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**THOUGHTS**  
ON THE  
**REPEAL**  
OF THE  
**Bank Restriction Law.**

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and the Law  
1890

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**REPEAL**

OF THE

**Bank Restriction Law.**

BY

**DAVID PRENTICE.**

"Hunc ego non possum tantum hominem nihil sapere dicere, sed  
nos ab eo derideri puto." Cic. Tusc. Quæst. l. ii.

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## THOUGHTS,

&c.

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**T**HE great rise that has taken place in the value of commodities, within the last thirteen years, can scarcely have failed to attract a large share of the public attention. Previously, however, to the publication of the Bullion Report, it had been the subject, rather of observation, than of inquiry; and few literary exertions had been made to detect the sources to which its origin might be traced. But the appearance of that ingenious work had an instantaneous effect in bringing the subject before the public, in almost every possible point of view; and if the discussion had not been more than usually abstruse, the talents and accomplishments of the Gentlemen who have treated it, were perfectly adequate to set the matter completely at rest. The question, however, concern

ing the causes to which a general increase in the value of commodities is to be attributed, is exceedingly difficult, and perhaps the most complex and troublesome of any, that Political Economy is conversant with. It is not, therefore, very wonderful, that the persons who have written on the occasion, should differ widely in their conclusions; and still less so, that the case which was left tolerably clear by the Bullion Committee, should be more darkened than elucidated by the industry of their commentators. As the question is, in itself, of great public importance, and as it forms an indispensable link of the subsequent reasonings, I shall state shortly, what, in my opinion, are the probable causes of the advance.

The value of the precious metals being subject to fewer causes of variation than that of other commodities, it will be proper, in the first instance, to consider the price of gold and silver.

It is shewn in the Bullion Report, that during the last two years, the market price of standard gold has fluctuated from £4:9,

to £4:12 per oz.; being from 15 to 18 per cent above the mint price. During the same period, the market price of standard silver has exceeded the mint price from 10 to 15 per cent. This difference in the rate of advance, may probably have originated in the usual demand for silver, by the East India Company, having, within the last two years, totally ceased. In my future calculations, I shall assume, that the average market price of gold has been £4:10 per oz.; and consequently, that its excess over the mint price, is  $15\frac{1}{2}$  per cent.

According to the Bullion Committee, this advance has resulted from a depreciation of our circulating medium, consequent to an excessive emission of Bank of England notes. This opinion is contested by a long list of writers, who endeavour to demonstrate, that it is to be ascribed solely to an unfavourable balance of trade. X

It is abundantly obvious, in the present posture of our domestic currency, now exclusively paper, and governed in no respect by the precious metals, that, if the balance

*and to a general rise in the value of the metals*

of trade can be proved to be considerably against this country, the high price of bullion will not require a more satisfactory explanation. The state of our foreign trade is, therefore, the point on which the whole controversy, concerning the condition of our circulating medium turns.

In spite of the admissions of the Committee; of the decided opinions of the practical Gentlemen, whose evidence is detailed in the Appendix to the Report; and of the elaborate treatises of the authors who have written in the Bank's behalf, it will appear, I think, that the balance of trade has not, for many years, been against Great Britain.

In the opinion of by far the greater part of the Gentlemen \* examined by the Committee, the balance of trade has, since the autumn of

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\* The Continental Merchant differs from the other practical Gentlemen, in thinking the balance favourable to England, (Appen. Bul. Rep. p. 107.); so that, when his extraordinary intelligence is taken into account, the thing, even as a matter of testimony, is, by no means, beyond the reach of doubt.

1808, been unfavourable to England. This opinion, they ground on the success with which Napoleon has obstructed the natural play of our Continental commerce. But it is evident, that the fact is not adequate to support the inference. Though the French Decrees and the Orders in Council be allowed to have, in a material degree, injured our foreign trade, it is by no means fair reasoning, to deduce from thence an unfavourable balance: For the balance of trade may, at that time, have been to such an extent in our favour, as subsequently to admit of a considerable deterioration, without being absolutely turned against us. And this proposition must be maintained by all those who would consistently argue that the balance of trade is favourable at present.

Could any reliance be placed on the official accounts of exports and imports, they would materially confirm this inference; but these documents are notoriously too inaccurate to be the foundation of any reasoning. Even when corrected by Mr. Irving, they exhibit fallacious results. In the last state-

ment, which he presented to the Committee, he has, on his own shewing, made a most important omission. He calculates the value both of exports and imports by their market price in England; whereas, he ought, beyond all dispute, to have calculated the value of the exports by their price abroad\*. For, having included the charges of transportation, and the merchant's profit in his estimate of imports, he ought, he acknowledges, to have considered these also in computing the value of exports. This error, must, therefore, be corrected, before any confidence can be reposed in the account; and it is easily to be corrected, by adding to the amount of exports, as exhibited by Mr. Irving, an adequate sum for freight, insurance, and profit; all of which, very clearly, form

\* "The values are calculated at the prices in this market, of course, the imports include the mercantile profits and freights inwards; the exports are exclusive of the freights outwards, consequently, the actual balance, in favour of Great Britain, will be much more considerable than appears upon the face of the account."—Appen. Bul. Rep. p. 222.

component parts of the price of every exported commodity in the foreign market. If, for these, we allow 20 per cent.—an allowance which will scarcely be said to be over-rated—we shall have the exports and imports, to and from the Continent, standing thus:

Years.	Real value of Exports.	Real. value of Imports.	Balance in favour of England.
1805	24,523,128	21,744,762	2,778,366
1806	21,056,691	17,855,524	3,201,167
1807	18,504,616	17,442,755	1,061,861
1808	16,779,747	8,905,099	7,874,648
1809	32,628,404	19,821,601	12,806,803

Mr. Bosanquet\*, attempting to prove the balance of trade to be favourable to the Continent, has composed the following account for 1809.

ENGLAND, *Cr.*

Balance from Mr. Irving, - £7,368,736

ENGLAND, *Dr.*

Continental Expences of Government, for which Bills were drawn on London, £6,559,742

\* Practical Observations, p. 42.

Bullion exported by Government,	-	1,540,000
Neutral Freight,	-	2,600,000
		<hr/>
		10,699,742
Balance against England,	- *	£3,331,006

Of the four items composing this account, three are mis-stated.—*Paucis verbis tria magna peccata!*—The balance in favour of England, is taken as Mr. Irving left it, though Mr. Bosanquet could scarcely be ig-

\* “Mr. S. Cock, Commercial Agent for Liverpool,” has made up an account, which shews a balance of *ten* millions against England; and I dare say, if he had been so disposed, his ingenuity would have enabled him to increase it to a *hundred* millions. It is but justice, however, to Mr. Cock, to observe that he is very modest on this subject, and by no means, asserts the correctness of his statement, with improper confidence. One of the items of his account runs thus: “Of this portion, I *imagine*, &c. amount to £8,000,000.” —“Every man,” says our great Philosopher, “who has ever reasoned on this subject, has always proved his theory, whatever it was, by facts and calculations.”—*Essay of the Balance of Trade.*

norant that he left it amiss. The specie and bullion exported by Government, ought not to be inserted; for specie and bullion form no part of the stated amount of exports\*. Nor ought the £2,600,000, charged for neutral freight, to find a place; the freight†, and all other charges, on imported commodities, being included in Mr. Irving’s estimate of the imports. Rectifying these blunders§, which, I marvel, how so clever a Gentleman, as Mr. Bosanquet, could think of committing, we shall find the balance greatly in favour of England.

\* “Bullion or coin is not included either in the account of goods imported or exported.” Appen. Bul. Rep. p. 209.

† Appen. Bul. Rep. p. 222. The passage has been already quoted, page 6.

§ Since these remarks were printed, I have seen Mr. Ricardo’s Reply to Mr. Bosanquet. Mr. Ricardo has not pointed out these errors in the account; and he has granted that the balance of trade is unfavourable: Of course, he has, in fact, given up the whole question; and has put it in the power of Mr. Bosanquet to give him a lesson in political reasoning, that may be highly salutary to his future lucubrations. Reply, p. 67.

ENGLAND, <i>Cr.</i>	
Balance of Mr. Irving, corrected,	£12,806,803
ENGLAND, <i>Dr.</i>	
Foreign expenditure of Govern- ment as above, - - -	6,559,742
Balance in favour of England,	£6,247,061

It is, perhaps, unlikely, that the result is here set forth with great accuracy; for any thing like great accuracy may not be looked for in any statement of this kind: but, after every source of mistake has been discovered and exhausted, it seems impossible that the balance should not be left in a considerable degree favourable to this Country.

But if the balance of trade be considerably in favour of Great Britain, it will follow, that an increasing debt must be constituted against the Continent; the state of our currency not admitting of the balance being liquidated by a remittance of the precious metals. In confirmation of this inference, it is stated, in the Bullion Report\*, that the

\* Bul. Rep. p. 28. Appen. p. 74, 99, 138.

length of credits given by the British, to the Foreign Merchant, has lately been greatly extended; a circumstance directly flowing from an accumulating foreign debt, created by a favourable balance of trade, but altogether inconceivable on a contrary supposition. There is another fact to be mentioned here, which appears quite decisive of the balance of trade being in our favour. In the Appendix to the Report, Mr. Greffulhe and Mr. Chambers state, that the prices of most of the articles, imported from the Continent, are very low, and such as yield little or no profit; while the principal articles exported thither, fetch high prices, and yield great profit†. Now, in all cases whatever, the balance of trade will be favourable to that country, whose commodities are comparatively in great demand in another country; and unfavourable to that country, whose commodities are comparatively in slow demand in another country. Were British goods to fetch high prices in the foreign mar-

† Appen. Bul. Rep. p. 63, 66, 138.



ket, an increased exportation would ensue, which would create a propitious balance of trade; and this balance would, of necessity, be kept down by importations of foreign commodities, howsoever low their prices might be in this market.

The fact, then, that British goods sell high abroad, and that foreign goods sell low at home, seems to place the position of those who contend for a favourable balance, beyond the reach of controversy. For the fact is not capable of being explained on any other hypothesis; it being inconceivable, that the foreign merchant should embroil himself by exporting unsaleable goods, unless he had payments to make to Great Britain, for which, on account of an adverse balance of trade, he was unable to provide by a remittance of bills on London.

At all events, when these circumstances are considered together; when we find that the balance of exports and imports, as pointed out by Mr. Irving, is corroborated by the extended credits which our merchants give to their foreign correspondents, and by the low

price at which Continental commodities are sold in this market, the proof of a favourable balance seems to be complete and unquestionable. It may be added, that of this conclusion a strong presumption might be obtained, from the following consideration. As we are now in possession of all the West India Islands, we enjoy a monopoly of colonial produce, which must tend greatly to give our commerce an ascendant on the Continent. Not to mention the importations that must have been made, to a large amount, in consequence of the legal and contraband exportation of gold.

If I have been successful in shewing that the balance of trade has been favourable to England, it follows, that the high price of gold is to be ascribed to a depreciation of our circulating medium. As the paper money of the Bank of England has been about doubled within the last thirteen years, and as that of the Country Banks must proportionally have increased, we shall find little difficulty in believing that the depreciation has

proceeded from an excessive issue of Bank of England notes.

On this point, however, controversy is also awake; the Bank party affirming that the principles which govern the discount of the Bank of England, render any excess of issue impossible. The Bank, they say, discount no bills, but such as are founded on real mercantile transactions; hence, no redundant emission of their notes can have taken place. Both the premises and conclusion of this argument are faulty. It is certain that the Bank must very frequently discount accommodation bills; for while long credits are customary in London, and while a greater sum is abated for prompt payment, than the legal interest for the time amounts to, accommodation bills will be fabricated, and offered for discount; and as the most perspicacious Banker is unable to distinguish between a judiciously executed fictitious bill, and one resulting from a real mercantile transaction, he is quite as likely to discount the former, as the latter. And although he could make the distinction, it does not fol-

low, that no excess of circulation would ensue. This inference, indeed, might be fair, if no real mercantile transaction was ever made out of the course in which commodities naturally flow, in their progress from the cultivator of the soil, to the consumer; but, applied to England, where commercial speculation is so alert, it must be unsound and ridiculous. It is evident, that when goods are bought and sold on speculation, the bills resulting from such transactions, if discounted, will quite as much tend to create an excess in the circulation, as an equal amount of accommodation bills would do, if discounted. But the whole reasonings which the advocates of the Bank have advanced on this subject, betray the greatest ignorance of Political Economy, and are, indeed, quite unworthy of any serious refutation. I have noticed them, merely, that a heedless reader might not think they were omitted; because they were unanswerable.

To ascertain, with tolerable accuracy, the extent of the depreciation, is a problem of considerable intricacy, but of great moment

to our future inquiry. We have already seen, that the value of gold has advanced  $15\frac{1}{2}$  per cent. in this market; and the depreciation, measured by this advance, will amount to  $13\frac{1}{2}$  per cent\*. But it is clear, that the value of gold in England, is not an accurate criterion of the depreciation. Since the restriction law was enacted, the demand for gold, for the purposes of home consumption, has been quite trifling; and could not, in any measure, tend to raise it above the mint price. The bulk of what has been purchased in this market, would, accordingly, be destined for exportation; and the price would be regulated by the competition of exporters, exclusively. Hence, its value in the foreign market, must as much exceed its value in the home market, as to defray the necessary expences of transportation, and yield the customary profit to the exporter. These charges have been accurately stated by Lord

$$\frac{* 15.5 \times 100}{115.5} = 13.42$$

King to be 8 per cent. Wherefore, if the value of gold has advanced  $15\frac{1}{2}$  per cent. in our market, it must have advanced at least  $23\frac{1}{2}$  per cent. on the Continent. Mr. Gref-fulhe accordingly states, that an ounce of gold is worth in Paris £4:19; being a rise above the mint price of upwards of 25 per cent. Now, as it has already been proved, that the balance of trade is not in favour of the Continent, it is certain, that the depreciation is to be measured, not by the market price of gold in England; but by the market price of gold abroad. Calculated on this principle, the depreciation measured by the advance in the value of gold, will be found to be 21 per cent\*.

Lest the exportation of gold during a period of advantageous trade should appear paradoxical, it will be proper to make some remarks on the rate of exchange. It has been well stated in the Report, that the rate of exchange will rise against a country, exactly in proportion as its currency depreci-

$$\frac{* 8 \times 100}{108} = 7\frac{1}{2} + 13\frac{1}{2} = 21.$$

ates; and that this effect will be aggravated or counteracted by an adverse or propitious balance of trade. Thus, if our circulating medium has fallen in value 21 per cent., the rate of exchange will be 21 per cent. against us, provided the amount of our exports and imports is equal. Should there, however, be a balance of trade 10 or 21 per cent. unfavourable, the rate of exchange will be 31 or 42 per cent. unfavourable. On the other hand, should the balance of trade be favourable 10 per cent. the rate of exchange will be only 11 per cent. unfavourable, and should the balance be 21 per cent. in our favour, the exchange will be at par.

These observations will serve to explain why gold is found a profitable object of exportation, even in defiance of a favourable balance of trade. It has been above shewn, that gold would not rise above the mint price in England, unless it was wanted for exportation; and that it was an indispensable condition of an increasing price, that the rate of exchange should be more than 8 per cent. against us. Whenever, then, the depreciation exceeded the favourable balance of

trade by 8 per cent., gold would be exported, however great that balance might be.

The Bullion Committee have strangely admitted, that the charges of exporting gold bullion (which have been stated at 8 per cent.) ought, in computing the extent of the depreciation, to be deducted from the price of gold in England; instead of being added to it; and have thus enabled Mr. Bosanquet to infer logically, from *their* principles, that Bank of England notes have scarcely fallen in value at all. But their principles on this occasion are unquestionably fallacious: and the fallacy, I think, may be traced to their definition of the par of exchange, which is only applicable to countries whose currency is composed of gold and silver. According to this reasoning, the real rate of exchange is always favourable to that country where the value of the precious metals is the highest. Thus, the Committee infer the real rate of exchange to be unfavourable to England, to the extent of  $8\frac{1}{2}$  per cent. because gold is worth  $8\frac{1}{2}$  per cent. more in Paris than in London. If there be any justness in the remarks

which I have before made on this subject, this mode of calculating the rate of exchange is exceedingly inaccurate. The Committee seem, in this instance, to have forgotten that gold having now ceased to exert any influence on our currency, is no more to be reckoned a standard of the state of trade, than any of the base metals; and they have applied the laws, which regulate a metallic currency, to our present paper currency; although they have proved that Bank of England paper is now a slave to no limit, save what it pleases the Bank Directors to prescribe.

It appears to me, that the distinction drawn in the Report, between the real and computed rate of exchange, is superfluous. But, if such a distinction be to be made, it would seem, that the *real* rate ought to express the state of trade; and the *computed* rate ought to express the state of trade, modified by the depreciation. The *real* rate of the Committee, however, is no such expression; being in fact nothing more or less than an indication of the difference between the value of gold here and on the Continent. It may possibly be

reckoned fool-hardy to attempt to amend a definition of Mr. Horner, who, as a Political Economist of the present day, is, in my opinion, without a rival; but a correction is so obviously wanted, that I cannot refrain from undertaking the task\*. "*Real* par of exchange between two countries," is not, then, as it is defined in the Report, "the sum of the currency of either of the two, which, in point of intrinsic value, is precisely equal to a given sum of the currency of the other; that is, contains precisely an equal weight of gold and silver." But *real* par of exchange between two countries, is the relative value of their respective currencies, when the amount of their exports and imports is equal. If the currency of both countries was metallic, and without seignorage, the definitions would coincide; but if the coin of one country be supplanted by paper money, the definition of the Committee ceases to be

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\* "Reason is an arrant despot, who, in his own dominions, admits of no authority but his own."—*Divisions of Purley*, i. p. 54.

applicable. This, however, on the present occasion, is more an affair of curiosity, than of utility, and I hasten from it.

The advance which has generally taken place in the value of such commodities, as are subservient to the existence of the labourer, is now to be considered. And there is no part of our inquiry so abstract, or so much beset with contradictory opinions as this. Since the year 1797, the price of bread, oatmeal, butter, cheese, beef, and other necessaries of life, has, in this country, advanced, on an average, about 55 per cent.; and the wages of labour have experienced a proportional increase. The rise then, in the value of these commodities, exceeds the rise in the value of gold, by 31½ per cent.

The circumstances which may be supposed to have occasioned this excess, may be classed as follows: 1. War. 2. Taxes. 3. Scarcity. 4. Prosperous foreign trade. 5. Increase of the precious metals.

On abstract principles, it would appear, that the effect of war in raising the general price of commodities, must be very trifling.

On the necessaries of life, and wages of labour, especially, it is not easy to see how it should be much felt. It might be expected, perhaps, that grain would be dear, in consequence of the waste incident to a camp; but this effect will be counteracted by the supplies which our naval and military forces draw from foreign places. And the demand which war creates for men for the army and navy, will be supplied, without raising the wages of labour, from the artisans, whom the new distribution of property, consequent upon war, throws out of employment.

We shall scarcely find any better grounds for ascribing to taxation, a great power of enhancing the value of the necessaries of life: for on these, the taxes in this country fall very lightly. Indeed, it would seem that taxation, regulated as it is in Great Britain, must have rather an opposite tendency. A great portion of our taxes being levied on articles of consumption, the price of these articles will be raised, and a greater quantity of money, will, of course, be wanted to cir-

culate them. Now, as the imposts of Government have no power of adding to the amount of the currency, it follows, that a smaller portion will remain for circulating such commodities as are not victims of taxation; wherefore, the price of these commodities will not be raised, but depressed, by the British system of imposing taxes.

That a year or two of scarcity should have any permanent tendency in raising prices, seems also very questionable. An increasing price of grain will necessarily occasion a fall in the value of other commodities, as has been beautifully explained by Lord Lauderdale\*; and it is not possible, with a knowledge of this fact, to conceive, with Mr. Malthus†, that the wages of labour should rise, in consequence of a scarcity, unless, indeed, it was of long continuance, or had assumed the character of a famine.

It would seem that very little effect would be produced by such an increase of the pre-

\* Origin of Public Wealth.

† Essay on Population, ii. p. 263.

vious metals, as can have taken place within the last thirteen years.

A prosperous state of foreign trade must have been more effective; for a brisk demand for goods, would necessarily raise the wages of labour, and ultimately the price of the necessaries of life: But upon the whole, there is no reason to conjecture from speculative considerations, that the effect of all these circumstances, united, is adequate to explain a rise\* in the value of the necessaries of life, of any thing like 30 per cent. Let us consider what light may be thrown on this question, by a practical examination of the price of wheat, during the last century.

As taxes in modern times, are inseparable attendants on war, it will be necessary to consider their joint effect in generating variations in the value of commodities. The following Tables exhibit the Prices of Wheat in Windsor Market, during the periods of peace and of war, since 1702.

\*In maintaining this opinion, I have the misfortune to differ from Mr. Ricardo, who alleges, (Reply, p. 114) that "all above such rise (18 per cent.) may either be traced to the effects of taxation, to the increased scarcity of the commodities, or to any other cause which may appear satisfactory to those who take pleasure in such inquiries."

PRICE OF WHEAT \* in Years of Peace, from 1717, to  
1792 inclusive.

Length of the Period. YEARS.	From.	To.	Average Price.		Average price of the first half of the period.		Average price of the last half of the period.	
			£.	d.	£.	d.	£.	d.
4	1714	1717	2	9	2	8	2	10
7	1722	1728	2	3	1	6	2	6
10	1729	1738	1	17	1	14	1	19
7	1749	1755	1	17	1	16	1	17
11	1763	1773	2	14	2	11	2	17
9	1784	1792	2	16	2	13	2	18
General Average.			13	15	12	17	14	6
General Average.			2	5	2	2	2	7

\* Mr. Wilson (Observations on the Depreciation of Money) has given a table, of what he calls the average actual price of wheat for England. Up to the year 1770 inclusive, however, the table gives not the average price for England, but the price of the best wheat in Windsor market, in Windsor measure. Now this price, on an average, exceeds the average of England and Wales, by ten shillings a quarter. Nevertheless, from 1771 inclusive, Mr. Wilson abandons the Windsor prices, and adopts those of England and Wales,

PRICE OF WHEAT in Years of War, from 1702, to  
1783 inclusive.

Length of the period. YEARS.	From.	To.	Average Price.		Average price of the first half of the period.		Average price of the last half of the period.	
			£.	d.	£.	d.	£.	d.
12	1702	1713	2	5	2	6	2	18
4	1718	1721	1	17	1	17	1	17
10	1739	1748	1	16	1	19	1	12
7	1756	1762	2	3	2	11	2	15
10	1774	1783	2	14	2	14	2	14
General Average.			10	15	10	14	10	17
General Average.			2	3	2	3	2	3

without taking any notice of the change. This blunder is the more extraordinary, inasmuch as it bears materially against the conclusion which he wishes to establish.

Mr. Wilson endeavours to shew, that it is impossible for any bank to issue notes in excess. At the same time, he grants, that prices would not have risen so much, had our money been metallic; and this admission is sufficient, for the argument of the antagonists of the paper system.



Hence it appears, that the average price of wheat, during the periods of peace, exceeded that of the periods of war, by about 6 per cent.:

That the average price of the last half of the periods of peace, exceeded that of the first half, by 11 per cent.:

That the average price of the last half of the war periods, exceeded that of the first half, by only 1 per cent.:

That the average price of the first half of the peace-periods, was equal to that of the first half of the periods of war:

And that the average price of the last half of the periods of peace exceeded the last half of the war-periods, by 8 per cent.

It is worthy of remark too, that the price of the last half of the peace-periods, was *uniformly* higher than that of the first half; and that in a *majority of instances*, the price of the last half of the periods of war, was lower than that of the first half.

These facts then, are decisively confirmatory of the general reasoning; by which it has been attempted to be shewn, that taxes,

levied as they are in Great Britain, and war, practised as it is, in modern times, have no tendency to elevate, but rather to depress the prices of the necessaries of life\*.

\* Mr. Bosanquet has advanced the following opinion on this subject:—

“There are readier means of ascertaining the effects of increased taxation. In 1793, as I before stated, the net revenue amounted to about £16,000,000; but it is the gross revenue which the subject pays, and we may, therefore, call it at, that time, £17,000,000.

“The gross revenue of one year, to January, 1810, amounted to £70,240,226, as appears by the account delivered to Parliament, on the 24th of March, being an addition to the charge on the land, the labour, the revenue, and expenditure, of British subjects, since 1793, of £53,240,000.

“According to every principle of political economy, a tax on land, labour, or industry, is a tax on the produce of each, as fully, if not so directly, as the taxes levied on goods, at the custom-house or excise office, and, therefore, *this sum of £53,000,000 must be, and now is, added to the aggregate price of commodities in Great Britain*, beyond their price in 1793, except in so far as the direct and personal taxes, fall on those who, living on fixed incomes, have not the means, by the increased price of their labour, increased profits, or increased rents, to relieve themselves of the burthen. The direct taxes amount to about one-fourth of the whole, and the proportion of these, which falls on certain incomes, does not affect the price of commodities. If certain incomes be taken at an amount equal to the interest on the funds, (not meaning thereby, that a large proportion of stock-holders do not indemnify themselves elsewhere,

The following Table will shew the manner

as proprietors of land, merchants, traders, and manufacturers, but to allow a sum adequate also to the annuities on land, salaries of office, &c.) a proportion equal to one-sixth of a fourth of the general taxation may be considered as positively taken out of the pockets of those who pay it. To obviate objection, let it be admitted that  $\frac{1}{10}$ th instead of  $\frac{1}{4}$  is so taken. The remainder, about £47 to £48,000,000, is an annual augmentation to the price of commodities in Great Britain. Now, the aggregate price of these commodities cannot exceed the total income, or revenue, by means of which they are consumed, which, from the best judgment that can be formed of it from parliamentary documents, does not exceed 140,000,000, so that, of the present price of commodities, one-third taken on average, (some more, some less, according as they are more or less immediately affected by taxation,) must be considered as representing the taxes imposed since 1793; and one-third of the present price is, of course, equal to half the price of 1793."—*Practical Observations*, p. 96.

The same opinion is maintained by an able anonymous writer.—“The pressure of all taxation is felt in the diminished efficacy of money, or, in other words, in the dearth of all commodities. It is thus that every fresh tax detracts from the ability of those who pay it, to support an additional contribution. It is, therefore, quite a new mode of arguing to contend, that, what has diminished the efficacy of our currency by 15 per cent. and is exactly analagous to an additional income-tax of three shillings in the pound, has a tendency to facilitate either the imposition of new, or the collection of the existing taxes.”

*Quarterly Review*, No. 8, p. 450.

Had these Gentlemen read their *Wealth of Nations*

in which years of scarcity, from 1693 to 1796, have influenced the prices of wheat.

PRICE of WHEAT, before and after Years of Scarcity, from 1684, to 1798 inclusive.

From.	To.	Duration of the Scarcity.	Average price.	Years preceding the Scarcity.	Average price.	Years succeeding the Scarcity.	Average price.
1693	1699	7	£. 3 4 0	9	£. 1 18 0	9	£. 1 15 0
1709	1711	3	3 10 6	9	1 15 0	9	2 4 0
1757	1768	11	3 0 0	4	1 19 6	4	1 19 0
1767	1768	2	3 2 6	3	2 9 9	3	2 10 4
1772	1775	4	3 3 0	3	2 10 4	3	2 10 10
1781	1785	5	2 19 0	3	2 6 6	3	2 11 6
1789	1790	2	3 3 0	2	2 13 6	2	2 14 0
* 1795	1796	2	3 15 6	2	2 10 4	2	2 11 8
		26		35	18 2 11	35	18 16 4
					2 5 4½		2 7 0½

\* The price of the last period is the average price for England and Wales.

better, they would not have been guilty of this ridiculous mistake.

Hence, it appears, that the average price of the periods subsequent to the scarcity, exceeded that of the periods preceding the scarcity, by only 4 per cent. And if the number of years, subsequent to the second period of scarcity, had been a little extended, the rise would not have exceeded 2½ per cent., which has been the average advance of the periods succeeding the scarcity, since 1750. When every thing, therefore, is taken into view, this fact also confirms the opinion formerly hinted on this subject.

If the foregoing statements, concerning the effects of war, taxes, and scarcity, be reckoned in any sort correct, nearly the whole rise, which wheat has experienced between 1702 and 1792, must be attributed to prosperous trade, and to an increase of the precious metals. As the rise, however, has entirely taken place, since about the year 1750, and as the influx of gold and silver, into the European market, cannot have been much greater during the last half, than during the first half, of the century; the prosperous state of

trade must be assigned as the principal cause of the rise. The average price of wheat for thirty years prior to 1752, was £1 : 17 : 6. For twenty-four years preceding 1798, it was £2 : 18 : 3; having advanced about 53 per cent. in forty-six years. This advance can be accounted for in a very satisfactory manner. Previously to 1767, great exportations of corn had been made from England; but from that period, corn began to be regularly imported in large quantities. A change so important, and apparently to be brought about with so much difficulty, could not fail to be attended with a prodigious advance in the value of corn. We find, accordingly, that the average price of wheat for the eleven years preceding 1773, during which, the change was achieved, was £2 : 14 : 6; being 45 per cent. higher than the average price for thirty years, preceding 1752. And, as was to be expected, when the alteration had been fairly accomplished, when the new corn trade of importation had worn itself a channel, the succeeding rise became comparatively trifling; for the average price of the twen-

ty-four years ending 1797, exceeded that of the eleven years, ending 1773, by only 7 per cent.

Let us consider what help these observations will afford us in explaining the rise in the price of commodities since 1797. In the preceding twenty-four years, the whole of the circumstances that are said to influence prices must have operated. There were thirteen years of war, thirteen years of severe taxation, twelve years of scarcity, and nine years of extremely brisk trade.

It will scarcely be contended, that upon the whole, these circumstances can have operated so powerfully within the last thirteen years. Granting, however, that they have operated as much, and that they have produced a proportional advance of price, we shall not find that they will explain an advance of more than 4 per cent\*. To obviate all cavil, let it be supposed that 10 per cent. may be accounted for by means of war, taxes,

$$* \frac{7 \times 13}{24} = 3.8$$

scarcity, prosperous trade, and an increase of gold and silver; and of the 31½ per cent. by which it was before found, that the value of the necessaries of life, have, since 1797, exceeded the value of gold, we shall have 21½ per cent. remaining to be explained; and there is apparently no manner of explaining it, but by concluding, that, since the Restriction, gold itself has fallen in value.

Nor is this a conclusion that ought to be surprising. Though in the Appendix to the Bullion Report several facts are stated, from which it may be judged, that on the Continent the demand for gold has in no sort diminished; yet the failure of demand in England, which followed upon the suspension of cash payments, is abundantly able to explain the depreciation. The inference is, indeed, so manifest, that a judicious Political Economist might have pointed it out when the Restriction Law was passed; and Mr. Thornton, in his very able work\*, has demonstrated that it could not fail to take place.

\* Nature and Effects of Paper Credit, p. 305.

The yearly supply of gold bullion, formerly wanted to maintain the British coin in a sound state, and the whole of that gold coin itself, being rendered of no use in England, by the suspension of cash payments, would necessarily find its way to the foreign market. In this way, a prodigious deal more of gold would be offered for sale, on the Continent, than if the Bank of England had been paying in guineas; and its value would, of course, greatly decline. There will, therefore, be no difficulty in believing, that the Restriction Law has occasioned a fall in the value of gold equal to  $21\frac{1}{2}$  per cent. Now it is evident, that in ascertaining the extent of the depreciation of our circulating medium, the fall in the value of gold, measured by other commodities, is as much to be taken into account, as the rise in the value of gold, measured by Bank notes; wherefore, as the rise in the value of gold was before ascertained to be  $23\frac{1}{2}$  per cent., the total rise will be 45 per cent.; and the depreciation of our circulating medium, measured by the rise, in the value of commodities, which can-

not be explained on other principles, will amount to 31 per cent\*.

For the sake of more commodious calculation, I shall assume, that the depreciation amounts exactly to  $30\frac{1}{2}$  per cent; and in order that I may the more readily have recourse to arithmetical computation, I assume, that it has gone on gradually at the rate of  $2\frac{1}{2}$  per cent. a-year. The progress, possibly, may not have been quite so regular as this; but the variation which it has undergone cannot be very great, and may not invalidate my general principles. The purposes of the argument would, indeed, be better served, if it were assumed, that the depreciation has proceeded very irregularly; for the evil would then be more partial, and consequently more oppressive. Mr. Huskisson alleges, that our currency has but recently depreciated; and he seems to fix on the autumn of 1808 as the period of the commencement of the fall. To me it appears as certain, almost, as mathematical demonstration, that the depreciation must have begun

$$* \frac{45 \times 100}{145} = 31$$

very soon after the suspension of cash payments. \* If it be to the excessive issue of Bank notes that the fall of money is to be attributed, it is fair to infer, that since the issue has been gradual, the depreciation must have been gradual also. In 1797, the circulating paper of the Bank of England amounted to about 12,000,000. In 1802, it amounted to nearly 16,500,000, being an increase of 4,500,000 in five years. Last summer, the amount was estimated at 22,000,000, being an increase of 5,500,000 in eight years. It will therefore appear, that the rate of the depreciation, must, in fact, have been greatest during the first years of the period. And we find, accordingly, that prices rose very considerably about 1801; and in 1803, the market price of gold had risen about 15 per cent. above the mint price\*.

\* The subsequent fall to £4 per oz., I, of course, ascribe to trade being very favourable from 1804 to 1808.—I must not omit to mention, that Mr. Cobbett, about five years ago, proved, to my conviction, that Bank of England notes had depreciated.

*\* In 1804 it is stated at a  
 few lines by Mr. Pugh  
 a director Bank Exchange  
 Committee -*

The manner in which the depreciation has accomplished changes in the state of property, is now to be stated; and this part of the subject will not be attended with any difficulty; it being indisputable, that the depreciation has enabled all persons, who, during the last thirteen years, have been in the condition of debtors, to make unjust profits at the expence of their creditors; the rate of the profit being proportional to the length of the credit. Thus, if A borrowed from B, in 1797, £100, for which 100 bolls of oats might then have been purchased, he might have liquidated the debt in 1803 by £100, worth only 85½ bolls of oats; and in 1810 by £100, worth only 69½ bolls of oats.—Hence A, the debtor, gained, upon the transaction, a real profit of £14:5, in the first instance, and of £30:17:6, in the last, at B, the creditor's expence.

As the profits which the debtors have gained on this occasion, are always made at the expence of the creditors, I shall, in general, express only the loss or gain of the one,

leaving the gain or loss of the other as a matter of subaudition.

In stating the effects of the depreciation, it will be proper to arrange Debtors and Creditors into four Classes.

The Creditors are:

- 1st, Money lenders.
- 2d, Merchants selling at a credit.
- 3d, Land-holders not granting leases.
- 4th, Land-holders granting leases, and Annuitants.

The Debtors, of course, are:

- 1st, Borrowers of money.
- 2d, Persons purchasing at a credit.
- 3d, Occupiers of land and houses without leases.
- 4th, Lessees and Grantors of Annuities.

The following table will shew the loss and gain, per cent. which the Restriction Law has occasioned to Lenders and Borrowers of Money, since 1797.

Length of the Loan.	Loss of the Lender, and gain of the Borrower.		
	On the Principal.	On the Interest.	Total.
1	2 7 6	0 2 4 $\frac{1}{2}$	2 9 10 $\frac{1}{2}$
2	4 15 0	0 4 9	4 19 9
3	7 2 6	0 7 1 $\frac{1}{2}$	7 9 7 $\frac{1}{2}$
4	9 10 0	0 9 6	9 19 6
5	11 17 6	0 11 10 $\frac{1}{2}$	12 9 4 $\frac{1}{2}$
6	14 5 0	0 14 3	14 19 3
7	16 12 6	0 16 7 $\frac{1}{2}$	17 9 1 $\frac{1}{2}$
8	19 0 0	0 19 0	19 19 0
9	21 7 6	1 1 4 $\frac{1}{2}$	22 8 10 $\frac{1}{2}$
10	23 15 0	1 3 9	24 18 9
11	26 2 6	1 6 1 $\frac{1}{2}$	27 8 7 $\frac{1}{2}$
12	28 10 0	1 8 6	29 18 6
13	30 17 6	1 10 10 $\frac{1}{2}$	32 8 4 $\frac{1}{2}$
	216 2 6	10 16 1 $\frac{1}{2}$	226 18 7 $\frac{1}{2}$
Average,	16 12 6	0 16 7 $\frac{1}{2}$	17 9 1 $\frac{1}{2}$

Hence, if A borrowed from B, for any ten years of this period, £1000, he would gain, upon principal and interest, £249:7:6, and B, of course, would only receive £750:12:6 for the £1000 he had lent A.

The changes effected in this way, on the relative condition of the lenders and borrowers of money, must have been enormous. There are no data by which we may compute to what extent they have taken place among private persons; but we are enabled to state the gains which Government have made at

the expence of the Stockholders. The National Debt amounted in 1797, to about £400,000,000, and it has increased gradually since, to upwards of £800,000,000; nearly at the rate of £30,769,000 annually. If these sums are reduced to 5 per cent. stock, we shall have the debt in 1797 amounting to about £250,000,000, and the yearly increase since about £19,230,000. The gains of Government and losses of the Stockholders, computed by the preceding table, will then appear as follows:—

Debt when Contracted.	Term of the De-preciation.	Amount of the National Debt.	Loss & Gain, per cent.	Total loss to the Stockholders & gain to Government.
1797	13	250,000,000	32 8 4½	£81,046,875
1798	12	19,230,000	29 18 6	5,754,577
1799	11	19,230,000	27 8 7½	5,275,029
1800	10	19,230,000	24 18 9	4,795,481
1801	9	19,230,000	22 8 10½	4,315,933
1802	8	19,230,000	19 19 0	3,836,385
1803	7	19,230,000	17 9 1½	3,356,837
1804	6	19,230,000	14 19 3	2,877,289
1805	5	19,230,000	12 9 4½	2,397,742
1806	4	19,230,000	9 19 6	1,918,193
1807	3	19,230,000	7 9 7½	1,438,645
1808	2	19,230,000	4 19 9	959,097
1809	1	19,230,000	2 9 10½	479,548
1810	0	19,230,000		
		499,990,000		118,451,631*

\* Gain to Government, and loss to the Stockholders, during the whole period.

Hence, the Restriction Law must have enabled Government last year to discharge the interest of the national debt, substantially by about £6,000,000 less than they had contracted to pay to the public creditor. We may remark, that at present, the national debt, estimated in guineas of 1797, scarcely amounts to £350,000,000.

The losses which merchants, selling at a credit, and proprietors of houses and lands not granting leases, have sustained, by the depreciation, are less important; for these do not fall, as in the preceding case, upon the capital and interest, but upon the interest alone. The foregoing table will serve sufficiently to shew their extent. It may, however, be observed, that the losses must have been more felt by the householders than the landholders; as the annual interest in the one case would be much larger than in the other; land being worth 25 years' purchase, and houses not worth more than 12½.

The case of landholders who give leases, and of annuitants, is more remarkable. In the following table will be found the losses



which have fallen on this class, during the last thirteen years.

Years of lease or annuity.	Loss of the landholders and annuitants per cent.		
	£.	s.	d.
1	2	7	6
2	7	2	6
3	14	5	0
4	23	15	0
5	35	12	6
6	49	17	6
7	66	10	0
8	85	10	0
9	106	17	6
10	130	12	6
11	156	15	0
12	185	5	0
13	216	2	6

Hence, the grantor of an annuity, to the extent of £1000, for any twelve years of this period, would gain, by the depreciation, £1852:10; so the farmer, who occupied a lease, which was granted before 1798, and which embraced the whole period of the depreciation, would gain £2161:5. The case of the landholder and farmer will, however, require more particular illustration. As the losses of the landholders will be in proportion to the length of the lease, and as the length

of the lease varies in different places, it will not be possible to state an universal rule for measuring the injury. We shall assume the duration of the lease to be thirteen years, which will probably be a fair average length; and, in order to meet every possible case, we shall suppose that a lease has expired every year, during the depreciation, and that, immediately upon its expiration, a new one has been granted upon a rack rent. This being premised, it is hoped that the following statement will be intelligible.

Date of the expiration of the old lease.	Years of the old lease.	Years of the new lease.	Loss of the Landholder and Gain to the Farmer, per cent.		
			£.	s.	d.
1797	0	13	216	2	6
1798	1	12	187	12	6
1799	2	11	163	17	6
1800	3	10	144	17	6
1801	4	9	130	12	6
1802	5	8	121	2	6
1803	6	7	116	7	6
1804	7	6	116	7	6
1805	8	5	121	2	6
1806	9	4	130	12	6
1807	10	3	144	17	6
1808	11	2	163	17	6
1809	12	1	187	12	6
Average, nearly £150.			1945	2	6

Hence, a Country Gentleman, worth £2000 a-year, whose land has fallen gradually out of lease since 1797, will have lost about £3000 by the suspension of cash payments; and if all the leases had expired in 1810, he would lose £4320; and so in other cases, in proportion to the income.

Similar losses will have been sustained by soldiers, sailors, and Government servants of all descriptions. Government, last year must have gained a great deal in this way. I have not at hand the means of calculating how much, but it must have amounted to several millions.

Such, then, is a fair statement of the evils which have flowed from the depreciation; and such the proofs by which the injustice of the Restriction Law is established. The Code of any Country has rarely been tarnished with so iniquitous an instance of Legislation. The law of Valerius Flaccus†, so justly execrated by the Roman Historian,

† Valerius Flaccus turpissimæ legis auctor qua creditoribus, quadrantem solvi jusserrat. Pat. 23.

differed but in degree from the Bank suspension bill, which, if it does not allow debts to be discharged for one-fourth of their amount, allows, in some instances, about two-thirds of their value to accomplish their liquidation, and in all cases whatever, justifies the debtor for paying substantially less than he borrowed.

It must, however, be observed, that it is only in so far as the Restriction Law has interfered with the rights of property, that it is worthy of this severe censure. All the collateral effects of it have been beneficial. The abundance of money which it has generated, imparting spirit and vivacity to commercial and agricultural enterprize, must have added considerably to the national wealth. The inroads, too, which it has occasioned upon private property, must have tended to correct the evils of a great inequality of fortune, inasmuch as the losses must, in general, have fallen upon the rich, in favour of the middle classes, whose relative condition in society would thereby be materially meliorated; and as the changes have

been made insensibly, without apparently violating the laws of justice, it must, upon the whole, have tended temporarily to increase the aggregate of national comfort. But this, of course, is no defence of the measure. In a court of justice, it would little avail a highwayman to plead, that he practised his profession from principles of philanthropy, and robbed from the rich, only to alleviate the distresses of the poor.

HAVING pointed out the effects of the Restriction Law, I proceed to the more immediate object of this inquiry, to consider the probable consequences of its repeal. According to the proposal of the Bullion Committee, the restriction on cash payments ought to be removed at the end of two years; and they recommend, that the particular mode of conducting and completing the operation should be left, in a great measure, to the discretion of the Bank. In this way, the depreciation, they think, will be gradual-

ly worn down without creating any great commercial difficulties.

It appears to me, that in whatever way the reduction is effected, the depreciation will be at an end very soon after the legislature have fixed the time for the restriction being withdrawn. When that event takes place, it is obvious, that money will regain the value which it has lost, in consequence of an excessive issue of Bank notes, and which we have already found to be 30½ per cent. Hence, if A, at present, borrows from B £100, worth only 69½ bolls of oats, he will have to repay him, after the repeal, by £100, worth 100 bolls of oats. Therefore A, the debtor, will lose upon the transaction 30½ per cent., which B, the creditor, will gain; and a proportional loss or gain will be made by all persons who may be in the condition of debtors or creditors, when money resumes its standard value. With this fact in view, and with a thorough conviction that the repeal will actually be effected at the end of two years, the public will be certain, that, by merely keeping their money unemployed, they

will gain at the rate of about 15½ per cent. a-year; in other words, they will be certain that the price of commodities in two years will fall about 31 per cent. Under these circumstances it is manifest, that no purchases will be made of any commodities, but such as are wanted for immediate consumption. A stagnation of trade, will, therefore, immediately follow. The consumer, in a great measure, will cease to visit the retail shop; the dealer, in a still greater degree, will discontinue his intercourse with the wholesale warehouse; the merchant will make no new purchases of manufactured goods; the manufacturer will cease to bring forward a fresh stock; and the artizan being thrown out of employment, will want the usual means of diminishing the stock of grain. The eagerness of the seller, will, of course, be directly as the shyness of the buyer; whence, in all probability, the ultimate fall will be anticipated within a few weeks of the enactment of the repeal.

But independently altogether of this anticipation, the value of commodities will de-

cline, in consequence of the diminution of Bank of England paper, which will take place as soon as the legislature have determined that the restriction shall cease. To diminish the amount of their discounts will be the unavoidable and obvious policy of the Bank. For 1st, The depreciation cannot be extinguished in any other manner. 2dly, It will be the interest of the Bank that a scarcity of money shall take place, in order that the public may be forced to import such a supply of gold, as will suffice for re-establishing a metallic currency.

Mr. Huskisson asserts, there is no reason why the Bank might not continue to give the same accommodation to merchants, after the resumption of cash payment, as at present, by withholding the supply which they have been accustomed to give to Government. It is to be regretted, that Mr. Huskisson has not explained in what way Government are to acquire the money which they now receive from the Bank, and which is indispensable for the national payments. No part of this money can be wanted; and if

it be not obtained from the Bank, it must be procured from some other quarter. But from what other quarter can it be procured? It will not accord with Mr. Huskisson's argument, to suppose, that any other money will suit the purposes of the State but that of the Bank of England. Hence, if this money be not to be obtained from the Bank, it must be obtained indirectly through the merchants, in whose behalf the issues of that money are made; or from persons who have deposits in the Bank. But it is impossible that what is wanted can be procured from the merchants; the entire amount of whose discounts will be absorbed in retiring their bills, and in serving the other indispensable calls of commerce. And if it be possible, by great sacrifices on the part of Government, to borrow a sufficient supply in this way, it will manifestly occasion the very same mercantile difficulties, as if Government had at once received the necessary supply from the Bank. And if the loan be procured, by means of persons withdrawing their deposits, the issue of Bank notes, which will take place on that occasion,

will as much abridge the amount of commercial accommodation, as if the issue had been made in a direct advance to Government. This plan, therefore, will be altogether nugatory for relieving the mercantile interest from the pressure of a pecuniary dearth.

That the Bank of England will reduce their issues to such a degree, as to enforce payment in gold of the discounted bills in their possession, Mr. Huskisson disputes, upon two foundations—the character—and the interest of the Bank.

It would seem that Mr. Huskisson has no adequate notion of the difficulty to be encountered in importing a large quantity of gold from the Continent. To withdraw ten or twenty millions of gold from foreign circulation, would inevitably be attended with a most enormous expence; and to suppose, that the Bank of England should willingly take upon their own shoulders the task of importation, when they could so easily shift it off upon their constituents, and upon Country Banks, is to exhibit a degree of good-natured credulity, which would be highly

praise-worthy in a beneficent Clergyman, but is not quite so commendable, it may be thought, in an aspirant to the Chancellorship of the Exchequer. "In all the other relations of life and public duty, in which the Directors stand as merchants of the first eminence, as men attached to the property of their country, and studious to procure the high estimation in which they are justly and universally held, they would find the most powerful motives for adopting a moderate and cautious line of conduct, in the reduction of their issues\*." To any man, except Mr. Huskisson, who is at all acquainted with political science, or who has had his eye upon the conduct of the Bank, for the last thirteen years, such reasoning is totally unworthy of notice; and as far as he is concerned, I can answer it satisfactorily from the very next page of his pamphlet, where the "sound discretion" of the Bank is very intelligibly devoted to derision. "It is not very surprising, that the proprietors of Bank stock should be dis-

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\* Question Stated, p. 112.

posed to resist any suggestion which touches the Restriction Law, and to prefer the *sound discretion* of the Directors, unfettered by the controul of cash payments\*." For an author—especially an author on the Bullion Report—to talk *pugnantly*, in the course of his work, is questionless a vice of great kindred; but to find Mr. Huskisson contradicting himself, within the compass of two short pages, is what I muse at extremely. The argument, by which it is attempted to be proved, that the Bank, as a trading company, would have very little, or perhaps no inducement to make so sudden or violent a reduction of its issues, as might derange prices and distress trade, is more consistent. "It is obvious, that, in whatever proportion, above the mint price, their future purchases might be made, in the same proportion must their issues, bearing interest, be above the amount which ought to be in circulation, or, which, in fact, they would be able to maintain in circulation, if the restriction

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\* Question Stated, p. 113.

did not exist. Suppose one million in gold to be bought at an average of 10 per cent. above the mint price, in the course of the first year after the Bank shall have received notice of a definite period for the resumption of cash payments; if, during that year, the Bank should have in circulation, upon an average, two millions of paper, beyond the proportion, which, but for the Restriction, it would have been able to issue, the immediate and accruing profit, from the interest on the latter sum, would be exactly equal to the contingent loss upon the purchase of the gold, when cash payments should be resumed. Without, *therefore*, exposing the Proprietors of Bank stock to any material loss, or probably to any loss at all, the Directors may effect a reduction in their issues, gradually and slowly, by apportioning the reduction, over nearly the whole time which the law may assign to them to prepare for the opening. In the same manner, they may, during the whole of that period, and without forcing the market, be adding to their stock of gold, of which the nominal price will continue to

fall, in proportion as the amount of their notes was brought nearer to its proper level\*.”

In considering this reasoning, I shall premise, that the question is not concerning the profit, which the Bank might have made in other circumstances, but concerning that which it may make, placed as it is at present; and this criticism is subversive of the whole argument. Let us, however, sift the matter a little more narrowly, and examine it, moulded with the mintage of a syllogism.

The argument will then appear as follows;

1. The advance in the price of gold has been proportional to the excess of circulation.

2. If one million of gold be bought, at 10 per cent. above the mint price, in one year; and if in the same year, the excess of circulation be two millions, bearing 5 per cent. interest, the loss upon the first transaction, will be compensated by the gain upon the second.

3. Therefore, the Bank may gradually re-

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\* Question Stated, p. 110.

duce their issues, and make such purchases as are necessary for their resuming cash payments, without any loss. Hence, they will have no inducement to make a sudden reduction of their issues.

In this inference, Mr. Huskisson utterly quits day-light. For repeating this wretched abuse of reasoning, I should certainly owe an apology to the intelligent reader, if the greatness of Mr. Huskisson's name\*, and the well-earned celebrity of his pamphlet, did not sanction the quotation†.

\* "Mr. Canning and Mr. Huskisson, the tongue and the brains of that ill-composed body," (Mr. Perceval's ministry.)—*Morning Chronicle*.

† I avail myself of the same plea for the following extract. "Another difficulty may be started against the proposal for fixing a period, however distant, for the resumption of cash payments; namely, that the Directors of the Bank, notwithstanding any decision of Parliament, may increase the amount of their paper, or, at least, may not so reduce that amount, as to be prepared for the opening, when the time that may be fixed for it shall arrive; and that, by this expedient, they might compel Parliament to grant them a further term for the restriction."

I wonder who it could be that urged this difficulty!

These objections being thus easily disposed of, we may safely assume, that it will be the obvious and unavoidable policy of the Bank, to create a material and speedy reduction of their issues. The effects of this reduction, it is obvious, will be dreadful to every person under early pecuniary engagements. As almost the whole commerce of England is carried on by means of credit, a very large proportion of discounts must be absorbed in retiring acceptances. A diminution of discounts will, therefore, inevitably lead to the dishonour of many bills. Before, however, people, who are possessed of property, will suffer their bills to be protested, they will endeavour to seize upon that part of the Bank paper, which is at present occupied with ready money transactions. This portion, however, will not be nearly adequate for the occasion; and, at any rate, it could not be obtained but by offering commodities greatly below their present value. Hence, as the demand for cash will be immediate and urgent, prices will fall very rapidly; and the fall will not find a limit till it reaches the point



at which a profit can be made on importing gold. Mr. Huskisson and Mr. Ricardo \* think that this limit will be about 15 per cent. below the present prices, because that is the amount of the depreciation, measured by the value of gold in the markets of England. If I have been right, formerly, in shewing that the value of gold has been sensibly lessened, by the quantity of it thrown into the Continental market, by the effects of the Restriction Law; it follows, that, when that quantity is withdrawn in consequence of the Repeal, its value will revert to its former level. It would seem, however, that the fall will not be more at first than 15 or 20 per cent.; but the Continental merchant, foreseeing the approaching demand for gold, will be shy of selling, while the same cause will make the

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\* "The Committee would, indeed, have been highly deserving of censure, if they had held out HOPES, to the people of this country, that the reformation of the currency could possibly reduce the prices of commodities, to the level at which they were previously to the Restriction Bill."—Reply, p. 114.—*Hopes!* why should a reduction of prices, proceeding from a scarcity of money, be an object of hope?

English purchaser eager; whence the ultimate result will be immediately anticipated.

We may, therefore, affirm, without hesitation, that the depreciation of Bank of England notes, will be extinguished, and a beginning made to the restoration of a metallic currency, very soon after the time has been fixed for the removal of the restriction on cash payments.

We are now arrived at that stage of our inquiry, at which it will be proper to consider the beneficial consequences which the Bullion Committee expect from the Repeal of the Restriction Law.

If I understand their argument, it must amount to this:

The Restriction Law has been the cause of an unjust loss of 31 \* per cent. to all persons who have been creditors during the last thirteen years, and of a proportional unauthorized gain to their debtors;

The Repeal of the Restriction will be the

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\* They do not reckon the depreciation so much as this, but it is quite unimportant to the argument whether it be estimated at 15 or 30 per cent.

cause of a gain of 31 per cent. to all persons who are creditors at present, and of a proportional loss to their debtors;

Wherefore, the Repeal will be just and expedient, and may not be dispensed with without compromising the national honour. In other words, the Repeal will repair the losses which the depreciation has occasioned.

Here, it is obviously taken for granted, that all those persons who are debtors or creditors, at present, have been debtors or creditors, during the last thirteen years. I shall proceed to inquire into the truth of this position; but before this inquiry is gone into, it will be proper to remark, that although it be true, the justice of the repeal may still be disputed. The gains which have accrued to a large proportion of the debtors—all persons purchasing at a credit—all grantors of annuities—all occupiers of houses and land—through the depreciation, must have been made without their knowledge, and have formed, in their estimation, a part of their legitimate income. They would, of course, proportionally increase their expenditure;

for it is contrary to all experience, and to all authority, to suppose, that their profits would be generally added to their capital. The loss, therefore, which the Repeal would inflict upon them, would fall to be defrayed out of the capital which they held, prior to 1797, and would, consequently, do them nearly as much injury, as if they had antecedently gained nothing whatever.

I proceed to inquire, whether they who are debtors and creditors at present, are generally the persons who were debtors and creditors, in 1797; and that this is not the case, is manifest: 1st, Because it is not conceivable, that the property of a commercial nation can have remained in the same hands for so long a period. 2dly, A large increase has been made to the debtors and creditors of this country since 1797.

The first proposition is scarcely in want of any proof. The fluctuating nature of riches has been food for the proverbs of all nations; and if this has been observed in countries little addicted to mercantile pursuits, it must be peculiarly true when ap-

plied to England. It rarely happens, in a commercial nation, that the fortune of any of its inhabitants but that of the working classes, remains in any measure stationary. Men possessed of property, are almost, without exception, either making or losing money daily; and in far fewer than thirteen years, property must undergo incalculable changes. Add to this, the alterations effected by death, emigration, and occasional changes of profession; and I conceive it will appear most unwarrantable to affirm, that in general, the debtors and creditors of 1797, have continued, to the same extent, to be debtors and creditors up to 1811. At the same time, this must be allowed to be the case in many instances. Landholders must, in a great measure, have been permanent creditors, as Government have been permanent debtors; but the farmers, in the first case, and the fund-holders in the last, would be variable.

But independently altogether of these changes in the distribution of property, the position we are examining, must be false, because the debts and credits have greatly

increased since 1797. Since that period, the national debt has been about doubled; and the amount of the debts and credits of the country, must have been greatly enlarged by our increasing commerce. It is to be observed, moreover, that the practice of purchasing on credit, is now more general than it was, prior to the Restriction; and that the length of credits has been considerably extended since 1797. Upon the whole, I cannot fancy any proposition, more obviously false, than that which would affirm the general identity of the debtors and creditors of the two periods.

Mr. Huskisson infers, that the present holders of Bank notes, are entitled to payment in guineas, because "the difference between the market and mint prices of gold, is, at this moment, just so much loss to the holders of Bank notes.\*" I maintain, there is no truth whatever in this argument; for they, who at this moment, hold Bank notes, must, in general, have received them

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\* Question Stated, p. 91.

in exchange for commodities, whose price would, with a slight modification, be enhanced directly as the depreciation. Is the farmer, who yesterday received £100 for 69½ bolls of oats, entitled to have this £100 made capable of purchasing 100 bolls of oats?

From what I have stated, it follows, that the transfer of property, which will result from the Repeal, will be made at the expence of persons to whom the Restriction imparted no profit, in favour of those who, in consequence of it, sustained no loss; wherefore, the Repeal will not only be flagrantly impolitic, but in utter defiance of every law of justice.

It must be recollected, that I have all the while argued the case generally, and of course, do not desire to deny, that in some instances, justice will be done by the Repeal. I only contend, that these instances must be comparatively few.

We may proceed to consider, in detail, the unjust transfer of property, which the Repeal will occasion. It is obvious, that the

extent of this transfer will be inversely as the time, during which the person, at whose expence it is made, has been a debtor; thus, if he has been in that condition, since 1797, he will sustain no loss whatever; on the other hand, if he made the loan in 1810, a loss will fall upon him equal to the entire amount of the depreciation; and so in the intermediate periods, inversely as the duration of the loan. Let us investigate the injustice done by the Repeal, to the different classes of debtors, in the same way as we formerly examined the injustice done by the Restriction to the different classes of creditors.

From the following table will be seen the loss which will fall upon all persons who owe money, at present, and who have been debtors, during any part of the last thirteen years.

Debt when Contracted.	Gain to the Borrower by the Depreciation, per cent.			Loss to the Borrower by the Repeal, p.cent.			Real loss to the Borrower by the Repeal, per cent.		
	£.	s.	d.	£.	s.	d.	£.	s.	d.
1797	30	17	6	30	17	6	2	7	6
1798	28	10	0	30	17	6	4	15	0
1799	26	2	6	30	17	6	7	2	6
1800	23	15	0	30	17	6	9	10	0
1801	21	7	6	30	17	6	11	17	6
1802	19	0	0	30	17	6	14	5	0
1803	16	12	6	30	17	6	16	12	6
1804	14	5	0	30	17	6	19	0	0
1805	11	17	6	30	17	6	21	7	6
1806	9	10	0	30	17	6	23	15	0
1807	7	2	6	30	17	6	26	2	6
1808	4	15	0	30	17	6	28	10	0
1809	2	7	6	30	17	6	30	17	6
1810				30	17	6			
	216	2	6				216	2	6
	Average, 15. 8 9								

Hence, if A, at present, owes B £1000, which he borrowed in 1806, B will gain, by the Repeal £213:15, at A's expence. It is impossible to take the most cursory glance of this table, without being convinced, that the transfer of property, flowing from the Repeal, will be most iniquitous. If we suppose, that of the debts, existing at present, an equal proportion have been contracted every year, since 1796, the average loss, to the bor-

rower, will be £15:8:9; but there is no doubt that the average must be larger than this, most of the debts having certainly been contracted in the latter years of the period.

The following table exhibits the loss which Government will sustain by the Repeal, and the difference between that loss, and the gain at present resulting from the depreciation.

Debt when Contracted.		Gain to Government by the Depreciation.	Loss to Government by the Repeal.	Balance of loss to Government and gain to Stockholders.
		£.	£.	£.
1797	13	81,046,875	77,187,500*	
1798	12	5,754,577	5,937,262	182,685
1799	11	5,275,029	5,937,262	662,233
1800	10	4,795,481	5,937,262	1,141,781
1801	9	4,315,933	5,937,262	1,621,329
1802	8	3,836,385	5,937,262	2,100,877
1803	7	3,356,837	5,937,262	2,580,425
1804	6	2,877,289	5,937,262	3,059,973
1805	5	2,397,742	5,937,262	3,539,520
1806	4	1,918,193	5,937,262	4,019,069
1807	3	1,438,645	5,937,262	4,498,617
1808	2	959,097	5,937,262	4,978,165
1809	1	479,548	5,937,262	5,457,714
1810	0		5,937,262	5,937,262
		118,451,631	154,371,906	39,779,650

\* The balance of gain to Government and loss to Stockholders, for the first period, £3,859,375.

If the operation of the sinking fund had been taken notice of, the Committee's plan of reparation would have appeared still more preposterous; although it would have made the balance of loss to Government considerably less than it is shewn in the above statement. The balance, however, would be fully supported, if the debt of the East India Company, of which the nation will have one day or other to take charge, and that of Ireland, had been put into the account. It appears, then, from the foregoing table, that the Repeal will force Government to pay to the national creditors, about £2,000,000 a-year more than they have any right to receive; and that the interest of the national debt will, after the Repeal, be nearly £8,000,000 more than it is at present. When to this sum is added the amount of the saving, made at present by the depreciation on the other branches of Government expenditure, we shall probably find, that the necessary taxes will substantially be increased by the projected rise in the value of money, by at least the whole amount of the property tax; and as a prodigious de-

falcation in the public revenue, will be an inevitable consequence of the Repeal, it may be expected, that an addition of 10 or 15 per cent. will forthwith be made to this unpopular impost\*.

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\* Though much disposed to pay deference to Mr. Huskisson's opinions on a financial subject, I have here the displeasure of again dissenting from him very widely.

“ The depreciation increases the domestic expences of Government, in proportion to the increased price of commodities. It adds in the same proportion to the amount of our annual loans and taxes.”—Question Stated, p. 20.

Here it is supposed, that all the national income is directly expended on commodities, and that it has not been increased by the Restriction.

“ A saving, it is true, accrues to the State, from paying the wages of valour, talent, industry, and labour, in a depreciated currency, and from the reduction which is thus made (really though not nominally) in the value of the dividend paid to the public creditor. But it is equally true, that these unintended savings to the State are more than counterbalanced by its increasing expenditure.”—p. 20.

Here it is supposed, that a greater part of the national income is directly expended on commodities, than what the wages of Government servants, the interest of the national debt, and the increase of the revenue, through the deprecia-

The loss, on a strict computation, will fall, as in the former table, on the occupiers of houses and land having no leases; and the same loss will fall upon the merchant purchasing at a credit. I have already shewn, however, that the gains accruing to these classes would be reckoned a part of their lawful fund of expenditure. The Repeal will, therefore, occasion them a loss nearly equal to the amount of the depreciation. The loss, in the first instance, will, of course, fall on the rent, and will be comparatively light; in the second, it will fall on the whole amount of the merchants' debts, and will, therefore, be quite intolerable.

The following table will shew the loss which the Repeal will occasion to lessees and grantors of annuities; as well as the balance of loss or gain resulting from the Repeal, upon the supposition that all they who are lessees or grantors of annuities, at present, have been so regularly since 1797.

tion, amount to. Will it be affirmed that this is the fact?

Date of the Expiration of the Old Lease.	Years of the Old Lease.	Years of the New Lease.	Years of the Lease after the Repeal.	Gains to the Lessees and Grantors of Annuities by the Restriction.	Loss to the Lessees and Grantors of Annuities by the Repeal.	Balance of gain to the Grantor of Leases.	Balance of gain to the Lessee.
1797	13	13	1	£. 216 2 6	£. 2 7 6	£. 216 2 6	£. 2 6 6
1798	12	12	2	187 12 6	2 9 0	185 5 6	0 6 0
1799	11	11	3	163 17 6	9 10 0	154 7 6	0 6 0
1800	10	10	4	144 17 6	21 7 6	123 10 0	0 6 0
1801	9	9	5	130 12 2	38 0 0	92 12 6	0 6 0
1802	8	8	6	121 2 6	59 7 6	61 15 0	0 6 0
1803	7	7	7	116 7 6	85 10 0	30 17 6	0 6 0
1804	6	6	8	116 7 6	116 7 6	0 0 0	0 6 0
1805	5	5	9	121 2 6	152 0 0	30 17 6	0 6 0
1806	4	4	10	130 12 2	192 7 6	61 15 0	0 6 0
1807	3	3	11	144 17 6	237 10 0	92 12 6	0 6 0
1808	2	2	12	163 17 6	287 7 6	123 10 0	0 6 0
1809	1	1	13	187 12 6	342 0 0	154 7 6	0 6 0
1810	13	13	13	216 2 6	6401 7 6	6185 5 6	0 6 0

Though the supposition on which the last two columns of this statement proceed, be the most favourable that can be fancied, for the Committee, yet they serve to put the inefficiency and absurdity of their proposal beyond the range of litigation. For reasons, however, already urged, the gain resulting from the

depreciation, ought not, in fairness, to be set off against the loss resulting from the Repeal; the whole of that loss being without any material modification to be reckoned unjust.

There is a circumstance to be attended to here, which will considerably aggravate the evil to the farmers. They have been so long accustomed to find the value of their farms increasing from year to year, that in bargaining for a new lease, they do not so much consider what the farm is worth at the time, as what it will ultimately be worth. Hence, they who have taken their land lately, and who have, for several years, had an opportunity of observing the effects of the depreciation, will have acted most up to this principle. If a farmer, who, from his last thirteen years experience, expects prices to rise in the same ratio in future years, takes a lease at present, he will lose, by the Repeal of the Restriction Law, not only that part of the rent, which has been increased by the depreciation, but also that part which he engaged to pay, on account of the expected advance in the value of agricultural produce.

It will be found, I believe, that such farms, as have been taken lately, have not afforded to the farmer any profit for the first three or four years of the lease.

Such, then, is a fair statement of the injustice of the Repeal, which, in numerical extent, will rather exceed than fall short of that of the Restriction. Nor will this injustice be counteracted by any of those softening features which distinguished the progress of the depreciation. On the contrary, all its collateral effects will be injurious. The violence with which money will regain its standard value, will be fertile of most calamitous issues\*. It

\* Considerable weight seems to be attached, by the Bullion Committee and Mr. Huskisson, to the circumstances attending the depreciation of the currency towards the close of the seventeenth century; but they differ somewhat in stating the causes of it; the Bullion Committee agreeing, with Lord Lauderdale, (*Thoughts on the Alarming State of the Circulation in Ireland*, p. 40, 86.) that an excessive issue of Bank of England notes, had contributed to the effect; while Mr. Huskisson, with greater accuracy, ascribes it solely to the adulterated state of the silver coin. The comparison, however, which the latter has drawn between the state of money at that period, and the present, is inaccurate.



will occasion a general bankruptcy among all those whose debts exceed their capital stock. A great proportion of country bankers, manu-

For some time previous to 1695, that part of the silver coin which was not milled, had gradually been deteriorated by clipping and wear; and at the beginning of this year, a great portion of it did not contain more than half the legal weight. A committee of the House of Commons, having been appointed to consider by what means it could be restored to a sound state, reported, that it would be advisable to call in the adulterated silver currency; for which the owners should have an equal weight of standard coin, and for the deficiency, a bill on a fund to be appropriated for that purpose. At the same time it was understood, that the King had been advised to issue a proclamation, ordering the impaired coin to be valued by weight and not by tale. This had the instantaneous effect of lowering the base coin  $17\frac{1}{2}$  per cent.; for silver sold as high as 6s. 3d. per oz. At the commencement of the next session of Parliament, it was resolved, that all clipped money should be recoinced according to the standard of the mint; and that the loss, incident to the recoinage, should be borne by Government.—(Burnet's Hist. book 6. Parl. Hist. vol. 2. p. 42.—vol. 3, 4—8.) From this period the depreciation was virtually at an end, for the holders of the base coin were assured, that in a short time, they would be enabled to exchange it for money of the legal standard.

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facturers, shopkeepers, and farmers, will be its certain victims; and it will reduce almost the whole of the labouring classes to extreme wretchedness and want. Thus, in every respect, it will be iniquitous, odious, and oppressive; ruinous to the middle and lower classes of society, and beneficial only to the land-proprietor, the Jew, the stock-holder, and

In this instance, the depreciation, which was not of more than a twelve month's continuance, proceeded wholly from distrust, and was redressed without any diminution of the circulating medium. There is no reason to think, that its extinction would occasion any serious loss to individuals. As it lasted for so short a time, and as the cause of it was so generally understood, it is impossible that many persons should have become debtors during its operation. No man of ordinary understanding would have borrowed money, depreciated  $17\frac{1}{2}$  per cent., with the evident prospect of being obliged to repay it with money of the standard value. Trade too, was at this period, in such a state, that the extent of credits would be comparatively small. Of those who borrowed money, during the term of depreciation, they who discharged a debt with it would obviously lose nothing; and they would be the only losers, who disposed of their money for consumable commodities. But it is highly unlikely, that under such circumstances, many debts should be contracted to provide funds for consumption.

those persons, in general, whose happiness will not be much increased by an increase of wealth. And there is no possible view of the case, which may bar us from asserting, that it would be a hopeless task for human ingenuity to devise, without having recourse to the actual infliction of personal violence, any more efficacious plan for promoting national misery, than the resumption of cash payments, in full, by the Bank of England, in two years.

It seems to me, that if the Bullion Committee had reasoned fairly, from their principles, they would have recommended, that the Bank should be compelled, in a few months, to pay their notes with guineas, at their bullion value, without previously diminishing the amount of their circulating paper. This, of course, would effectually arrest the future progress of the depreciation, without creating any material change in our pecuniary relations. But this, it seems, is "a stale, wretched, shameful, and disgraceful expedient\*." It

\* Bul. Rep. p. 74. Question Stated, p. 18 and 105.

must be granted, that, to the nation, it is, indeed, shameful and disgraceful in the highest degree, that such an expedient should be thought of; but the shame and the disgrace must rest upon those who have made it necessary—those who have imposed and continued the Restriction—and not upon him, who, in following the obvious dictates of common sense, should recommend to Parliament, the only safe, practicable, and efficient means of preventing the evils of a depreciating currency.

THE END.

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The first part of the report is devoted to a  
 description of the general situation in the  
 country. It is followed by a detailed  
 account of the various departments and  
 their respective functions. The report  
 concludes with a summary of the main  
 points and a list of recommendations.

ANNEX

This section contains a detailed  
 description of the various departments  
 and their respective functions. It  
 includes a list of the names of the  
 departments and a brief description  
 of their work.