March 7. [1811]

My dear Sir

The motion I intended to submit to the House of Lords, — which Lord Liverpool wished me to withdraw, for the purpose of having some explanation with you, — was

For an account of the number of grains of pure Silver & of alloy contained in an ounce of Bar Silver, such as is now on Sale — & the same account, in relation to an ounce of Dollar Silver. The reason of this motion was that I observed from the returns, that the price of Dollar Silver has of late been rather higher than the price of Bar Silver, & that I wished much to ascertain whether that arose from the Bar Silver in the market not being Standard Silver; — or whether it arose from an extraordinary demand for Dollars

Indeed I confess the thing appeared inexplicable to me; — if the Silver quoted as Bar Silver was really Standard Silver, for I should have thought that the profits of converting Standard Silver into Dollar Silver would have been such as to encourage that traffic to an extent, that would have speedily counteracted the operation of any extraordinary demand for Dollar Silver.

Mr Merle in his evidence page 54 of the Bullion Report states, that the difference in value betwixt Standard & Dollar Silver is about 2½; — that they generally keep the same proportion of value in the market, & that Bar Silver & Dollars go hand in hand together, one not selling out of proportion to the other. I take it, that in the ounce Troy weight, containing 480 grains, — there is in Standard Silver 36 grains of alloy, & of course 444 grains of fine Silver; — & that in Dollar Silver there is 56 grains of alloy, & only 424 grains of fine Silver; — so that there is 20 grains more of Silver in an ounce of the former than there is in that of the latter — which without going into minute calculation appears to me to correspond pretty nearly with the difference in value as stated by Mr Merle

When Dollar Silver sells therefore at 5/4½ as quoted in the return, & Standard Silver sells at 5/3½ the former is 3d higher than it ought to be per ounce — which I think an increased demand for Dollar Silver could hardly account for, especially as it seems to have remained so for some time.

It is a solution of this difficulty I wish to procure by my motion, & I think you will agree with me in thinking that it is a subject highly worthy of investigation in the present state of the currency of the Country.

I am &c (Signed) Lauderdale

Right Hon
W. W. Pole
&c &c

Savile Row
[9] March [1811]

My dear Lord

In reply to your letter which I have just received, I beg to observe, that Silver in Bars seldom comes into the market of the same fineness, but they are all assayed, & their Standard Contents calculated. Standard Silver in Bars therefore means so many Bars of Silver of different fineness, making in the aggregate so much Standard Silver.

You are right in your calculation that there are 36 grains of alloy & 444 grains of fine Silver in an ounce of Standard Silver. Dollar Silver compared with Standard Silver is less valuable about 2d. in the ounce, – the difference is nearer 2d than 2½. Your calculation of 56 grains of alloy & 424 grains of fine Silver is wrong; there are 52 grains of alloy & 428 grains of fine Silver in an ounce of Dollar Silver; there are therefore only 16 grains of fine Silver more in the ounce of Standard Silver than in the ounce of Dollar Silver, & not 20 grains as you conceived. I believe that Dollars now sell in the market for 5/5 an ounce & Standard bar Silver at 5/4; this certainly proves 3d an ounce for Dollars above their intrinsic value; the reason is plain – viz – that Dollars are accepted as Coin & used as such almost universally abroad, & when there happens to be a demand for them, as I believe there now is for the United States of America & perhaps for India, they always bear a higher price – that bars of Dollar fineness would sell in the market now, & at all times for 2d an ounce less than bars of Standard.

I have &c

Yours W. W. Pole

Earl of Lauderdale

FOR THE TIMES.

TO THE DIRECTORS OF THE BANK OF ENGLAND.

The following passage, which I conceive is founded in a very erroneous view of our present circulating medium, appeared in *The Times* of the 27th of February, in a letter under the signature of MERCATOR:—"The relative excess therefore of the Bank "of England issues is infinitely greater than is indicated by the mere numerical increase, and seems "of itself fully adequate to have produced *the present depression in the exchange, and rise in the "price of gold.*"

It is first necessary to define what is really the valuable consideration contained in each pound sterling of a bill of exchange, and in Bank-notes, which, given for an ounce of standard gold, constitute the price of that ounce.

We persist to call gold coin our standard of value, but we have none of that metal in circulation; this measure of the prices of commodities is therefore a dead letter: on the contrary, silver, the universal measure of value among our neighbours, of France, Holland, and Hamburgh, has been lately coined and extensively circulated among us: as then silver coin does actually measure the value of property on the Continent, so also it can, and does, at this instant, no gold circulating with it, fix the prices of all things in this country.

A Bank of England promissory note for one pound, or the note of any individual for the same sum, does not, like coin, possess within itself intrinsic value; but the Bank-note is worth exactly the value of the quantity of coin for which it will interchange, and it now exchanges for twenty shillings of the new silver coinage; it therefore commands 1,556 8-22 grains of pure silver. +

Having thus reduced the Bank-note into the quantity of pure silver which it does undeniably command, I proceed to inquire into *"the present depression of the exchange."* I take the quotations from Lloyd's List of the 20th of February, and the quantities of pure silver contained in the foreign coins, from the assays published in Dr. Kelly's Cambist.

Amsterdam, at sight, sch. 36. 4. for 20s. sterling.	
Schellings 36. 4. computed from 370 6-10 grs. to the rix-dollar, yield of pure silver	1615 grains.
Pure silver in 20s. sterling	1556 8-22.
In favour of London	58 14-22 grs. of silver.
Amsterdam, at sight, guilders 11 3 for 20s. sterling.	
Guilders 11. 3. at 145 1-10 of pure silver per guilder	1617 9-10 grains.
Pure silver in 20s. sterling	1556 8-22
In favour of London	61 grains of silver.
Hamburgh, 2½ usance, sch. 34 for 20s. sterling.	
Schellings 34 are equal to 12¼ marcs banco (and 27⅝ marcs banco, being the Cologne marc weight of pure silver) contain	1663¼ grains.
Pure silver in 20s. sterling	1556 8-22
In favour of London	107 grains of silver.
Paris, at 3 days' sight, 24 francs for 20s. sterling.	
24 francs at 69 4-10 of pure silver per franc	1665 6-10
Pure silver in 20s. sterling	1556 8-22
In favour of London	109 grains of silver.

So much for "the present depression in the exchange," upon which it is sufficient to observe, that as the balance of coin is from 3 to 7 per cent. in favour of London, the exchange does not require an export of bullion, consequently does not raise its price; and if an excessive issue of Bank-notes were the cause of the high price of gold, it would also increase the price of silver; for, as the relative quantities of the metals are neither increased nor diminished by any issue of Bank-notes, however great, such an issue would act equally on both of them. Standard silver is now 5s. 3½d. to 5s. 4d., and gold 4l. 2s. 6d. the ounce; the mint prices are 5s. 6d. and 3l. 17s. 10½d. How then has it happened that the market price of silver is below, and that of the gold above, the Mint price? Surely the poor Bank-note has not the property, at the same instant, to keep the price of silver *below*, and to raise that of gold *above*, the Mint price: the true cause of the present price of gold is to be sought and found in the absurdity of our existing Mint regulations.

If the nation persists to coin the two metals at fixed relative proportions, without permitting an agio on the gold coin, which, if permitted, would render the mint and market prices synonimous terms, it must be contented to bid adieu to one of the two coinages, because that which is cheaper in the form of a coin, than it is in bullion, will be inevitably withdrawn, and will become bullion.

The term, "price" is imparted to all other commodities by the metal in coin, which governs a national circulation; among us that metal is now silver, and silver only: the market proportions between the metals cannot be bound or controlled by legal enactments or Mint regulations; they spring from the relative influences of supply and demand; and whoever will take the trouble to divide 4l. 2s. 6d. by 5s. 4d., the present market prices of the standard ounces of gold and silver (no account being of course taken of the slight difference of the alloy in favour of silver), will find the proportions to be about 15½ to 1. If we apply this undeniable fact to the existing silver coinage, and to the ounce of gold bullion, but substituting for 15½ 15 1-5th, the ancient Mint proportion of the metals in a state of purity, the present coinage of 66 shillings to the standard pound of silver, will bring out the standard ounce at 5s. 6d., the ounce of pure silver at 5s. 11d. 13-37ths, the ounce of pure gold at 4l. 10s. 4d. 20-37ths, and the ounce of standard gold at 4l. 2s. 10d. 6-37ths. Thus is the present price of standard gold justified, and clearly proved to spring from the Mint-rate of the existing silver coinage; and no human power can alter or materially abate that price, except by the alteration or the destruction of that silver coinage. +

If it had been intended to secure gold coined at the old Mint rate from destruction, the value of the new silver coin ought rather to have been lowered than increased. Take the following example:—Issue 60 shillings from the standard pound of silver, which is 5s. the ounce; multiply that sum by 15 1-5th, the old Mint proportion, and nearly the present market proportion, and the ounce of standard gold would come out at 3l. 16s. or thereabouts, instead of 4l. 2s. 10d. reckoned through the same ounce circulating, as it now does, for 5s. 6d.

As we were but lately without a national metallic medium, we had the fairest opportunity to have raised a system upon sound principles; but it seems that, in defiance of our own market proportions, our ancient Mint regulations, and the regulations of foreign Mints, we have coined silver at an increaed value, and gold at the ancient denomination of 3l. 17s. 10½d. per ounce, thereby decreasing the value of gold in coin in exactly the proportion that silver has been raised in coin; in short, the present Mint proportions do not exchange more than 13 77-100th parts of silver for one part in gold; therefore, as 15 1-5th, or 15¼ of silver (which is amply proved), can be obtained for this identical part or portion of gold in the bullion market, it is impossible that gold sovereigns can circulate in sufficient numbers, in the shape of coin, to become, as they are intended to be by law, the standard of value. By this utter contempt of the influence of market proportions upon Mint regulations, the Government offers a premium of 11 per cent. for the melting of the gold coin, and an exactly equivalent encouragement for the preservation of the existing silver coinage. x

I suspect that, guided by the authority of the late Earl of Liverpool, the silver coinage has been issued and considered merely as counters possessing no influence; but these counters are now acting with dreadful energy upon every gold sovereign that comes abroad.

We are then fixed to both horns of the dilemma; for, if the present circulation in silver be withdrawn and re-issued at lower denominations, the preparations, the labour, the expense, and the inconveniences of the measure, are to be encountered afresh; but if we uphold this circulation in silver at its present rate, we cannot coin and retain gold money in circulation at 3l. 17s. 10½d. the ounce.

If it were inquired, whether, under these circumstances, the Bank restriction ought not to be continued until bullion can be purchased, coined, and retained in coin at 3l. 17s. 10½d. the ounce, I should answer, that if the restriction is not to cease until gold bullion can be obtained at that price, *under the existing Mint rate of the new silver coinage, it will never cease.*

A depreciation of all property, to a considerable extent, has been effected by the new silver coinage; and if that coinage should hereafter force upon us, as I suspect it will, a coinage in gold at 4l. 3s. per ounce, or thereabouts, this depreciation will be perpetuated.

A WARNING VOICE.

NEW SILVER COINAGE.

TO THE EDITOR OF THE TIMES.

It has been justly observed by the late Earl of Liverpool in his Treatise on the Coins of the Realm, that it sometimes happened, that both gold and silver coins were, by various causes, alternately driven in a great degree from circulation, and one of them remained in currency, and became, in fact, the principal measure of property. This passage describes exactly the present condition of our coinage: gold coin disappears, silver circulates alone, and consequently is, *in fact*, our principal measure of the value of bank-notes and of all other property; and I trust I have already demonstrated in a letter to the Directors of the Bank, which appeared in your journal of the 11th of March, that silver coin now executes, in despite of law, that function which the legislature intended that gold alone should exercise.

The system of coinage now executing appears to proceed on a theory laid down by the late Earl of Liverpool, who assuming, in the treatise already alluded to, that our standard is gold, and cannot be any thing else but gold, advises, that the expense of fabrication should not be taken from coins of that metal, because the principal measure of property would not in such case be perfect; and because foreign nations, who have commercial transactions with this country, estimate the value of our coins only according to the intrinsic value that is in them; but that the charge of workmanship should be taken out of the silver coins, because there can be no doubt that they will pass in payment at their nominal rate or value, provided that their intrinsic value in metal and workmanship is equal to such nominal rate and value; and that, by taking the charge of workmanship out of these silver coins, they will be retained within the kingdom.

This theory, however plausible, is defective in principle, and has been deficient in execution:—in principle, because the increased nominal value imposed on the silver coin, to answer the charge of workmanship, having been already imparted in a great degree to the ingot, as is evident in the advance of the price of the standard ounce from 5s. 1½d. to 5s. 4d. since the emission of the coinage, proves that the dealers in bullion are guided by intrinsic value alone in regard to silver coin, as well as gold coin; and as, on the principle of intrinsic value, which is quantity for quantity, the price of the ingot will advance to the rate of the coin, the securing of any thing for the charge of workmanship is altogether illusory. The theory, therefore, resolves itself into a plan which lessens the intrinsic value of gold coin by increasing the nominal worth of silver; and if a coinage, thus relatively adjusted, is expected to continue unmelted, or not withdrawn from circulation, the theory must further suppose that the real and uncontrollable proportions of the bullion market will exercise no action on the ideal proportions of the Mint, which is contrary to immovable facts and to daily experience. Deficient in execution, because when Lord Liverpool recommended such a silver coinage in subservience to gold, he necessarily admitted gold to be previously the standard, and in active circulation; but now, the auxiliary sent first to the field, has assumed the functions of his chief, with the aspect of an enemy, and demolishes his golden detachments as quickly as they appear. Lord Liverpool records nine debasements of our silver money by increasing its denomination; the new coinage raised from 62s. to 66s. is a tenth example. It is probable, that the late Earl's plan of coinage originated in the view which he took, in conjunction with the celebrated Adam Smith, of our degraded silver currency, which certainly would maintain its place, and be retained within the kingdom, but which would as undoubtedly drive out the gold coins of more intrinsic value. His Lordship's words are these:—"Our present silver coins are mere counters; without any impression on the face or reverse, or any graining on the edges, or indeed any exterior mark, by which they can be distinguished as coins; so that the counterfeiter could easily have fabricated or imitated coins of this description, with very little risk, and in any quantity; and his profit must have been very great, if he could have practiced the fraud before-mentioned; and yet it is certain, that he has never thought it for his interest to engage in this sort of traffic."

A credulity is betrayed in this passage, which would be little expected to have existed in the mind of so enlightened a statesman: that very great profits could have been made by the fabrication of these silver counters, yet that the counterfeiter had never engaged in this traffic, is a contradiction in terms, unless it be conceded that a counterfeiter is a man of good principles and strict morality; but passing over notorious instances to the contrary, in the existence and circulation of Birmingham and Irish shillings, an author who wrote so late as 1805, the date of his lordship's publication, might have recollected a legislative admission of the fact, by an act passed about 20 years before, prohibiting the introduction of light silver coin from the continent: this light silver coin, manufactured chiefly in Holland, had been imported in large quantities, and exchanged for our heavy gold coin.

Gold is to be our standard, but a few words nevertheless on this subject may not be superfluous. The writers who have treated this question, from Sir Wm. Petty to Mr. Harris, have unanimously preferred silver; Lord Liverpool stands by himself as the advocate of gold, and this nation stands alone in the use of that standard. His lordship asserts, that when nations advance to great wealth, gold, the metal of superior value, naturally becomes the standard. France and Holland have undoubtedly been in possession of great wealth, but they have never felt the necessity, nor ever measured the value of property by gold. He urges the superior fixity of the value of gold, to which it is sufficient to reply, that gold bullion, measured by gold coin, or, in other words, its value compared with an equal quantity of the same thing, must be of necessity more fixed than the prices which gold, so applied, attributes to silver; but were the master coin silver, the price of silver bullion would become equally fixed in relation to silver coin, and that of gold would fluctuate. Mr. Locke has maintained that gold is not the money of the world and measure of commerce, *nor fit to be so.* Lord Liverpool thought it difficult to determine what Mr. Locke meant; but I presume to offer an explanation: gold is not the money of the world, because silver must be the medium employed by the vast majority of mankind, which majority consists of small traders, seamen, soldiers, artisans, and labourers; nor fit to be so, because if the master coin of a circulation be gold, its subordinates in silver must of necessity be circulated at a relatively fixed and unalterable rate; there is no alternative; and this rate, acted upon by the variable proportions of the bullion-market, would inevitably produce the destruction of one of the coinages; but were silver the sole measure of commerce, and gold coined, as Mr. Locke recommended, and be suffered to pass in currency, according to the relative value of these metals in the market, the Mint and market prices becoming generally alike, the temptation to melt either of the coinages would be in a great measure removed.

His lordship has advanced objections to the coining of gold on Mr. Locke's principles; he asks, how are those who reside in the country, and in many great commercial and manufacturing towns, to estimate the relative value of gold to silver, where no gold or silver bullion is bought or sold? I answer, by the prices in London, which are printed twice in each week. His lordship further asserts, that it is not conformable to practice, and without example, except in what happened to our gold coins for a certain number of years after the 16th of Charles II. when, by his account, gold fluctuating drove out silver; but in thus narrowing the exception, in support of his favourite theory, his lordship could not have studied, or must have forgotten the celebrated and successful examples of Holland and Hamburgh; where, silver being the standard, the value of the golden ducat has been suffered, beyond the memory of man, to fluctuate, and still fluctuates, without detriment to their standard measure. But lest these should be considered as expedients adopted only by petty states, we have the example of France, a country larger than Britain and Ireland, in which an agio or premium on gold, for the preservation of their coinage, is permitted to be charged and received. In fine, if the master-coin or key of the circulation were silver, and were tenders permitted to be made in gold coin of fluctuating value, which would fluctuate in a very trifling degree, if the silver coinage is perfect; it is not difficult to prove, that silver would, nevertheless, remain the unfluctuating standard, and principal measure of property, without so conducing or leading, as the system of Lord Liverpool undoubtedly does, to the preservation of the silver coinage only, and to the dissolution of that in gold; but to the preservation of both the coinages by the removal of Mint, and the introduction of market proportions only, into our system of coins.

Although the historical part of Lord Liverpool's work is admirable, his conclusions are admitted by himself to be doubted by many eminent persons; but otherwise, much engaged as I am, and unaccustomed to write for the public eye, I take my leave of the subject. I feel sufficient pleasure in observing that the well tried ability of Lord Lauderdale is pledged to inquire whether gold coin, at the old Mint rate, can safely circulate with silver coin of the new denomination.

I regret extremely that I committed a mistake in my first letter, which affects the foreign exchange, but not the argument, in regard to the effect of the new silver on gold coins: instead of 1556 4-11 there are 1614 6-11 grains of pure silver in 20 shillings; consequently, the Dutch exchange being at intrinsic par, bullion does not pay the expense of transport from either side.

A WARNING VOICE.