	4 1 6	5 4½	34.9	24.70	75¼
Nov. 3		5 4½	34.2	24.45	77½
Dec. 1		5 6	33.8	23.65	79
1819.					
Jan. 1		5 5½	33.8	23.50	78 R.
Feb. 2		5 7	33.7	23.50	78
March 2	4 1 6		34.	23.70	73
April 2	4 1 0		34.4	23.95	74¾
May 4		5 6	34.3	23.90	72
June 4		5 2½	35.2	24.85	66¼
July 2		5 2	35.8	25.	67½ R.
Aug. 3	3 18 0	5 2	35.11	25.10	71⅛
Sept. 3		5 2	36.2	25.10	71½
Oct. 1	3 17 10½	5 2	36.9	25.55	69¾
Nov. 2	3 18 6	5 2	35.11	25.5	67¼
Dec. 3	3 18 0	5 2	36.0	25.10	67

	Market Price of Gold per Ounce.	Market Price of Silver per Ounce.	Course of Exchange with Hamburgh, 2½.	Course of Exchange with Paris, 1 day's del.	Price of 3 per Cent. Consols.
1820.	£ s. d.	s. d.			
Jan. 4	3 17 10½	5 2	36.	24.95	68 R.
Feb. 1	3 17 10½	5 2	36.1	25.5	67⅝
March 3	3 17 10½	5 1½	36.4	25.20	68¾
April 4	3 17 10½	5 1	36.7	25.40	68½
May 2	3 17 10½	5 0½	36.9	25.50	69½
June 2	3 17 10½	5 0½	37.	25.70	69¾
July 4	3 17 10½	5 0	37.3	25.80	69 R.
Aug. 1	3 17 10½	5 0	37.6	25.80	68¼
Sept. 1	3 17 10½	4 11½	37.6	25.70	67⅝
Oct. 3	3 17 10½	4 11½	37.8	25.80	66½
Nov. 3	3 17 10½	4 11½	37.7	25.80	67¾
Dec. 1	3 17 10½	4 11½	37.7	25.70	69¾
1821.					
Jan. 2	3 17 10½		38.1	25.75	70⅛ R.
Feb. 2	3 17 10½	4 11½	38.2	25.75	71¾
March 2	3 17 10½	4 11½	38.2	25.80	72⅞
April 3	3 17 10½	4 11	38.7	25.80	72⅛
May 1	3 17 10½	4 11	38.7	25.80	72⅜
June 1	3 17 10½	4 10	38.8	25.80	77
July 3	3 17 10½	4 10½	38.10	25.85	76⅛ R.
Aug. 3	3 17 10½	4 11	38.2	25.55	75¼
Sept. 4	3 17 10½	4 11	38.2	25.70	76
Oct. 2	3 17 10½		37.10	25.70	76¾
Nov. 2	3 17 10½	4 11	37.10	25.60	78
Dec. 4	3 17 10½	4 11½	37.6	25.60	77⅛
1822.					
Jan. 1	3 17 10½	4 11½	37.6	25.60	75⅞
Feb. 1	3 17 10½		37.5	25.40	76⅛
March 1	3 17 10½	4 11	37.4	25.40	79
April 2	3 17 10½	4 11½	37.2	25.30	79½
May 3	3 17 10½		37.2	25.20	79
June 4	3 17 10½		37.8	25.35	79½
July 2	3 17 6	4 11	38.2	25.70	80 R.
Aug. 2	3 17 6	4 11½	37.8	25.45	80½
Sept. 3	3 17 6	4 11¼	38.	25.60	80½
Oct. 1	3 17 6	4 11¼	38.	25.60	81½
Nov. 1	3 17 6		37.8	25.50	82⅜
Dec. 3	3 17 6	4 11½	37.7	25.50	79½

	Market Price of Gold per Ounce.	Market Price of Silver per Ounce.	Course of Exchange with Hamburgh, 2½.	Course of Exchange with Paris, 1 day's del.	Price of 3 per Cent. Consols.
1823.	£ s. d.	s. d.			
Jan. 3	3 17 6	4 11½	37.8	25.65	80 R.
Feb. 4	3 17 6		37.8	25.50	76¼
March 4	3 17 6	4 11¼	38.4	25.80	73¼
April 1	3 17 6	4 11¼	38.2	25.90	74⅜
May 2	3 17 6	4 10¾	38.3	25.90	78¼
June 3	3 17 6		38.4	25.90	80¾
July 1	3 17 6	4 11	38.	25.80	81½ R.
Aug. 1	3 17 6		38.2	25.80	81½
Sept. 2	3 17 6	4 11	38.2	25.85	82½
Oct. 3	3 17 6	4 11	38.2	25.90	83¼
Nov. 4	3 17 6		37.10	25.80	83¼
Dec. 2	3 17 6		37.8	25.70	84⅛
1824.					
Jan. 2	3 17 6	4 11½	37.8	25.65	87 R.
Feb. 3	3 17 6	4 11½	37.5	25.60	90½
March 2	3 17 6	4 11½	37.5	25.60	93½
April 2	3 17 6	4 11½	37.7	25.60	95
May 4	3 17 6		37.6	25.40	96¼
June 1	3 17 6	4 11¾	37.6	25.45	94½
July 2	3 17 6	4 11¾	37.4	25.50	94¾ R.
Aug. 3	3 17 6		37.4	25.25	92¼
Sept. 3	3 17 6		36.11	25.20	93¾
Oct. 1	3 17 6	5 0½	37.1	25.30	95½
Nov. 2	3 17 8		37.	25.20	96⅛
Dec. 3	3 17 9	5 0½	36.10	25.15	95
1825.					
Jan. 4	3 17 9	5 0½	37.	25.15	94½ R.
7	3 17 9	5 0½	37.	25.15	94⅛
11*	3 17 9	5 0½	37.	25.15	93⅞
14	3 17 9	5 0½	37.	25.15	93¾
18	3 17 9		36.10	25.15	94⅛
21	3 17 9		36.10	25.15	94
25	3 17 9		36.10	25.15	94¼
28	3 17 9		37.	25.15	93⅝

* New Doubloons are quoted this day at £3 17*s.* They are inferior to Standard Gold £4 10*s.* ½*d.* per ounce, which would make the price £4 1*s.* 10½*d.* per ounce.

	Market Price of Gold per Ounce.	Market Price of Silver per Ounce.	Course of Exchange with Hamburgh, 2½.	Course of Exchange with Paris, 1 day's del.	Price of 3 per Cent. Consols.
1825.	£ s. d.	s. d.			
Feb. 1	3 17 9		37.	25.15	93¼
4	3 17 9		37.1	25.15	93⅝
8	3 17 9	5 0¾	37.1	25.15	93¾
11	3 17 9	5 0¾	37.1	25.15	93¾
15	3 17 9	5 0¾	37.1	25.15	94
18	3 17 9	5 0¾	37.1	25.15	93¾
22	3 17 9	5 0¾	37.	25.15	94
25	3 17 9	5 0¾	36.11	25.15	93⅞
March 1	3 17 9		36.11	25.15	93¾
4	3 17 9		36.11	25.15	93½
8	3 17 9		36.11	25.15	93¾
11	3 17 9	5 0¾	36.11	25.15	93¾
15	3 17 9		36.10	25.15	93⅛
18	3 17 9		36.10	25.15	93⅝
22	3 17 9	5 1	36.10	25.15	93¼
25	3 17 9	5 1	36.10	25.15	93¼
28	3 17 9	5 1	36.11	25.15	93
31	3 17 9	5 1	36.10	25.20	93⅛
April 5	3 17 9	5 1	36.10	25.20	93⅛
12	3 17 9	5 1	36.9	25.15	92⅞
19	3 17 9	5 1	36.6	25.15	91¾
26	3 17 9	5 1	36.6	25.15	92⅝
May 3	3 17 10½	5 1	36.6	25.15	91⅝
10		5 1	36.9	25.15	91⅛
17	3 17 9	5 1	36.9	25.20	89
24	3 17 9	5 1	36.9	25.20	90
31	3 17 10½	5 0¾	36.9	25.20	89½
June 7	3 17 10½	5 0¾	36.9	25.20	90⅛ R.
14	3 17 10½	5 0½	36.10	25.20	90 R.
21	3 17 10½	5 0½	36.10	25.20	90⅝ R.
28	3 17 10½	5 0½	36.10	25.20	90½ R.
July 5	3 17 10½	5 0½	36.10	25.20	90¾ R.
12	3 17 10½		36.10	25.20	90⅛
19	3 17 10½		36.10	25.20	90
26	3 17 10½		36.10	25.25	90¾
Aug. 2	3 17 10½	5 0¾	36.10	25.25	90½
9	3 17 10½	5 0¾	36.10	25.25	90¾
16	3 17 10½	5 1	36.10	25.25	89½
23	3 17 10½	5 1	36.10	25.25	89¾
30	3 17 10½	5 1	36.10	25.25	87¼

1825.	Market Price of Gold per Ounce. £	s.	d.	Market Price of Silver per Ounce. s.	d.	Course of Exchange with Hamburgh, $2\frac{1}{2}$.	Course of Exchange with Paris, 1 day's del.	Price of 3 per Cent. Consols.
Sept. 2	3	17	$10\frac{1}{2}$	5	1	36.10	25.25	$86\frac{7}{8}$ $7\frac{1}{8}$
9	3	17	$10\frac{1}{2}$	5	1	37.	25.25	$88\frac{1}{4}$
16	3	17	$10\frac{1}{2}$	5	1	37.	25.25	$88\frac{1}{2}$
23	3	17	$10\frac{1}{2}$	5	1	37.	25.25	$88\frac{1}{2}$
30				5	1	37.	25.30	88
Oct. 7	3	17	6	5	1	37.2	25.40	$88\frac{1}{8}$
14	3	17	6	5	1	37.1	25.35	$88\frac{1}{8}$
21	3	17	8	5	1	37.1	25.20	$87\frac{3}{4}$
28				5	1	37.1	25.30	$87\frac{3}{4}$
Nov. 4	3	17	9			37.	25.30	$87\frac{1}{2}$
11	3	17	$10\frac{1}{2}$	5	$1\frac{1}{4}$	36.10	25.25	87
18	3	17	$10\frac{1}{2}$	5	$1\frac{1}{4}$	36.9	25.20	$85\frac{1}{2}$
25	3	17	$10\frac{1}{2}$	5	$1\frac{1}{4}$	37.	25.20	84
Dec. 2	3	17	6	5	$1\frac{1}{4}$	37.2	25.25	83
9	3	17	6	5	1	37.6	25.35	$82\frac{1}{2}$ R.
16	3	17	6	5	$0\frac{3}{4}$	38.	25.55	{78 $75\frac{1}{2}$ 79 & 80
23	3	17	6	5	$0\frac{1}{2}$	37.11	25.50	80
30	3	17	6	5	$0\frac{1}{2}$	37.8	25.20	81

No. II.

An Account of the Number of Country Bank Notes, of all denominations, stamped in each Year, ending Oct. 10, from 1804 to 1825 inclusive, with the per Centage of increase and decrease, comparing each Year with the Year preceding, together with an estimate of the total amount in circulation, according to Mr. Sedgwick's Tables, in each Year, from 1804 to 1825 inclusive, with the per Centage of increase and decrease, comparing each Year with the Year preceding.

	The amount of Country Bank Notes of all denominations stamped in each Year ending Oct. 10, from 1804 to 1825.	The per Centage of increase comparing each Year with the Year preceding.	The per Centage of decrease comparing each Year with the Year preceding.	The amount of Country Bank Notes in circulation according to Mr. Sedgwick's Tables, in each Year ending Oct. 10, from 1804 to 1825 inclusive.	The per Centage of increase comparing each Year with the Year preceding.	The per Centage of decrease comparing each Year with the Year preceding.
1805	11,342,413					
1806	11,480,547	$1\frac{2}{10}$				
1807	6,587,398		$42\frac{6}{10}$	18,021,900		
1808	8,653,077	$23\frac{8}{10}$		16,871,524		$6\frac{3}{10}$
1809	15,737,986*	$81\frac{8}{10}$		23,702,493	$40\frac{5}{10}$	
1810	10,517,519		$33\frac{1}{10}$	23,893,868	$\frac{8}{10}$	
1811	8,792,433		$16\frac{4}{10}$	21,453,000		$1\frac{6}{10}$
1812	10,577,134	$20\frac{3}{10}$		19,944,000		7
1813	12,615,509	$19\frac{2}{10}$		22,597,000	$13\frac{3}{10}$	
1814	10,773,375		$14\frac{6}{10}$	22,709,000	$\frac{5}{10}$	
1815	7,624,949		$29\frac{2}{10}$	19,011,000		$16\frac{3}{10}$
1816	6,423,466		$15\frac{7}{10}$	15,096,000		$20\frac{6}{10}$
1817	9,075,958	$41\frac{1}{10}$		15,898,000	$5\frac{3}{10}$	
1818	12,316,868	$35\frac{7}{10}$		20,507,000	29	
1819	6,130,313		$50\frac{2}{10}$	17,366,875		$15\frac{3}{10}$
1820	3,574,894		$41\frac{7}{10}$	11,767,391		$32\frac{2}{10}$
1821	3,987,582	$11\frac{5}{10}$		8,414,281		$28\frac{5}{10}$
1822	4,217,241	$5\frac{7}{10}$		8,067,260		$4\frac{1}{10}$
1823	4,657,589	$10\frac{4}{10}$		8,798,277	9	
1824	6,093,367	$30\frac{8}{10}$		10,604,172	$20\frac{5}{10}$	
1825	8,532,438	40		14,147,211	$33\frac{4}{10}$	

* In 1809 the duty on 1*l.* notes was increased from 3*d.* to 4*d.* and may account for the great increase in this year, the notes bearing a 3*d.* stamp being no longer issuable.

C. Baldwin, Printer,
New Bridge Street, London.