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THOUGHTS  
ON  
THE CAUSES  
OF THE PRESENT  
FAILURES.

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## THOUGHTS, &c.

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THE events of the present times seem calculated to shew the weakness of human foresight. More fortunate than other nations, it has been our lot to regard the extraordinary changes that have taken place on the continent rather as occurrences that amused our curiosity, than as subjects in which we were deeply interested. Recent circumstances have brought the business home to ourselves. No sooner have we interfered in foreign dissensions than we begin to partake of their unhappy effects; our very prosperity becomes our misfortune, for in proportion as our concerns are more widely extended, we are more vulnerable than any other nation. The ruin is already begun. The commerical world shakes to

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its centre—Is it yet possible to abate the shock or restore its equipoise?

It cannot surely be forgotten with what self-complacency we have for some time past dwelt upon the splendid pictures of national felicity which have been so industriously held up before us. Alas! we little thought the scene was so quickly to change, and that the voice of exultation was only a prelude to the deep requiem of national ruin. The cup of prosperity, like that of Tantalus, was it seems, filled too high, and is now emptying itself even to the very dregs.

That our prosperity was fallacious is now too apparent, but whether it was necessarily and unavoidably so, is yet to be considered. Those who have attributed it to the talents and virtues of a single man, would do well to consider whether he who reared the building, would not have known of what materials it was composed, and have sheltered it from those rude blasts and hostile shocks which it was ill able to bear—Slight as was the superstructure, the foundation was strong, and with proper precautions there is little doubt but the whole might yet have courted the applause of our countrymen, and been the admiration

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of foreign nations. An extensive manufacture of almost every article of human accommodation; an unlimited command of markets; an unembarrassed intercourse with all our foreign possessions, were the real and substantial advantages we enjoyed. Public and individual prosperity gave rise to public and individual confidence. Money diminished in its value. The legal rate of interest could in few instances be obtained. Paper was preferable to gold; and the presumption of responsibility was itself a capital.

In accounting for the unfortunate reverse which we now experience, it is not difficult, in the first place, to perceive that our present misfortunes originate from certain pre-disposing causes in our commercial situation, operated upon by certain external events. The commerce of the country, conducted as it has been for many years past, might have been conducted for many years to come. On the other hand, had the trade of the country been confined to a less compass, or the sign of credit been more substantial than paper, we might possibly have taken a part in the dissensions of the continent without its producing such unhappy consequences to

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ourselves. To the concurrence of these circumstances we are to attribute the evils we now feel. The materials that composed our prosperity, though undoubtedly of a very precarious and inflammable nature, had long existed, and might with due care have been preserved to an indefinite period; but no sooner did we kindle the torch of war, than its first spark dissipated them in air.

Public misfortunes are sometimes traced to their causes with difficulty; but in the present instance their origin is too apparent to be overlooked by the most incurious observer. An effect extending as generally as the British empire must have as general a cause. Private misconduct may have increased, but has not occasioned the evil. A nearer attention to particular facts will not only evince the truth of the foregoing observations, but will enable us to trace step by step, the progress of the present calamity.

Ever since the acknowledgment of the independence of America, which was dreaded long before it took place, as an event that was to be the ruin of the commerce and manufactures of Great Britain; that commerce, and those manufactures, have

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have been gradually and steadily increasing. A trade has been opened with America herself, now she is free, which, whilst she remained subjected to us we should probably never have enjoyed. The productions of our West-Indian possessions have been conveyed to this country with a regularity, interrupted only by the partial disadvantages of unfavourable seasons, or the inevitable dangers of navigation. The trade to Africa has been carried on for a few years past, with an avidity naturally arising in the minds of mercantile men, from the apprehensions, that it would not long be suffered to continue; and with advantages resulting from the very restrictions which they contended would be its destruction. The manufactures of this country have in the mean time found a market directly or indirectly in almost every part of the world. The superior excellence of the articles, and the extent of the sale, have operated with an action and reaction that have given the British manufacturer a decided advantage over every competitor.

The medium by which this extensive trade has been conducted is paper credit; a medium, which alone is equal to the emergencies of so quick and so remote an intercourse. The simple  
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barter of commodities is the first stage of commercial dealing. The interchange of mercantile articles for a sign of value generally allowed and understood, as specie, is the second. But that which has facilitated the intercourse between remote parts, and given life and energy to trade, is the substitution of paper credit to the actual and substantial delivery of money or commodities. Were trade restricted to the latter, the necessary articles of return might not always be at hand, or if ready, might not suit the purposes of the dealers. Were it bounded by the actual quantity of circulating specie, it must be confined to very narrow limits indeed. But a bill of exchange is a mode of payment of all others the most applicable to the purposes of commerce, and as the extent of credit must generally keep pace with the extent of trade, it is a medium of intercourse which may be presumed to be always equal to the object which it is intended to answer.

For some time past, and particularly of late years, the trade of this country has been mostly conducted thro' this channel. If a British cargo be sold in foreign parts, the amount is generally returned in bills on London. If a foreign cargo be sent to Great Britain, bills are drawn on Lon-

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don for the amount. If an African merchant dispose of his slaves in the West Indies, the same mode of payment is adopted. In short, scarcely a transaction now takes place in the mercantile world but it produces a bill of exchange; and these bills are drawn payable at various dates, according to the nature of the trade, or the positive stipulation of the parties, frequently at two or three months; not seldom at six, nine, or twelve months; and in the African trade, bills are often drawn, payable at the end of one, two, and even three years.

Let us for a moment consider the principle on which this extension of credit is founded. A cargo of goods is sent to be disposed of at a foreign market; the price is agreed upon, and the only question that remains is, as to the time and mode of payment. The purchaser observes, that before payment be made, he ought to have time allowed him to convert the whole, or at least a considerable part of the goods into money; and that without this indulgence, his immediate capital will not allow him to purchase so large an amount. The seller, though desirous that the buyer should take his cargo, objects that he cannot either remain himself, or detain his ship and crew

crew at a considerable expense, till the time the purchaser proposes to pay. In this difficulty a method is devised which perfectly reconciles the views of each of the parties. The purchaser, calculating at what time he may reasonably expect the returns from the re-sale of his purchase, offers to the seller an order upon some creditable person residing at the place to which the seller is next bound, or at that of his usual dwelling, payable when he supposes he may have received sufficient from the goods in question, to replace in the hands of the person drawn upon, the amount of the bill. Thus the West Indian planter, whose bills for slaves purchased by him are at the longest date in use, presumes, that before he ought to be called upon for payment, the labour of those slaves either in the whole or in part, should be brought to market. The seller seeing the necessity of the case, agrees to the proposition, and bills are drawn for the amount accordingly.

But, although the seller thus consents to postpone the payment until a certain period, it does not follow that he is prevented from employing the capital of the cargo, which he has just disposed of, in another adventure. During the continuance of  
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public tranquillity trade gets into known and certain channels. The characters of mercantile men, in every part of the world, are duly and accurately estimated, and a good bill is as easily judged of by a well informed merchant, as a good piece of money. The person who has received payment for his commodities in this form, applies his bills, or such of them as being within a reasonable time of payment are deemed negotiable, in the purchase of a fresh cargo, with which he again proceeds to market. Those at a longer date are generally called out into capital, by discounting; and the amount has again circulated through half the world, long before the bills become due.

To the duration of a system of trade of this kind, public tranquillity is however indispensably necessary. The slightest apprehensions of war affect it in its most vital parts, and vibrate through its remotest extremities; but when the demon raises his iron wand, the whole fabric vanishes like the work of enchantment. The enormous but unsubstantial capital, by which the productions of the world were so expeditiously transferred from region to region, sinks in a moment to a few hard guineas. A slip of paper  
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which was yesterday worth a thousand pounds, is to-day of no more use than when it was in its original state. The current which had so long flowed on in one uniform and steady direction, suddenly rolls back, and overwhelms in ruin those who had ventured on its surface in the fullest confidence of safety and success.

That such are the inevitable effects of war, we already know by fatal experience; but it may not be uninteresting to examine for a moment the precise manner in which a war operates in depressing commercial credit. Though purporting to be a mere personal security, a bill of exchange is universally received as a sign of property; and presupposes a degree of stability in the drawer of it, adequate to the amount.— Whatever therefore tends to diminish the value of property in general, tends to diminish the credit of bills of exchange: for although the persons liable may have been competent to the performance of their engagements under the existing circumstances at the time they entered into them, it is evident they may be rendered unable to fulfil them by the depreciation of their property in consequence of subsequent events.— Hence, in all cases of public commotion, a general

neral impression is made unfavorable to paper circulation; and this is again increased beyond measure by observing the actual effects produced by a war, not only on every particular branch of commerce, but upon almost every different species of property. For instance, the bills drawn in the West Indian islands derive their principal credit from the idea that the persons who issue them are possessed of considerable estates there; so that in case it should be necessary to call upon them, they will be able to discharge the amount. But one of the probable consequences of a war is, that these islands may be captured by the enemy. The actual value of these estates is therefore considerably diminished; and the credit of the owner, and consequently that of his circulating bills, sinks in proportion. The situation of the manufacturer is yet more critical; the enormous expense of his buildings and machinery, the astonishing number of workmen employed by him, amounting in some instances to several thousands, the constant payment of duties, and the purchase of raw materials, pour out his property daily, with the rapidity of an immense torrent, which can only be supplied by a perpetual and adequate influx. Of

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this he is deprived by the war, which closes the market for his commodities, or positively prohibits his sale. From that moment, the very property which he lately considered as his capital and his riches, producing to him a princely revenue, becomes not only unproductive, but an expense and an incumbrance upon his hands.— Even those persons who may be supposed to be the most effectually sheltered from the effects of the calamity, often feelingly partake in its consequences. Estimating his property at the value it bore a few months since, a stock-holder may have entered into positive engagements, which at that time, he conceived himself able to make good, but when he is called upon to fulfil them, he finds that by the fall of the funds he is unexpectedly deprived of perhaps a fourth part of his capital; and that at a season when no possible help is to be obtained from any other quarter. The value of every different species of property being thus inevitably reduced, the sign of that property also sinks in the same proportion. But the least diminution of full and perfect confidence, is the total destruction of paper credit—unlike a piece of substantial coin, a bill of exchange is of no value, unless it be negotiable for its full

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full amount, nor is there any medium between the receiving it for the value it purports to bear, and its absolute and final rejection.

Perhaps at no period was the commerce of these kingdoms so critically circumstanced, as at the commencement of the present war. The disturbances on the continent had afforded an opportunity of aggrandizement, which had been improved by the merchants and manufacturers of this country with equal skill and avidity. The popular idea that the purposes which the minister had in view were incompatible with a war, and the apparent uniformity of his determination to avoid all interference with continental dissensions, gave rise to a degree of confidence, which had extended the trade of Great Britain far beyond what it had been at any former period. That confidence had even afforded an opportunity for enterprize and adventure, in which mercantile men are perhaps of all others the most apt to indulge—Hence undertakings were begun without substantial capitals, and being once engaged in, were obliged to be supported by a circulation of paper, which exceeded what was requisite for the legitimate purposes of commerce, and rendered any interruption still more dangerous. In this situation



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situation an alarm at length took place. Its symptoms were apparent. At the first suggestions of war, a thousand apprehensions arose in the mind of the trader. The disappointment of his due returns; the danger of the failure of foreign houses; the safety of our West Indian possessions; the fear of internal commotion—all conspired to destroy the general confidence in that mode of intercourse on which the commerce of the country so intimately depended. The faith in negotiable paper instantly diminished; specie again rose to its full standard; and the discount of bills at any remote date, was effected with difficulty. These were sufficient indications of the consequences that would ensue from an open declaration of hostilities. War was, however, determined upon, and the scene of commercial havoc immediately begun. Suspicion took the place of confidence, and occasioned the very evils which it dreaded. Houses of high mercantile character, but of widely extended connexions, were obliged to stop payment. With the supporting trunk fell the dependent branches; and the failures of the capital were necessarily accompanied by many others throughout every trading town in the kingdom. The insolvency of the merchant led on the ruin of the manufacturer,  
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and by his misfortunes a large portion of the labouring class of the community, are now deprived of the only employment, which by education and habit, they are capable of exercising.

Such is the great outline of our present disasters; but other circumstances concur to fill up the melancholy picture. The manufacturer is not only hurt through the sides of the merchant, but is at the same time prevented from sending out his goods in their usual course to foreign markets; and hence he is left with his effects on hand, and consequently is disappointed in his expected returns for such as he has before disposed of. Even when these returns arrive, if they consist of bills of exchange, they are no longer negotiable. If they consist of produce, that produce is not saleable. Such is the comparative scarcity of specie, and of that kind of paper which alone can be circulated in these times of suspicion, that the produce remains on hand, not only from the depression of commercial spirit, but from the mere want of an adequate medium of exchange.

To attempt to estimate with any degree of precision what proportion of the trading capital of these kingdoms is thus suddenly annihilated;  
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would be to no purpose. But when it is considered, that almost all bills drawn in foreign parts are payable at a distant period; that not only the foreign trade of the country is principally carried on by means of this system, but that in all mercantile transactions, the substantial medium of gold and silver, has long been by general consent supplied by the easier mode of paper circulation; that the trade of the country has thereby been extended to a degree far beyond what would otherwise have been practicable, inasmuch, that in many cases returns are made three or four times, where, without it they could not be made once; we may form some idea of the amazing property now locked up in bills of exchange; a property which was intended to have been applied in the discharge of engagements, entered into in full confidence that the national tranquillity would remain uninterrupted.

There are some perhaps, that may attempt to account for the present calamities, by attributing them entirely to the wild speculations of individuals, and the improper extension of paper negotiation. But solitary instances of misconduct will not account for national disasters. Uninfluenced

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enced by the causes before stated, the unsuccessful enterprizes of a few daring adventurers, would on this as on former occasions, have been confined in their operation to the ruin of themselves, and those with whom they were immediately connected: But where is the rank of society that does not feel the effects of the present shock? Had the returns in bills and produce, received from abroad, been convertible into specie as heretofore, there is every reason to believe, that many persons who are now obliged to solicit indulgence from their creditors, or to resign the management of their concerns into other hands, would have been enabled to make good their engagements\*. To stop the circulation of the blood, is as fatal as to exhaust the veins. Situated as we were with respect to continental politics, the trader had perhaps a right to pre-

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\* We may here be allowed to cite the authority of Mr. Pitt, who very lately asserted in the House of Commons, that "There are many instances of individuals in this country being brought into difficulties, not from any want of solid capital, or inability to answer all the demands upon them, but from sudden demands being made which they were unable to discharge all at once."----"That for these reasons there were many individuals in this country compelled to stop payment, although there was no doubt that on making up their accounts, their solvency would appear."

*Mr. Pitt's Speech, Star, 13th April, 1798.*

fume that the commerce of this country would remain uninterrupted; and this idea was strengthened from time to time by the national sentiment, and by declarations from the Minister to the same effect. Who was to foresee from these grounds that the commerce of Great Britain was shortly to be sacrificed to the shutting up of the Scheldt?

The fatal wound was given by the war; but it was yet perhaps in the power of the Bank directors to have softened the pressure of the calamity. Trustees of a great trading company, instituted not less for the public good than for private emolument, it might have been expected that they would have stepped into the breach, and have given the weak and wounded individual, time to escape, at least with life. That they would have set the great example of confidence in the riches and the resources of the nation; an example which would have been followed by others, as far as circumstances would have permitted. Instead of this system of conduct, which would have united generosity and prudence (virtues nearer allied than it is generally imagined) the directors pusillanimously led the way in the general discomfiture, or were active only in enriching themselves from the spoils of those who had fallen in the struggle.

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To have continued the discounting of bills according to their usual custom, would have been only negatively commendable, it might have been expected that they would have done it with more liberality. The national credit would thus have been supported until other resources had arrived; and if it had fallen at last, it would have fallen gradually, and not with the ruin which it has now exhibited. In this conduct they would have consulted their true interest, but those resources which timely and prudently applied, might have kept the torrent within its proper bounds, would, now the barrier is broken, be swept away in the attempt. What is not to be obtained from the public fund, private aid can not supply; and even were such assistance practicable, what are we to expect from the claims of friendship, whilst the Minister holds out an inducement of upwards of ten per cent. by the new loan. Thus deprived of both public and private support, the ruin of the merchant seems inevitable; and his only consolation is to find, that the same record that exhibits his name to the public eye, recounts on its opposite page the victories of Great Britain and her allies over the French.

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It is possible however, that these hasty pages, written under the impulse of first impressions, may have magnified the extent of the calamity; and that the author may have mistaken a partial, for a general evil.—It is possible too, that the fury of the storm has abated, that the ship has again righted, and that all we have now to do is to clear away the wreck. Alas, the information of every hour forbids the indulgence of such a hope. In the manufacturing parts of the kingdom, the number of persons thrown out of employ is already alarming, and is daily increasing to such a degree as alone to call for national interference. Instead of having arrived at the period of our misfortunes, there is reason to believe that we are only in the first stage of them. The weighty failures that daily occur, are each of them necessarily to be followed by many others of inferior consideration, until the whole history is to be finally collected, in the increase of the poor, the deficiency of the revenue, and the general oppression and misery of the people.

After having taken this short view of the subject, we may perhaps be allowed to ask, whether it may not yet be practicable for individuals, or associated bodies of merchants, by means of  
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temporary expedients, to relieve themselves and the public from the immediate pressure of misfortune? The attempt is commendable; but when the magnitude of the evil is considered, it is to be feared that all exertions of this kind must fall greatly short of their intended object. It is evident from the foregoing observations, that the much greater part of the actual trading capital of the kingdom, amounting to a sum of which few persons have formed an adequate conception, is at this moment rendered totally useless; and what is to fill up this sudden void? The idea of restoring the general loss of credit, by expedients founded on the credit of individuals, is a solecism; and actually to produce the requisite specie is beyond all bounds of possibility. One remedy alone is adequate to the evil, and happily that remedy is yet in our power. War is the cause of our calamities—Peace is the only effectual cure.

Let any dispassionate person examine into the part we have taken in assisting our allies on the continent, and candidly say, whether the services we have rendered them, be equal to the injury we have done to ourselves. Let us however forget what is past, and regard with a steady  
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eye our present situation. Driven within the limits of their own country, and probably on the brink of a civil war, the French are no longer formidable; and the object for which Great Britain engaged in the war is now fully accomplished. To proceed further would be to defeat the end which the Minister professed to have in view, and to destroy, not to preserve, the balance of power in Europe.

It is not difficult to foresee an objection, on the part of those who are unwilling to acknowledge the truths here attempted to be enforced. If our misfortunes, say they, are occasioned by the war, whence comes it, that the same events have not taken place under the same circumstances on former occasions? The short answer to this, is a denial of the truth of the proposition contained in the question. The same event has always taken place whenever the country has been involved in a war. Have we so soon forgotten the disasters occasioned by our contest with America? The depreciation of landed property, the fall of the public funds, and the innumerable inconveniences attendant on the destruction of credit. The evils which this country then experienced, and those which we now so intensely feel, are similar in  
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their nature, and different only in degree; our present sufferings being augmented by many causes, some of them perhaps imaginary, but not on that account less aggravating. The enormous extent of our commerce, whilst it increased the probability of the explosion, rendered the consequences of it, when it once took place, more general. Again, it was presumed that the war was not, as on former occasions, to be carried on in distant parts of the globe, for ascertaining the boundaries of a desert, or determining the right to a barren island, but was supposed to be commenced by an enraged and powerful enemy, and to be waged at our own doors, for the purpose of depriving us of whatever we held dear and sacred. Even at the first onset we were witness to a vigorous attack upon the territories of an ally, with whom we stand closely connected in our commercial transactions. In addition to these considerations, no artifices were spared by the advocates for a war, to impress on the minds of the people at large, an idea that many of their countrymen—men of rank, of talents, and of influence, were attached to the cause of our adversaries. Insurrections were alluded to, that never had existence, and plots were denounced, that finished where they began—in the fertile  
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brain of the informer. Such are the peculiarities that distinguish this war from those in which Great Britain had before been engaged, and it would be astonishing indeed, if exertions so industriously made, and so pointedly calculated to destroy all confidence amongst us—political, moral, and commercial, should totally have failed in their effect.

To enter upon an inquiry at this day into the advantages or disadvantages which any country derives from a very extensive foreign trade, would be to no purpose. Probably in the result of such a question it might appear, that there is a certain limit, beyond which commerce ceases to be lucrative, and increases the risque without increasing the profit. But a train of events, of which it would be useless to point out the causes, have brought us into a situation in which that commerce, whether abstractedly desirable or not, is become indispensable to us. Those who condemn the enterprising spirit of our merchants, the immense extent of credit, and the consequent circulation of paper, would do well to consider that a sum not less than seventeen millions is, even during the continuance of peace, annually to be raised in this country, for what are called

called the exigencies of the state. A sum not raised without some difficulty even in the most flourishing periods of our commerce. However desirous we may be to tread back our steps from the dangerous eminence to which we have unawares attained, and to regain once more the safer track that winds through the forsaken valley, we find ourselves surrounded on every side by precipices that forbid our retreat. The diminution of our commerce will occasion a diminution in the revenue, which must be supplied from other sources, and it is not difficult to foresee what these sources are. Hence perhaps it is eventually not less the interest of the landed, than of the trading part of the community to support a system, which, however introduced, is not only become essential to our prosperity, but to our existence; and heartily to concur in the common cause, if not till we conquer the difficulties that surround us, at least till we can effect a safe and honourable retreat.

It is not uncommon to find those who have been the loudest in extolling the riches, security, and happiness of the nation, attempting to console themselves, under the pressure of misfortunes which they cannot but feel, by attributing the  
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present calamity to the improper extension of paper credit: according to their idea the present is only the subsiding of a tumour which had increased beyond all bounds, by which the body politic was soon to be restored to a better state of health. But may we be permitted to ask these political optimists, what then was the origin and support of this unexampled series of prosperity, which it seems this country has of late years enjoyed. Without the assistance of paper credit, can it be pretended that the manufactures of Great Britain could have been circulated in foreign parts, or the produce of foreign parts been imported into Great Britain, even to one fifth of the extent that has actually taken place? or would the Minister have been enabled to exult monthly, and weekly, over the amount of his revenue? Either this felicity was ideal and visionary, or being real and substantial, has been incautiously undermined and overthrown. Whatever may be thought of our days of exultation, certain it is, there is nothing imaginary in our present calamities. They try the bone, and search to the marrow. Numbers, who but a few weeks since might reasonably have expected to have been able to console themselves, under every possible change of public affairs, with the certainty of a sufficiency

sufficiency to procure the conveniencies, and perhaps the elegancies of life, sink at once under the pressure of unforeseen misfortunes—or, if they yet look forward, it is only with dreadful apprehensions of being dragged to perish in the cold precincts of a prison, to gratify the caprice of a resentful creditor. Still more distressing, these misfortunes are often participated by a numerous family, educated to enjoy that competence which they have long been entitled to expect. As the calamity descends through subordinate classes, its victims, though less distinguished, are more numerous; and the poor disbanded mechanic sits amidst his weeping family, and curses his useless hands that are no longer able to procure them food. Such is the situation of the country; nor does there appear, whilst the present war continues, a probability of amendment. It is confidence alone that can give the first stimulus to this general torpidity; but is that likely to be produced by persevering in a war, whose commencement was the immediate destruction of that confidence? A war, whose consequences no human wisdom can foresee, and which derives additional terrors in the view of all thinking men, from its real object being hid in mystery and uncertainty. Wounded as the commerce

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merce of this country has been, it can only be expected to revive by degrees, nor will it soon, if ever, attain that eminence it has of late experienced. But the restoration of peace would again give rise to some portion of that mercantile faith which was so general before the commencement of the war. Bills payable at more distant dates would again be gradually called out into circulation, and like an influx of new wealth, would daily increase the general commercial capital. Foreign markets would again open for our manufactures, the obstructions on navigation would be removed, and we might again take our rank amongst the trading nations of Europe; but before this can be effected, it is probable rivals may have started up; our exclusive advantages may be at an end; and we may too late have to lament that we were foolish enough to take a part in a fray, when we should have been employed in gathering our harvest.

F I N I S.