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S U B S T A N C E

OF THE

S P E E C H

OF

Sir WILLIAM PULTENEY, Bart.

ON

HIS MOTION 7TH APRIL, 1797,

FOR

SHORTENING THE TIME

DURING WHICH

THE BANK OF ENGLAND

SHOULD BE RESTRAINED FROM ISSUING CASH FOR ITS
DEBTS AND DEMANDS.

LONDON:

PRINTED FOR JOHN STOCKDALE, PICCADILLY.

1797.

Price One Shilling.

STATEMENTS

The Accounts hitherto given to the Public, of the following Speech, having been imperfect, and the subject being deeply interesting to all, it has been thought important to give a more full and correct account of it, so far as it could be done from memory, and from very short notes.

SUBSTANCE,

&c.

MR. SPEAKER,

I GAVE notice that it was my intention to move an amendment at the third reading of this bill, by leaving out the words "twenty-fourth of June," for the purpose of introducing the words "sixth of May." The object of the amendment is to shorten the time during which the Bank of England shall be restrained from issuing cash, in the payment of its notes and other debts. I objected, when the bill was in its progress, to the length of time which the Right Hon. Gentleman over against me proposed for the termination of that restraint, and I then proposed, that it should be limited to one month: the Committee was of a different opinion, and, upon a division, the blank was filled up, with the words "twenty-fourth of June." This measure seemed to me so important, that I conceived it to be my duty to

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the public to undertake to bring it again under the consideration of the House in another stage of the bill.

The House will do me the justice to acknowledge, that I very seldom intrude myself upon your attention: and never, unless I think the matter is of real importance. My objection to the length of time allowed by the bill, as it now stands, is not only that I am convinced that the time allowed, or indeed a much longer time, if that were intended, would not enable the Bank to pay the demands upon it in cash, as formerly, but because our situation has become of so perilous a nature, that we ought, on no account, to delay a moment longer than is absolutely necessary, to take the most effectual and the most infallible means of placing this country upon its former high and lofty footing of national credit. I ventured to state, very early in the progress of this bill, that we might attain that end in a month from that time; and I am still of opinion, that, if proper measures had been adopted, it might have been done. The nation, I am certain, will hereafter be convinced that my idea was just, and I heartily wish that the serious calamities which await us, and are already begun to be felt, may, by adopting speedily a wise conduct, be in some degree averted.

When I stated to the House, that national and commercial credit might be re-established in a
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month, I did not then know that the blank in the bill was intended to be filled up with so distant a date as the 24th of June. I had the less reason to suppose that it would, as there was a clause, at the end of the bill, reserving a power to repeal, alter, or vary the act, during the present session of Parliament, which made it unnecessary to give too long a time at first, since, by means of that power reserved, the time might be enlarged, if found to be necessary; but it seemed to me that the time could not with propriety be shortened, after having given to the Bank an expectation, that it would not be called upon for cash till the expiration of a longer period.

It was flattering, I confess, to me, that the House at that time shewed a degree of impatience to know what remedy had occurred on so interesting a subject; and I am grateful for that degree of indulgence which these marks of impatience implied. I did not, however, impute it so much to any expectations from me, as to the general sensation which every one felt of the dangerous situation in which the country was placed, by the sudden stop of payments in cash by the Bank, and it was therefore natural that every glimmering of hope should be eagerly grasped at.

I was pressed, at a second debate, to explain myself; and I then proposed, that the filling up the blank should be postponed for a few days, in hopes, that what I meant to state might be a ground

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ground for filling up the blank with a very short time, and the House seemed not unwilling to agree to that short delay; but a motion having been made concerning the time to be inserted in the blank, and an amendment for a shorter time proposed, a division took place, and the words "twenty-fourth of June" were carried by a majority. I had an opportunity, however, of so far giving an idea at that time, of the principal feature of my plan, by asking whether there was, in the records of history, any instance where a monopoly had ever conducted its affairs well; and I added, that I did not complain of the Bank, or of its Directors, because it was in the nature of man that a monopoly must necessarily be ill conducted.

The blank being thus filled up, the moment for explaining my ideas was no longer pressing; and as hopes were given to the House, that the Secret Committee, on the causes which occasioned the fatal Minute of Council, would very soon bring down their Report, it appeared to me that the facts, which must be stated in that Report, would give great light to the House, and would enable it the better to judge of any propositions which might be suggested as a remedy against the consequences of the late alarming event: I therefore determined to delay the matter till after that Report should be printed; but, having declared that I made no secret of my ideas, I have had the advantage since that time of discussing the subject

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subject with many different persons, and I have no reason to think that their opinions are very different from my own.

I think it, however, necessary to move an amendment as to the period for paying cash at the Bank, in this last stage of the bill, and before it shall pass this House, that whether I succeed in this motion or not, the House may have an opportunity of again considering the great magnitude and importance of the question, and that I may take this occasion of removing some erroneous ideas, which I find have been entertained, concerning the nature of my intended proposition; in hopes, that by now removing these mistakes, it may be heard with less prejudice when it comes fairly under discussion, accompanied with the Report from the Secret Committee.

The object which all of us must have most anxiously in view, is the restoration of credit as speedily as possible; but there is another object of not less magnitude and importance, which we ought also to have in view, the putting an end to all possible risk of a similar misfortune in future. Security for the future ought, I think, to attract the attention, even more powerfully than immediate relief from an existing temporary evil. Upon this principle it is, that we persist in the present war, notwithstanding the various pressures which it continues to occasion. If our aim were merely conquest, the nation would not submit to the unavoid-

unavoidable burdens it must bear ; but our object is security for the future ; to attain which it is wise to endure almost any degree of temporary hardship.

The ideas, however, which I shall have the honour to submit to the House, have not only in view our future security, but have also the advantage of affording, I believe, the best and most immediate remedy for the existing evil, and, in my opinion, that remedy must chiefly arise from the putting an end to the monopoly of the Bank of England.

I know there are many prejudices in the public mind with regard to this subject, but I am never afraid of such prejudices if the measure be in itself right, and has been duly considered. I know that the people of this country will always listen to reason, and are capable of understanding it, when proper pains is taken to place things in their proper light. Whether this excellent and distinguishing quality of our countrymen be owing to the nature of our free government, and the liberty of the press, which gives every man an interest, and also the means of judging of public affairs ; or whether it proceeds from that natural good sense, and that candor and sound judgment, which our people are admitted to possess, I know not ; but I have never entertained any apprehension, from any prejudices which the people of England may have taken up, whether of recent

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or of long standing, because I have always seen that they give way in time, to truth and reason, when properly explained.

The prejudices in favour of the present Bank have proceeded, from the long habit of considering it, as a sort of pillar, which nothing could shake. Its antiquity alone has had a great effect, and the imposing mystery which has hitherto been observed in the conduct of its affairs, has, as usual, created an awe and veneration, which the human mind must, for a time, have some difficulty to overcome.

But the late events, have, in a great measure, dispelled this charm ; the Bank of England has been obliged to disclose the state of its affairs, the veil is drawn up, and we see nothing of that fancied magnificence, which, till now, made a wonderful impression. It can never again, I believe, assume the same place in the imagination of the public.

The prejudices in favour of the Bank, are, however, upheld by another very powerful cause. The Bank has been supported, and is still supported, by the fear and terror which, by means of its monopoly, it has had the power to inspire. It is well known, that there is hardly an extensive trader, a manufacturer, or a banker, either in London, or at a distance from it, to whom the Bank could not do a serious injury, and could often bring on even insolvency. This may be

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easily understood, by attending to the manner of carrying on business at the Bank. It is the practice of all traders to receive bills of Exchange from their correspondents, usually payable at two months, or at shorter periods: when they have occasion for cash they offer these bills to the Bank, to be discounted, and receive bank-notes for the amount, deducting the interest. These bank-notes have hitherto been held as the same thing as cash. If the Bank, from any motive, should refuse to discount the bills presented by any trader, the refusal, in the first place, brings his credit into question; and though, on such occasions, he may often get his bills discounted by the bankers or moneyed men, yet this is not always the case; and in times when money is particularly valuable, discounts are hardly any where to be obtained, except from the Bank.

This case applies chiefly to the traders in London; but the London bankers themselves are in no better situation, for the business of most of them is connected with their country correspondents, who send up bills, payable at the usual time, and then draw upon the bankers, who cannot, with safety, accept such bills to any great extent, unless they are sure of being able to get their correspondents bills discounted at the Bank to answer the acceptances desired. The Bank, by refusing such discounts, or even lessening the usual quantity of discount, can immediately oblige the
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banker to restrain his country correspondents from drawing upon him; by which the banker's profits are diminished, and his country correspondents are embarrassed; which must also immediately effect all those with whom the country correspondents are connected.

By the same means the Bank has the power of injuring every country bank in the kingdom: for the country banks, in order to give currency to their notes, are obliged to pay cash on demand, or give bills on London; which bills in the country are for the most part preferred to cash; because remittances are continually making to London from all parts of the kingdom. Every country bank must, therefore, have a correspondent banker in London, on whom he can draw, when necessary, and to whom he sends all bills on London, which the country bank happens to discount. The Bank of England has always been jealous of the country banks; though, in truth, they have not only promoted the general prosperity of the country, with which the prosperity of the Bank is connected, but would have contributed much more to the prosperity of the Bank of England itself, if the spirit of monopoly had permitted it to judge fairly. It has often happened that the Bank of England has refused, or lessened, the discounts to the correspondents of particular country banks, which immediately obliged them to restrain their country correspondent bank, from drawing in
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the same manner as before, which of necessity affected the transactions of the country bank, and obliged it to diminish its usual discounts, to the great inconvenience of its neighbourhood.

But if the power of the Bank of England was great, with respect to traders of all descriptions, it was still more important, with regard to the government of the country. It is well known, that no war can now be carried on by this country, without loans; and in all cases of loans, it has been the usual practice of the Bank, to advance the further instalments on the subscriptions, after the subscribers had paid a certain proportion, and the Bank of England was contented to receive repayment from the subscribers, about the time of the last instalment, by which means the subscribers had the opportunity of selling the new stock gradually, and generally to advantage.

Whenever the Bank, from any cause or motive, has chosen to alter its former practice, and has either refused to pay any instalments for the subscribers, or to pay in a different mode, it has, I believe, never failed, to occasion a fall in the price of the new subscription, and thereby the subscribers have often lost considerably; in consequence of which, it always became impossible for Government to make subsequent loans on so good terms as before. There are various other

modes by which the Bank has had it in its power to distress and embarrass Government, which I shall not now enumerate: I have said enough to show, that Government has been rendered dependent on the Bank, and more particularly so, in the time of war; and though the Bank has not yet fallen into the hands of ambitious men, yet it is evident that it might, in such hands, assume a power sufficient to control and over-awe, not only the executive government, but King, Lords, and Commons.

As the Bank has thus become dangerous to government, it might, on the other hand, by uniting with an ambitious minister, become the means of establishing a fourth estate, sufficient to involve this nation in irretrievable slavery, and ought, therefore, to be dreaded as much as a certain East India bill was justly dreaded, at a period not very remote. I will not say, that the present minister, by the endeavouring at this crisis, to take the Bank of England under his protection, can have any view to make use hereafter of that engine, to perpetuate his own power, and to enable him to domineer over our constitution: if that could be supposed, it would only show, that men can entertain a very different train of ideas, when endeavouring to overset a rival, from what occurs to them when intending to support and fix themselves.

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My object is to secure the country against all risk, either from the Bank, as opposed to Government and the constitution, or as the engine of ambitious men, to maintain themselves in a dangerous power. I could wish to know, if any man thinks, that his Majesty would be at free liberty to change a minister, who had once obtained a decided ascendancy in the direction of the Bank of England retaining its monopoly.

When the Report of the Secret Committee comes, I have no doubt, that I shall be able to satisfy the House, that the necessity of preventing the issue of cash from the Bank, for payment of the debts and demands due to their creditors, was, in fact, occasioned by their own misconduct. In the mean time, I think it right to assure the House, that my ideas concerning the misconduct of the Bank, and the danger from its monopoly, are not lately taken up, but that the same opinion has prevailed in my mind for more than five and twenty years, founded upon facts which had then come to my knowledge, and since that time a great number of facts, have confirmed me uniformly in that opinion.

I think it also necessary to assure the House, that I have never had the idea of recommending any breach of parliamentary faith, respecting the monopoly of the Bank; I consider, and have always considered the observance of parliamentary faith,

faith, as one of the most important pillars on which this country stands; our public credit, which has chiefly proved the means of rising us so high amongst nations, has no other foundation on which it can securely rest. It is material however, to state to the House, what is the nature of this monopoly, and how it originated.

The Bank of England was established in consequence of an act 5th and 6th of William and Mary, in the year 1694, by which act certain duties were imposed, and commissioners were authorized to receive subscriptions, and the crown was empowered, when the subscriptions should be complete, to the amount of 1,200,000*l.* as a loan to Government for the war, to grant a charter of incorporation to the subscribers, under the name of *The Governor and Company of the Bank of England*, for which sum the company was to receive an interest of 80,000*l.* and 4000*l.* for expense of management, making 84,000*l.* per ann. but subject to redemption. A charter was accordingly granted, which, after reciting the act of parliament, and other matters, contains these important words: "Now know ye, that we, being
 " desirous to promote the public good and benefit of our people, *which in these presents are*
 " *chiefly designed and intended*, as well as the
 " profits and advantage of all such as have
 " subscribed and contributed according to the
 " said act of parliament, &c."

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The Bank of England, soon afterwards, was much embarrassed in its affairs, and Government interposed to support it, by means of exchequer bills. The war having continued, it was thought necessary by Government, to apply to the Bank for a further loan; and, as a mark of gratitude, the Bank insisted, that they should be invested with a monopoly. This was done by an act 7th and 8th William and Mary, declaring, "that during the subsistence of their charter, no other company should be incorporated with a power of issuing notes payable on demand." Afterwards, in the reign of Queen Anne, the nation then being at war, it became necessary to apply for another loan from the Bank; which, upon that occasion obtained, by an act 6th and 7th of Queen Anne, a further security for their monopoly; that act declares, "that during the Bank charter, no persons more in number than *six* in partnership, should be allowed to issue notes payable in a less time than six months." These two acts constitute the present monopoly of the Bank; for as no company can be incorporated, no persons can join in partnership to issue notes, without being answerable to the full amount of their fortunes, and even if they were willing to engage upon that dangerous footing, the number being limited to *six*, no such company could ever have a capital sufficient to stand in any com-

competition with the Bank of England, nor has it ever been attempted. Several other loans were made to government, amounting, at last, to 3,200,000*l.* which sum, by the several acts, must be repaid to the Bank upon redemption of their charter and monopoly; and the period of such redemption has, from time to time, been prolonged. The Bank, however, made several other advances to government, amounting with the said 3,200,000*l.* in the whole to above 11,000,000*l.* for these additional advances, annuities were accepted by the Bank, and these stand upon the same footing as other public stocks, for which payment of the principal cannot be demanded.

As my object is merely to divest the Bank of its monopoly, I have no intention that it should be deprived of its right to act as a corporation; I consider the power given by the monopoly to be of the nature of all other despotic power, which corrupts the despot, as much as it corrupts the slave; but the power of acting without a monopoly can have no such effect, and may be very useful to the public.

Neither have I any intention, that the Proprietors of Bank stock should be, in any degree, injured. I am convinced, that their dividends, instead of being diminished, will be considerably increased by the change.

As little have I any intention to deprive the directors of their salaries, though I certainly wish

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to deprive them of the dangerous part of their present powers.

It may, at first sight, seem very extraordinary to assert, that the profits of the Bank would become more considerable without having a monopoly, than with it. This, however, is not mere theory, but has been ascertained by practice; for, besides the daily experience we have of want of exertion, with regard to tradesmen, who have exclusive privileges; amongst whom, however, some degree of competition always exists; I can refer the House to an example which now exists, and is exactly in point.

The House has learnt, by a clause which has just now been added to this bill, as a rider, for allowing to each of the two banks in Scotland, an issue of 25,000*l.* in cash from the Bank here, if demanded by them; that there are two banks in Scotland, that one of them was established by an act of the Scotch Parliament, in 1695, one year after the Bank of England, and the other by a royal charter, (which in that country can establish corporations), in the year 1727. The first bank was created in the same manner as the Bank of England, without any monopoly; and as government had never occasion to apply for a loan of money from that bank, it never had the opportunity of making the unreasonable demand of a monopoly; but from the situation of the country, which was unable, from want of capital,

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capital, to establish at that time another bank, it, in fact, acted in the usual manner of a monopoly, was very limited in its operations, and was considered as acting very frequently with partiality. After the Rebellion in 1715, it was supposed to favour a particular party, *the Jacobites*, which induced government soon after to promote the establishment of another bank in the year 1727. There are the most undoubted proofs, that as late as the year 1725, there was the greatest scarcity of money in Scotland, that loans were obtained, even for small sums, with difficulty, and that no regularity was observed in payments. A capital could not, indeed, have been found for the new bank, if the idea had not occurred of employing, for that purpose, the money, which, at the Union, was agreed to be paid to Scotland, as an equivalent for certain prior English taxes; to which, by the Union, though they had been imposed to pay the interest of English national debts, Scotland was to become subject.

After the new bank was established, each of them, for some time, viewed the other with jealousy and apprehension. This, by degrees, wore off, and each began to issue their notes more freely.

From this time a new spring was given to the exertions and industry of the country, and all who have had occasion to be acquainted with it,

know that its progress has been more rapid than any thing that has occurred, perhaps, in the history of the world, unless what is lately said to have happened in America. The effect of this progress began to be very much observed soon after the Rebellion of 1745, and the cause of it not having immediately occurred to common observation, it was by many supposed to have arisen from the money sent down to pay the troops of government, during the Rebellion; but it required little sagacity to perceive, that the interruption which the industry of the country must have met with, during that scene of confusion, must have amounted to a much greater loss than could be compensated by any advantages from the pay of the troops. The progress since has been still more rapid, which has been assisted too, by the establishment of many inferior banks in the principal towns, none of which could have been established, if the two banks at Edinburgh had not, by the issue of their notes, in proportion as the growing transactions of the country required, afforded a considerable mass of circulating medium, for the commencement of a circulating capital to the inferior banks.

The two incorporated banks have not, however; suffered either by the competition between them, or by the establishment of these inferior banks, but, on the contrary, have gone on continually increasing their profits. Each of them
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found, after some time, that their first capitals were insufficient to supply the demands of their business, and each of them have twice come to this House for powers to increase their capital stock. I believe the stock of the old bank did not sell at much premium, till some time after the establishment of the new bank, but it afterwards rose to 400 per cent. and I believe the stock of the other bank rose in proportion. Since the great increase of each of their capitals, they have been able to make such considerable dividends, that even the increased stock sells at the premium of 170 or 180 per cent. A clear proof, that each of them has succeeded, much better than either could have done, without a competition.—This experience, I hope, in a matter precisely similar, will satisfy the House, that I do not proceed upon speculation when I assert, and firmly believe, that the proprietors of bank stock will not suffer, but, on the contrary, will greatly profit by the establishment of another bank.

When it is considered too, what a wide field the flourishing and progressive state of the trade and industry of this country affords, when it is proved beyond all doubt, that the amount of our exports and imports have increased above all calculation, what apprehension can we entertain, that there is not full room for the trade of two great banking companies in this metropolis, as well
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well as for the establishment of numberless inferior banks in the principal places of the kingdom.

It has been circulated out of doors, that I intended to propose the establishment of an *opposition* bank; but I never meant an opposition bank, nor even a rival bank. The bank which I should think of recommending, would merely be one to supply to the trade, the manufactures, and the agriculture of the country, what the present bank has not chosen, or has been unable; to supply, and that deficiency is much more than enough, to give full employment to another bank equal to the present.

Another misapprehension has taken place, with regard to my intended proposal; for it has been supposed, that I meant, that the new bank should issue paper not convertible into coin at all times according to the will of the holder, and that its paper would therefore be a fictitious currency; but I can assure the house, that no such idea ever entered into my mind.—My opinion has been uniform and firm, ever since I had occasion to consider the subject of paper currency, that no paper can ever answer as a medium for the circulation of commodities, which is not at every moment, convertible into coin, at the option of the holder. It is upon this account, that I have so strongly felt the dangerous consequences which may arise, from making the period so remote

note as the 24th of June, when the present bank shall pay cash for its debts and demands. In no country of the world, has paper of any other sort than such as was immediately convertible into coin, been long able to pass at par, and I dread, that our folly may lead us, to bring the paper of the present bank to a discount, by an ill-judged indulgence. If this shall once happen, it will soon be reduced to the same state as the French assignats. But if another bank be established, I think it not only ought to be an express condition in the charter, that it shall pay at all times, cash for its notes, but also, that it shall be a forfeiture of the charter, if at any time, or on any account, the Bank should ever apply to government, directly or indirectly, to protect it from paying in cash every demand which may come against it.

I shall now take notice of some of the causes which have been assigned for the distress of the Bank, and the unhappy Minute of Council.

This dire event has been ascribed to the advances made by the Bank to Government; and the Right Hon. Gentleman over against me must, I think, have proceeded upon that idea, if it be true, that he authorized the Governor of the Bank to inform the proprietors, that it was his intention to propose to parliament, to repay to the Bank, out of the intended loan, no less than six or seven millions.

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Another Hon. Gentleman from the bench below was strongly of this opinion, when he introduced a motion on the subject, and supported it with his usual ability, resting very much upon the heavy and repeated complaints of the Directors of the Bank, with respect to their advances, and the failure of Government to repay them.

I shall make no defence of Government as to its failure of keeping promise, especially in money matters, for it admits of no answer or palliation; but, with respect to the effect produced by its loans to Government on the situation of the Bank, my view of the subject is very different.—I am convinced that the loans to Government have not been the cause of its present distress, and I further think, that the Bank has no fair ground to demand repayment from Government, at this critical moment, of any part of the occasional advances.

It is not pretended, I believe, by the Directors of the Bank, that by making these advances to Government, they increased the total amount of the notes put out in the circle, or, in other words, they do not assert, that they continued their discounts to the same amount as before, and that they made their loans to Government by an issue of additional notes to the amount of the loan. If that be not the case, and that the same number of notes would have been out, whether they had lent to Government or not, it seems to me, to be

impossible to maintain, that the present distress of the Bank can proceed from that cause.

It is said, indeed, that if the notes were issued in the way of discount, the notes would be returning to the Bank in regular payments, at stated periods; but of what importance is this, if it be true; then an equal number of notes would in both cases have been out in the circle, and would have borne the same proportion to the quantity of cash in the Bank coffers, to pay them on demand; for it is certain, that at all times, a very small proportion of the advances by the Bank to Government have been made in actual cash.—The issues made to Government in notes are speedily thrown into the circle; they come very soon into the hands of the bankers, who again use them in discounts, and in that way they equally act as a medium of circulation, as if the notes were issued and re-issued by the Bank itself on discount. It is perfectly well known, that every banker in London keeps a considerable quantity of bank-notes always in his possession for carrying on his trade, amounting amongst the whole bankers to a good many millions.—These notes, when in possession of the bankers, are perfectly harmless with regard to demands made for cash on the Bank, because the notes, till very lately, were considered by the bankers, as well as by their customers, as preferable, for many reasons, to cash, except for fractional sums.—A part

of the bankers trade, is to deal in discounts, and the notes which are necessary for such transactions are continually going out, and continually returning back to his shop in the same manner, as happens with regard to discounts at the office of the Bank, and they occasion no additional demand for cash on the Bank, any more than if the discounts were all carried on by the Bank itself, and the Bank receives five per cent. interest for these very notes from Government, without having the trouble of employing them itself in discounts, by which they would only gain the same interest.

With regard to the propriety of the demand of the Bank, of repayment at this time of its late advances to government, it will be necessary to state to the House, the amount of these advances, and to make some observations upon them.—There are three accounts upon the table of the House relating to these advances; by the first of which it appears, that the amount is stated by the Bank, on the first of October, 1796, to have been 9,183,896*l.* In the next account, the advances are made to amount, on the 25th of February last, to 9,964,413*l.* but neither of these accounts include any interest. By the last account, they are made to amount, on the 9th of March 1797, to 10,916,010*l.* in which is included 580,670*l.* as the amount of interest. It appears by the several statements, and particu-

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larly by the second account, that about 6,000,000*l.* has been advanced upon the land-tax and malt-tax, viz. about 4,000,000*l.* on the land, and near 2,000,000*l.* on the malt. It also appears that 141,000*l.* is still due as advanced on the land for 1794, and 312,000*l.* for 1795. This arrear must probably arise, partly from interest and partly from money still remaining in the hands of the collectors, which it was certainly the duty of Government to have called in, long before this time—for it is well known, that the whole of the land-tax, is always recovered by re-assessments, if necessary, in the different districts out of which it is levied. But there is a much greater arrear in 1796, amounting to 1,000,624*l.* which is probably on account of the second land-tax of 1796; collected, as usual, after Lady-day of the succeeding year. The land-tax, for 1797, is stated as 2,000,000*l.* in arrear, and this is certainly an advance by the Bank to Government, upon the land-tax which will be collected in the course of the present year, but of which no part can yet have been collected, nor the whole, till after Lady-day 1798.

The same sort of observations, apply to the advances on malt.—There is stated a considerable arrear in 1794 and 1795, which probably may chiefly proceed from the constant deficiency upon this tax, and the interest on the Bank advances; but it seems strange, that the whole of the malt-

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tax for 1796, is stated as in arrear, though at least the half of it ought, I imagine, to have been received before the 9th of March, to which time this account is made up. This seems to imply a degree of negligence. The malt, for 1797, is properly stated as all due, being an advance by the Bank upon the vote of Parliament, before any part of that year's tax could be collected; but it will be found, by an account to be afterwards referred to, that though the whole of the land and malt for 1797 is stated as due to the Bank by Government, yet that a considerable part of the money, though agreed to be lent on those taxes, had, on the 25th of February, still remained in the hands of the Bank, subject indeed to the calls which Government might make.

With regard, however, to the money thus advanced on the land and malt, amounting to near 6,000,000*l.* the Bank can, I think, have no fair claim for immediate repayment, because they have at all times taken these taxes as their security, and perfectly understood, that they were to be repaid as the taxes came in.—They have also, indeed, another security, for I understand it is the practice, whenever the Bank agrees to make advances upon the land or malt, that exchequer bills to the full amount of these taxes are delivered, and are from time to time set apart by the Bank, as the advances are gradually made, and from that time the respective exchequer bills bear interest. If therefore the Bank were at any
time

time embarrassed, on account of the amount of advances actually made on the land or malt, I apprehend the Directors would be entitled to sell these exchequer bills in the market, in order to raise the money, by which operation, the Bank could only lose the occasional discount; and I admit, that in such a case the Bank might probably have a fair claim on Government, in case of such actual distress, to make good that discount. It therefore appears to me, that the Bank can have no fair claim for immediate repayment from Government, of the money advanced on the land or malt, except to the amount of the known deficiency of the tax on malt, and the interest incurred; which observation takes off a very great proportion of this 6,000,000*l.* from the total claim (including interest) of 10,916,010*l.*

There are besides two other deductions to make from the demand of the Bank; the account states an advance on the consolidated fund, 1796, of 1,323,000*l.* I consider this advance in nearly the same light as the advances on the land and malt; for it is advanced upon particular taxes, out of which it is expected by the Bank to be repaid, as the taxes come in, and I believe exchequer bills are also in the same manner lodged for this advance. It is true, that it appears by the report just printed, from the Select Committee on the Finances, that there has been a deficiency in the last year, in the produce of the consolidated fund, which has probably prevented hitherto the regular repay-
ment

ment of this sum to the Bank from the taxes; but still the Bank could have been in no distress on this account, beyond what might be lost by the sale of the exchequer bills. The other article to be deducted, is 376,730*l.* being the amount of unclaimed dividends, which cannot surely be considered as a debt due by Government, unless these old dividends were actually to be paid by the Bank, which is never likely to happen, as no demand has been made, though a list has been long printed and dispersed; and for this sum also exchequer bills are lodged. When these several deductions are made, the total amount, for the immediate repayment of which the Bank can have a fair claim, including all interest, is no more than 3,295,380*l.*; and if to this be added the deficiency on malt, and even the 1,323,000*l.* on the consolidated fund, the total will not amount to 5,000,000*l.*

But even against this remaining claim, Government is entitled to state several considerable sums of money; for there is reason to believe that it will appear by an account which will be brought before the House, that the Bank were in possession, on the 26th of February, of Government money to the amount of nearly five millions sterling, for which they allow to government no interest whatever, whilst they have charged to Government, as is usual with bankers, full interest on all the money actually advanced for the public. These sums consist of three articles, viz.

Cash

Cash deposits, about	£.
-	2,000,000

It is believed, that though part of this money may be deposits from individuals, yet that a very great part of it is government money, arising from the produce of various taxes, which are paid into the Bank almost weekly from the different offices, and though continually going out by the drafts of government, are also continually coming in again, by new payments from the offices, so as always to leave a large balance in the hands of the Bank.

2dly, Dividends issued for payment to fundries	£.
-	1,800,000

This sum, I believe, is either the amount of dividends which were payable early in January, and not yet called for, or what has been impressed, for payment of the dividends, to be issued early in this month of April; but in whichever view it be taken, it is the money of Government till called for by the creditors, and is lodged in the hands of the Bank, though destined for a special purpose; and other money must be issued continually for the subsequent dividends; so that a large balance must always, I conceive, remain

Carried over	3,800,000
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	Brought over	£. 3,800,000
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in the hands of the Bank out of these dividends.

	The third sum in the hands of the Bank, is exchequer bills to the amount of	- - - - - 1,200,000
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This seems to be money, which the Bank has indeed undertaken to issue on demand to Government, on the credit of exchequer bills, but was not, in fact, issued on the 25th of February last, and therefore remained with it, out of some of the advances which the Bank had agreed to make.

Total	<u>£5,000,000</u>
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From this view of the account between the Bank and Government, which, I have reason to think, is pretty correct, it seems to appear, that the late distress of the Bank cannot possibly have arisen from the advances to Government, but from some other cause, which it will not be difficult to point out, when the report from the Secret Committee comes down. And, secondly, that there can be no fair ground for the demand now made by the Bank, to have an immediate repayment of six or seven millions from the public.

It

It is said, however, that the Bank Directors have informed the merchants, that if the Bank shall obtain repayment of such a sum from Government, out of the intended loan, they will greatly increase their discounts for the support of commercial credit. I think the merchants will deceive themselves, if they expect any actual relief by such means; because the present difficulties have evidently arisen, from a deficiency of the total necessary quantity of circulating medium; and in consequence of the proposed loan, a great proportion of that existing medium, will be withdrawn from the hands in which it is now placed, and where it is now acting in circulation, and will then be paid into the Bank, which operation must of necessity diminish the existing quantity of the medium now in the circle, for no one can believe, that the notes which are now out are hoarded up and unemployed, at a time when the profits on money are so much higher than at any former period. So long, therefore, as the loan remains with the Bank, after being paid in, before it be re-issued, it is withdrawn from the uses to which it is now applied; and even if the whole of what is paid in, were to be re-issued by the Bank, it would make no difference as to the total quantity in circulation, but would in the interval, occasion considerable distress whilst it is in its progress to the Bank, and before it has

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had

had time to return from thence, by the slow progress of being re-issued in discounts.

I do not, however, understand, that the Bank has ever explicitly undertaken, to re-issue in discounts, the whole that shall be repaid to them. The directors have contented themselves, with making vague and general declarations, of good intentions, upon which the commercial body cannot, and ought not to rely; and whatever part of the repayment the Bank does not re-issue, it will be so much withdrawn from the present scanty and deficient quantity of circulating medium.

This argument proceeds upon the supposition, that the repayment will be made to the Bank in its own notes; and there is little probability, that any thing but fractional sums will be repaid in cash; and if the Bank re-issues the whole of the notes, the operation will make no difference between their cash and the quantity of their notes which are out; on the other hand, if they do not re-issue the whole, it may indeed make a difference in the proportion of cash, but will essentially distress the commercial circulation, which, if they had not a monopoly, they could not be called upon to attend to; but having a monopoly, it is an essential part of their duty. In every view, therefore, the plan of immediate repayment to the Bank, seems to have been formed without due consideration of the circumstances of the case.

I will

I will say little on the subject of another cause, which has been assigned by many, as the true ground of the present distress; I mean the exportation of coin or bullion. The public mind, I believe, is now sufficiently informed, and enlightened, upon that subject, and the author of the "Nature and Causes of the Wealth of Nations" has so clearly refuted, all the gross and vulgar ideas upon this point, which, however, I own, have very universally prevailed in almost all nations, that it cannot be necessary to say much upon it. I mentioned to the House, in a former debate, the case of Spain and Portugal, as a proof of the gross error of all such ideas. To these two countries, about six millions of gold and silver are annually brought from the mines, and in both, the strictest prohibitory laws are enforced, against their exportation; yet it has been found altogether impossible to retain these precious metals; and if they could be retained, it would be a most material and serious loss to both these countries; for if the whole of the gold and silver, which has been imported during so long a period, from their mines, were now in these countries, and could not go abroad, they would be of little or no value there; the two countries want no more than is necessary for their limited circulation at home, and for plate and ornaments. The value of the remainder, arises from the want which other countries have of these metals, having

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no mines of their own; and that value cannot be obtained, if they are not allowed to be exported.

The truth is, that no laws in any country can prevent the precious metals from going out, or from coming back. They always must, and will follow the actual demand; and all sorts of prohibitions with regard to them, are only hurtful to the countries which make them.

This leads me to take notice of a circumstance with regard to the state of the coin in the coffers of the Bank. An account has been lately presented to the House, of the coinage at the Mint, for four years, viz. from 1793 to 1796 inclusive, by which it appears, that during the first two of these four years the Bank coined in

	£.	s.
gold	5,306,324	0

But in the second two years, to the 30th of Nov. 1796, the Bank coined only in gold

885,205	0
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And in one of these two last years, 1795, they coined in silver

295	5
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885,500	5
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So that there was a deficiency in the coinage of the last two years, compared with the two first years, of no less than

4,420,823	15
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The House knows, that the whole coinage, both of gold and silver, has at all times, in this century, been made in consequence of bullion sent to the Mint by the Bank. There was indeed a great re-coinage, chiefly of silver, in the reign of King William, and another great re-coinage of light guineas during the administration of Lord North. It appears, by a table published in "Chalmers's Estimate of the Comparative Strength of Great Britain," that the re-coinage of gold and silver, from the year 1780 to the year 1792, excepting during four years, was, on an average, 2,248,011,5*l.* per annum; the Bank seems, therefore, to have been highly culpable, during the last two years, in having decreased, to the amount of nearly *four millions and a half*, the usual quantity of coinage; when, on the contrary, they ought in time of war, to have increased very much, their usual coinage, in order to assist the commerce of the country, during an increased demand for the means of circulation. This obvious precaution, would have enabled it to answer the extraordinary demands for a circulating medium, which is always occasioned by a state of war. There seems little more necessary than this, to account for the present situation of the Bank; but, in truth, there are other obvious causes, which I shall not enter, into until the evidence comes down from the Secret Committee: I shall only observe, that it appears from the coinage table in Chalmers, that the Bank fell into the same unaccountable error, or rather

ther followed the same practice (for it is impossible to suppose that they did not foresee the consequences), during the two last years of the American war, and the two immediate following years, viz. 1781, 1782, 1783, and 1784, when the average coinage amounted to only 656,085,5*l.* per annum, and the consequences were nearly the same as at present, by reducing the stocks to a very low price, and occasioning very general distress.

It is said, however, that there is no ground for expecting, that the Bank ought to be at the sole expense of coining, for though the coinage be at the expense of government, yet it frequently costs more to the Bank for bullion, when the exchange is unfavourable, than the amount the Bank receives in the current value of guineas when returned from the Mint, which loss falls upon the Bank: and it is also said, that the Bank Directors cannot be accused of having ever refused to buy whatever gold bullion is brought to them, and that they always send it to be coined at the Mint.

With regard to the first, it is certainly true, that if the Bank did not enjoy a monopoly, there would be no reason for expecting that it should undertake the expense of furnishing gold for coining, except for the circulation of their own particular notes; whereas at present it is admitted, that almost all the inferior banks are
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furnished with coin at the expense of the Bank of England; but this is merely the price which the Bank pays for holding its monopoly, from which it will, of course, in a great degree, be relieved, when that is at an end. It is merely a deduction from their very great profits, and it can be shewn, that if matters were so managed, as would be done if a competition was established, there would be great gain, instead of loss, by a plentiful coinage, even when the exchange is most unfavourable. At the same time I admit, that our gold currency in this country, is not at present properly regulated; I mean as to the true proportional value between gold and silver, which in all countries is attended with manifest disadvantage; but in this country the effects of this, are counteracted by other circumstances.

With regard to the second objection, it may be true, that the Bank has not refused to *purchase gold that was brought to them*; but, in the first place, they cannot assert, that, within these two or three years, they have not often refused to purchase dollars, and thereby forced them to be re-exported; and, secondly, even as to gold, the answer is far from amounting to a justification; because it seems to have been their duty, as monopolists, to have procured gold wherever it could be obtained, without trusting merely to what might be brought to them by other people; and it is understood that the Bank has, for some time at least, established a fixed price, higher than which they will never consent

to purchase gold, and, of consequence, they cannot expect, that any other gold will be brought to them, except the light guineas, which it is not worth the while of the holders to melt and recoin; and those light guineas, which are voluntarily brought to the Bank, are believed to have been almost the only recoinage that has in fact been made by the Bank for the last two years, during a part of which time, the exchange being unfavourable, the price of gold has been higher than the Mint price; but certainly, if the Bank maintains its monopoly, it is bound, in justice to the public, to provide always a sufficient quantity of gold to answer fully the circulation of its notes.

It appears to me, that the establishment of another Bank, would be so far from hurting the credit of the present Bank, that nothing could tend more to its speedy re-establishment; for the new Bank, by paying cash for all its notes on demand, would certainly diminish the demands for cash upon the present Bank; and by adding to the circulating medium, that deficiency of quantity, which, by exciting general distress and general diffidence, has been one of the principal causes, of the demand for cash from every quarter, the present Bank would evidently be very much relieved.

I am very far from wishing to diminish the credit of the present Bank, or to prevent its notes from having a free circulation, particularly during the

the present period, whilst cash for its notes cannot be paid. It is most essential to the country, that they should continue to pass freely; but every one must admit, that this cannot, in the nature of things, continue to be the case long, and that, if payments in cash do not speedily recommence at the Bank, its notes cannot continue to be held as of equal value to gold and silver; they must suffer a gradual depreciation, and will, if they continue in the circle, become soon in the same state with the French assignats. It is on this account, that I have anxiously wished, that the period for re-opening the Bank should be shortened: but, supposing the House to continue of its former opinion, and fix that period for the 24th of June, no man, I think, will be bold enough to say, that it is absolutely certain, that the Bank will be able to pay cash for its notes, when that day arrives; and if the contrary should be the case, and that no precaution be taken to provide against the effects of such a misfortune, there would be no other resource, but to prolong the time for paying cash, which would infallibly depreciate the value of the notes, and bring on a more certain and more rapid run upon the Bank, whenever its doors are opened.

It seems to me, therefore, a matter of common prudence, to provide immediately an effectual remedy against such an alarming misfortune, and that remedy, I think, is a very plain and obvious

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one, that of passing an act for opening an immediate subscription for another Bank, whose operations should commence on the day after the period fixed for the Bank to pay its notes in cash; but not to commence at all, in case the Bank should, on that day, recommence its usual payments in cash, and continue to pay cash freely for a certain number of days after it opens.

I have not been able to learn what reasons can be assigned against such a measure of precaution, which could do no possible harm, if the Bank should be able to resume its usual practice; and, on the other hand, would secure the public against the dreadful effects of the possible inability of the present Bank to pay cash. This subscription, I would propose, should be equal to ten or twelve millions, and, by passing the act immediately, the subscribers would have time to make their arrangements, and be ready to act on the day they are allowed to open.

It has been said, however, that no subscriptions could be obtained for such a new Bank, as none of the present bankers, or considerable merchants, would engage in it; and I am ready to admit, that such is the dominion of the present Bank, and so great is the dread of its power, by every merchant, banker, and trader, in this metropolis, that I do believe neither their strong wish for the public prosperity, in which their own is involved, nor the object of great gain from the establishment of such a Bank, would induce them to expose

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pose themselves to the resentment of the present Bank, if it should be able to open again, and to continue its monopoly; but there seems to be an easy method of obtaining the object, without exposing any person to resentment. The act might provide, that the subscriptions should be taken in at the Exchequer, by a committee sworn to secrecy, and the mode of subscription to be, by putting into the slit of a box, with three locks, a sealed paper, containing the name of the subscriber, the sum subscribed, and the names of the first directors for whom he votes. These papers might be sent by any person, or by post, to be put into the slit, without the possibility of tracing from whence they came; and if the present Bank should really open, on the day appointed, and be able to continue to pay freely for a week or ten days, that then the box, without being opened, should be put in the fire.

I have very little doubt, that a very large subscription would be obtained by such means, and that the effect upon public credit, would be complete, in case the present Bank should prove unable to open at the time fixed.

Whatever language the bankers and merchants may feel themselves obliged to hold, yet no one can believe, that they have any satisfaction, in being, and continuing, under a dominion which has proved so grievous and so disastrous; and whether the conduct of the Bank has proceeded

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from error or design, is of little consequence, since the mischief has been universally felt. I shall never believe that the merchants and bankers of this country will prove unwilling to emancipate themselves, if they can do it without risking the resentment of the Bank—No man was heard in France to complain openly of the Bastille, whilst it existed. The merchants and bankers of this country have the blood of Englishmen, and will be happy to relieve themselves, from a situation of perpetual terror, if they can do it consistently with a due regard to their own safety.

We have been told that public credit may be revived in the present Bank, and that we ought to wait till we are convinced that it cannot be restored in that manner. But no one can say, with certainty, that it will be so revived; and if we wait till convinced that it cannot be done, the kingdom must be involved in the most serious calamity. The public safety is too important a matter to admit of the exercise of delicacy upon a point of so much moment.

Nobody, I believe, has ever pretended to say, that there would be any breach of public faith in establishing another Bank, in case the present Bank should not resume its payments at the time now to be fixed; and in the mode proposed, the new Bank would not be enabled to act, if the present Bank should recommence and hold out; but I am fully persuaded, that if such an act should pass, and that the proprietors of the present Bank

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were convinced that they could not possibly recommence at the period fixed, they would see it to be their interest, to make an offer of giving up their monopoly, upon condition, that their charter as a corporation should be continued, and that they would request, that the new Bank should commence its operations as speedily as possible, because that would be an effectual means of supporting the credit of the present Bank.

An objection was made against the establishment of another bank, that it might be considered as a breach of faith to the public creditors, whose payments are directed to be made at the Bank. But in the first place, if this Bank continues a corporation, the payments to the public creditors may still be continued to be made there, provided the Bank pays cash for its notes; but all question of faith to the public creditors, would be easily removed, by permitting such creditors, as declared their assent in writing, to be in that case paid at the new Bank, and the others to continue to be paid at the present Bank.

When I consider the magnitude of this matter, and the facility with which the public credit might be restored, I cannot help complaining of the Right Honourable Gentleman, over against me, that he has shown no inclination, but much to the contrary, to give any aid in producing so important an effect. It seems to me, to have been

been his duty to have prepared the public mind, for the attainment of such an object, and to have endeavoured to remove those prejudices, which very naturally prevail, and ought to prevail, in favour of old institutions. His neglecting to do it, must either have proceeded from not fully understanding the subject, although no object, at a time like this, could be more material for him to understand, or from unwillingness to risk any degree of unpopularity, which might at first attend a measure of the kind. I am sure he would run no risk of unpopularity, if he was willing to face the danger; and with regard to the Right Honourable Gentleman's not understanding the subject, I believe the House will not be apt to think so ill of his talents and ability.

This matter must soon come under a further discussion, and with great advantages to the Right Honourable Gentleman and the House, from the evidence which the Secret Committee will very soon lay before us. In the mean time, I will move, that the words "*twenty-fourth* of "June" be left out of the Bill, for the purpose of introducing the words "*sixth* of May," as the period when the Bank shall recommence the payment of cash for its debts and demands.

ERRA-

E R R A T A.

- Page 8, line 19 from top, for *is*, read *are*.
24, after *interest*, insert *to judge*.
II, 5, for *effect*, read *affect*.
II, 22, after *is*, insert *closely*.
21, 12, for *sells*, read *fold till very lately*.
22, 27, for *every*, read *any*.
23, 29, after *less*, insert *a sum*.

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