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SIR JOHN SINCLAIR'S
REMARKS
ON
MR. HUSKISSON'S PAMPHLET.

WITH
AN EXPLANATION
OF
THE REAL NATURE,
AND
ADVANTAGES,
OF
THE PRESENT SYSTEM
OF
CIRCULATION.

"Had matters been left without any change at all, no bad
consequences would have followed. *These existed only in the*
heads of Theorists." (Sir James Steuart's Pol. Econ. Book IV,
cap. 31).

REMARKS

ON A

PAMPHLET INTITLED,

*"The Question concerning the Depreciation of the
"Currency Stated and Examined."* BY WILLIAM
HUSKISSON, Esq. M. P.

TOGETHER WITH

SEVERAL POLITICAL MAXIMS

REGARDING

COIN AND PAPER CURRENCY,

INTENDED TO EXPLAIN THE REAL NATURE, AND
ADVANTAGES, OF THE PRESENT SYSTEM.

BY

THE RIGHT HONOURABLE
SIR JOHN SINCLAIR, BART. M. P.

AUTHOR OF THE HISTORY OF THE PUBLIC REVENUE OF
THE BRITISH EMPIRE.

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1810.

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ADDRESS TO THE READER.

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ADDRESS TO THE READER.

SOME facts have recently come to my knowledge regarding, 1. A fall in the price of gold; and, 2. The rate of exchange with Ireland, which, I trust, will put an end to any prolonged discussion respecting the propriety of altering our present system of circulation: I thought it right, therefore, to lose no time in laying them before the Public. It seemed to me also necessary, to state some observations, on the proposed measure of compelling the Bank of England to purchase bullion at any price, and to add a statement of that fall in the value of funded property, which has taken place, in consequence of the alarm occasioned by the proceedings of the Bullion Committee.

1. *Fall in the Price of Gold.*

The foundation of the whole proceedings of the Bullion Committee rested upon this fact, that the market price of gold, when the Report was ordered to be printed, (8th June, 1810), was £4. 10s. per oz. or 15½ per cent. above the Mint price. (Rep. p. 1). This was attributed to an excess in the paper circulation of the country:

(Rep. p. 30). It was therefore contended, " that " a rise in the market price of gold, was the " effect of an excessive quantity of circulating " medium in a country, which has adopted a " currency, not exportable to other countries, " or not convertible at will into a coin which is " exportable." (Report, p. 8).

All these speculations, however, are now fortunately overturned by one plain fact, of which I have just been informed, from most unexceptionable authority (Mr. Merle). He states, that according to the last prices, gold bullion has already fallen in price 7 per cent. and consequently that the price of gold, instead of being 15½, is only 8½ per cent. above the Mint price.* There is reason also, to hope that, notwithstanding the

* The Committee made the difference 15½ per cent. in the following manner :

Foreign bars	22oz. 4 10 a 90	£100 0 0
Bars at the coin- age price	22 4 10 a 77	86 10 5
		£13 9 7

which on £86. 10s. 5d. is at the rate of 15½ per cent.

The present difference is thus calculated :

Foreign bars (at the price in June 1810),	22oz. 4 10 a 90	£100 0 0
The present price	22 4 10 a 84 6	93 17 7
		6 2 5

which upon the sum of £93. 17s. 7d. is as nearly as possible 7 per cent.; and which deducted from 15½, leaves the difference between the present market price, and the Mint price, only 8½ per cent. which has often been the case before.

alleged excess of Bank notes, and the consequent alleged depreciation of our currency, (neither of which assertions have any just foundation), that it will be still lower; but at any rate, if there were any good grounds for the doctrines of the Committee, regarding the effect of paper currency on the price of gold, how could it have fallen even 7 per cent. in so short a period ?

2. Exchange with Ireland.

Another favourite doctrine is, that any great fall in the rate of exchange, is owing to excess of currency: let us see how far such an idea is justified by fact.

In the year 1804, an alarm was created regarding the state of exchange between this country and Ireland, which it was contended, was altogether owing to the excess of paper issued by the Bank of Ireland;* and ingenious men amused themselves with speculations regarding the alarming state of Ireland, and the necessity of redressing its pecuniary grievances. The Directors of the Bank of Ireland took

* This doctrine was very ably maintained by Lord Lauderdale, in a pamphlet intitled " Thoughts on the Alarming State of the Circulation, and on the means of redressing the Pecuniary Grievances in Ireland." Printed Anno 1805.

fright at the inquiry, and actually reduced their circulation from £3,000,000. to £2,410,000. It appears, however, from the Report of the Bullion Committee, (p. 19), that the Directors of that Bank, had again, most wisely, increased their issue to £3,100,000. What has been the consequence of a greater issue than ever? Not an exchange of 18 per cent. against Ireland, as was the case in the year 1804, but an exchange of $9\frac{3}{4}$, which is only $1\frac{1}{2}$ per cent. above par; and about two years ago, it was under 8 per cent. whilst the par is $8\frac{1}{3}$. Is not that fact a decisive proof, that abundance of currency has nothing to do with the rate of exchange, and that the Directors of the Bank of England, *did not fall into a great practical error*, when they regulated their issues, neither by the price of bullion, nor the rate of exchange?

3. *On the Bank of England being compelled to purchase Gold at any Price, to carry on its Circulation.*

It is recommended by the Bullion Committee, that two years hence, the Bank of England shall be compelled to exchange its notes for gold, in which case, it must purchase bullion at any price. This plan was recommended by the Committee, when the price of gold was £4. 10s. per oz. and as the Mint price is only £3. 17s. 10 $\frac{1}{2}$ d. it

is evident, that the Bank must lose $15\frac{1}{2}$ per cent. by all such transactions. The Bank of England maintains its credit and character, by carrying on a profitable business, under a most judicious system;* but if it were to engage in great transactions, by which it was to lose $15\frac{1}{2}$ per cent. I should be glad to know, what would be thought of the wisdom of its Directors. In fact, the Bank, with such a burden, must give up issuing paper. Indeed, no one would take the notes of a corporation, that would persevere in carrying on so ruinous a business.

Mr. Huskisson having, however, proved to his own conviction, that a light guinea is more valuable than a heavy one, he will next, I suppose, undertake to persuade the Directors of the Bank of England, that purchasing bullion, with a loss of only 10 or 15 per cent. is a most profitable transaction.

* The rules of the Bank of England are highly judicious, and I believe strictly observed. They never issue a note but, 1. On mercantile paper, that seems to them perfectly unexceptionable; (and I believe the losses they sustain by discounting such paper, considering the extent of their transactions, are very inconsiderable;) or, 2. On Parliamentary security. And here it is proper to observe, that they never advance any money on public securities, unless a Bill has not only gone through both Houses, but has actually received the Royal Assent; the Votes of the House of Commons, though sanctioned by the Lords, not being considered as sufficient.

4. *Upon the Fall in the Value of the Funded Property of the Country, in consequence of the Proceedings of the Bullion Committee.*

It is admitted by the Bullion Committee, that the country was in a high state of mercantile, and of public credit, when its inquiries commenced. The numerous bankruptcies, which have since happened, may have been principally occasioned by other causes, but the fall which has taken place in the value of stocks, must be greatly owing to the attack that has most unfortunately been made on our circulation. Its effects abroad have been so great, that, I understand, there never was so much stock belonging to foreigners, in proportion to the extent of foreign property, sold, as since the Report of the Bullion Committee has been in circulation. The remitting of the value of the stock thus sold, has rendered the exchange, (if any exchange can be said to exist at such a time), less favourable than otherwise would have been the case. In order to ascertain to what extent that fall has gone, I thought it necessary to procure, a statement of the prices of the different stocks, on the 22d February, and 1st December 1810, to which the reader's attention is earnestly requested.

Names of the different stocks.	Prices on the 22d Feb. 1810.	Prices on the 1st Dec. 1810.	Difference (decrease)	Capital of each stock.	Amount of difference of prices on each capital.
Bank Stock	275 $\frac{1}{4}$	243 $\frac{3}{4}$	32	11,642,400	3,725,568
3 $\frac{1}{2}$ per cent. reduced anns.	68 $\frac{1}{4}$	65 $\frac{3}{8}$	2 $\frac{5}{8}$	183,472,794	4,816,160
3 $\frac{1}{2}$ per cent. consols.	67 $\frac{1}{2}$	66 $\frac{3}{8}$	1 $\frac{1}{8}$	422,975,433	5,815,912
4 $\frac{1}{2}$ per cent. annuities	83 $\frac{1}{2}$	82	1 $\frac{1}{2}$	71,491,696	1,340,460
Long annuities	18 $\frac{7}{16}$	17 $\frac{3}{8}$	1 $\frac{1}{16}$	1,203,185	977,587
Imperial 3 per cent.	66 $\frac{1}{2}$	65 $\frac{1}{2}$	1 $\frac{1}{2}$	7,502,633	133,296
Ditto annuities	7 $\frac{1}{2}$	6 $\frac{1}{16}$	1 $\frac{3}{16}$	230,000	273,125
South-Sea-stock	72 $\frac{1}{2}$ (9 March)	72 $\frac{1}{2}$ 29 Nov.	0	3,662,784	18,313
Old South-Sea annuities	68 $\frac{3}{8}$	66 $\frac{1}{2}$ } 27th Nov.	2	11,907,470	238,149
New do. do.	67 $\frac{3}{8}$ (5 March)	67	0	8,494,830	31,855
3 $\frac{1}{2}$ per cent. 1751	No prices given				
India Stock	186 $\frac{1}{2}$	183 $\frac{1}{2}$ 30th Nov.	3	6,000,000	180,000
					£17,548,425
5 per cent. navy annuities	99 $\frac{1}{2}$	100	increase $\frac{1}{2}$	58,549,404	365,933
					17,182,492

Thus it appears, that the value of funded property, has already fallen to the enormous amount of 17,182,492*l.* It is to be hoped that such a statement will awaken the attention of the proprietors of the stocks in general, to the necessity of preserving our present system of circulation unimpaired, and to the danger of tampering with our paper currency at such a time as this.

From the preceding statement it is evident, that the proprietors of Bank stock, have already suffered, in the value of their property, to the amount of nearly four millions sterling, (3,725,568*l.*) It is farther suggested, that they shall carry on a commerce, by one branch of what they are to lose at the rate of from 8 to 15½ per cent.; yet when these proprietors are assembled, it is considered to be indecorous in them, to raise any clamour against proceedings, by which their most substantial interests are so deeply affected.

On the whole, whoever will take the trouble of considering the facts above detailed, and the observations arising therefrom, must see the danger of permitting visionary speculations, to interfere with the practical concerns of Government; more especially, regarding measures, on which depend the interests and the comforts

of all classes of society. In the words of Sir James Steuart, "if matters are left without any change at all, no bad consequences will follow. These exist only in the heads of theorists."

[The following text on page 13 is extremely faint and largely illegible due to the quality of the scan. It appears to be a continuation of the text from page 12, discussing economic and political matters.]

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ADVERTISEMENT.

It is much to be lamented, that any controversy regarding the circulation of the country, should have arisen at a moment, when we have so many other important questions to distract our attention. Those who wish for an alteration in the established system, admit, that the nation, immediately prior to the publication of the Bullion Report, "was in a high state of mercantile, and of public credit;" the friends of the existing system, therefore, are extremely apprehensive, that any change in our circulation, might completely overthrow that proud situation which we have so long maintained. The opponents of the present system, on the other hand, contend, that an unre-

stricted issue of paper, has occasioned the high price of Bullion, and an unfavourable rate of exchange; and instead of exercising their ingenuity, to discover other modes by which the excess might be limited, there is none, they affirm, but the power of converting our paper currency into coin. If the issue of Paper, however, be too extensive, various modes might be thought of, that would answer that purpose, without running the risk of destroying a system, under which, although it may have been attended with some disadvantages, the nation has flourished.

All that the friends to the present system seem to wish for is, that matters should be suffered to remain as they are, during the course of the present war, resting the responsibility of any mischief that can possibly result therefrom, on the Ministers of the Crown, on the one hand, and on the Bank Directors on the other. If the power vested in the latter, should be reckoned too great, restrict their power, but do not destroy the system. When the war shall be over, the subject may then be resumed without public danger; and Parliament, with more leisure to discuss

the subject, and with some additional experience, will be enabled to devise such regulations, regarding the circulation of the country, as may contribute to, and, I trust, confirm, its prosperity.

Comparison of the years 1809 and 1796, in regard to Commerce, Public Credit and Revenue.

In order that the reader may be fully aware of the importance of the subject now under discussion, how much the nation has flourished, in a variety of important particulars, since the Restriction Bill took place, and what its state would be, if the former system was re-established, his attention to the following statements is earnestly requested.

It may be proper to add, that the year 1809, was the one immediately prior to the appointment of the Bullion Committee; and the year 1796, was the one immediately prior to the restriction on payments in cash at the Bank of England.

Exports, An. 1809	£50,301,763
Ditto, An. 1796	30,518,913
	<u>Difference, £19,782,850</u>

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Imports, An. 1809	-	£39,255,009*
Ditto, An. 1796	-	23,187,319
		Difference, £13,067,890
Average price of 3 per cent. consols. An. 1809	} -	68 7 9
Ditto, An. 1796	-	58 18 7
		Difference, £9 3 2†
Rate of Interest on Loan, An. 1809	-	4 4 2‡
Ditto, An. 1796	-	4 13 3
		Difference, £0 9 0‡
Public Revenue, An. 1809	-	£59,031,848‡
Ditto, An. 1796	-	19,951,589
		Difference, £39,080,259

Is it possible that any individual can seriously

* Estimating the East India and the China trade as in 1808, the account not being yet made up.

† This is the average price of the 3 per cent. consols. as purchased by the Commissioners for reducing the national debt.

‡ If the value of the interest paid to the public creditor be depreciated, what an object it is, to have such an increased price for the capital?

‡ How could such a revenue, and the immense trade, and more extended agriculture of this country be carried on, if the circulation of Bank notes were reduced to eleven millions, independent of Government paper, and commercial discount, as recommended by Sir Francis Baring?

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resolve to tamper with the situation of a country, which the preceding statements represent to be so uncommonly flourishing? Is it not fair to reason, that if our circulation were reduced to its amount in 1796, (which would necessarily result from the suggestions of the Bullion Committee), that our commerce and revenue would not differ materially from what they were at that time? That our stocks would be reduced to the same price, which then was the case? whilst the interest on our public loans would be increased to the same standard?—Above all, how would it be possible, with a circulation diminished to at least one half of its present amount, to furnish the same revenue? I question much, whether in that case, we should be able to pay even the nineteen millions which were raised in the year 1796; and if more were attempted to be exacted, can it be doubted, that every individual in the country would be placed in a situation of the utmost difficulty and distress?

I earnestly, therefore, intreat those, who have any stake in the country, of whatever

description, to unite in maintaining a system, which, in the present circumstances of Europe, can alone preserve the nation from destruction.

It is an old and a true saying, "*Fas est, et ab hoste doceri*:" Let us endeavour, therefore, to ascertain, what are the wishes of the enemy in regard to the renewal of cash payments at the Bank; for we may be well assured, that the measures that France would recommend, it is not for our interest to follow.

Fortunately, the wishes of France, in this respect, have been publicly announced from official authority.* Napoleon has not been able to dissemble his joy, at the prospect, of seeing the greatest obstacle to his ambitious views, (the credit and circulation of this country), as he vainly flattered himself, on the eve of being destroyed; and he had already anticipated the glorious era, when one half of the merchants of England would be compelled to stop payment, and when his favourite measures of commercial hostilities against us, (his decrees of Berlin and of Milan), would be

* The Journal de l'Empire is a Government paper.]

felt in their full force. He believes us so infatuated, that *his warning voice* will not awaken us to a sense of our danger. The measure of opening the Bank, however, fortunately has not yet been resolved on, by any authority capable of carrying it into effect; and I trust, when its mischievous consequences are duly considered, it will not, till the times are materially altered, be seriously attempted.

I cannot conclude without stating my full conviction, if it were to be enacted that the Bank should resume its payments in cash, that it would be utterly impossible to procure coin sufficient, to carry on our immense commerce, and our improving and more extended agriculture; to maintain our great fleets, and our numerous armies; to collect our increasing revenue; to defray our vast expenditure; and, in short, to carry on the multiplied daily and hourly transactions of common life. All these would in a great measure be brought to a stand, if our paper currency were to be annihilated. It would be much the same thing, in these unheard of times, if the Bank were again compelled to

resume its payments in cash; for, in that case, it could hardly venture to issue a note, without having specie ready to exchange for it. We have lately heard much of the miserable state to which numbers in Salisbury were reduced, where, for want of a circulating medium that would pass, they could hardly procure a morsel of bread. If those who have excited a clamour against bank-notes, were to be successful, the public at large, would soon experience the same difficulties. Men, from distress and despair, would then become ripe for revolution, and ready to involve themselves and their country, in all the horrors attending it.

If our present system therefore were unfortunately to be overturned, whoever might live to make the comparison, would probably find, that the year 1809, and the commencement of the year 1810, were the most flourishing periods in our history, in regard to commerce, revenue, finance, and every species of agricultural and internal improvement, the best and most substantial sources of public prosperity.

London,
December 8, 1810.

PRELIMINARY OBSERVATIONS.

HAVING already stated, in the History of the Public Revenue of the British Empire,* my sentiments on the circulation and paper currency of the country; and having so lately published my thoughts on the Report of the Bullion Committee; I had resolved to reserve, what farther observations had either occurred to myself, or had been communicated to me by

* See Hist. of the Revenue, printed, An. 1803, Vol. II. p. 318 and 319, &c. It is therein stated, about seven years ago, "that it is hardly possible to suppose, that the Bank of England, as at present constituted, can ever again open to any effective purpose, as the least rumour of war, or any continuance of an unfavourable state of exchange, must compel it to shut again its coffers, and to suspend its payments in cash." Nothing can be more unfair therefore than to attribute any change of opinions in the author of that work, though, where there are grounds for it, why should an erroneous opinion be pertinaciously persevered in, because it happened once, perhaps hastily, to be taken up. In regard to coin and paper currency, the author of this work, wished to maintain, as long as possible, the credit of the Bank of England on its original footing: he now sees clearly the advantages of the new system, and is bound, as a friend to the public welfare, to defend it.

others, regarding these important subjects, until the question came to be discussed in Parliament, where the solidity of the arguments to be adduced on either side must ultimately be determined; but having been led to peruse a work, entitled, "The Question concerning the Depreciation of our Currency, stated and examined, by W. Huskisson, Esq." I found myself therein so pointedly called upon, to explain, and vindicate the opinions I entertain,* that, however unwilling to enter the lists of political controversy, I could hardly avoid accepting of a challenge thus publicly announced. It seems to me, independently of these personal considerations, incumbent upon those,

* Mr. Huskisson says in his Preface, p. 11. "I am anxious to meet upon a fair and equal footing, those persons who have publicly attacked the Report of the Committee. I wish to draw from them either an admission of the principles which I state; or a clear and explicit exposition of their own. If they admit the principles stated by me, it is for them to reconcile their own deductions to those principles so admitted; and to disprove mine. If the difference between us be as to principles, let them lay fairly before the public those on which their theory is built, and shew the practical consequences to which their own principles would, in their own opinion, lead." I have therefore annexed a clear and explicit exposition of the principles I maintain. It might easily have been spun out into a pamphlet as long as Mr. Huskisson's, had I judged it necessary.

whose attention has been directed to such inquiries, to lay before the public, a clear and explicit declaration of their sentiments on the subjects of coin and paper currency, and that with as little delay as possible, on two grounds, recognized by Mr. Huskisson; 1. the importance of the question; and, 2. the necessity of having it thoroughly considered, previously to its discussion in Parliament.

In regard to the first point, the importance of the question, my ideas go far beyond those which the Honourable Gentleman seems to entertain. He admits "that it affects, in its practical consequences, the interests and the comforts of every class of society," (Preface p. 13); but that is nothing to the view in which the question ought, in my apprehension, to be considered. On the decision of that question, depend, not only the interests and the comforts of every class of society, but the very safety and existence of this great Empire; in other words, its security against foreign conquest, or internal convulsion; either, or both, of which must necessarily follow, if the currency of the country be rashly tampered with, or its established system of circulation overthrown.

As to the propriety of having the subject thoroughly discussed, previously to its being

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brought under the consideration of Parliament, I perfectly concur with Mr. Huskisson in the observation he makes, (Preface, p. 12), "that it is a subject upon which many persons would rather collect their ideas, and form their decision, in the leisure of the closet, than in the warmth of debate."

These grounds have induced me, however reluctantly, to undertake the unpleasant task of examining the lucubrations of a gentleman, who having held offices of considerable moment, and whose character, as a person of business, intelligence and ability, being well known, it was natural to expect much important information from any observations which he might be disposed to publish.

I certainly lament, as much as he does, that the subject should at all be considered as a party question; but, most unfortunately, the motion for the appointment of the Bullion Committee was made by a gentleman connected with the opposition party; the majority of the members who constituted the Committee, are supposed to be hostile to the ministers who governed the country at the time when the Report was presented; the doctrines of that Report have been applauded by all those who, in newspapers or other publications, support

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the claims of a particular party to the government of the Empire;—and any person, who presumed to controvert the opinions of the Committee, became the object of their most virulent abuse. These circumstances tend to indicate, that a number of individuals have formed an idea, that maintaining the doctrines of the Bullion Committee, may serve the purposes of the party to which they are attached. As to the clamour raised on the other side, (which is greatly inferior to what might have been expected regarding a question which affects the interests and comforts of every class of society), it is impossible for those, who see such a subject unnecessarily pressed forward, and the discussion persevered in, to abstain from loudly proclaiming their horror at such proceedings: More especially when the bare suggestion of such measures as the Committee has recommended, has already proved the source of infinite mischief, and when, to the best of their judgment, such measures, if they were really to be acted upon, would terminate in the destruction of the country.

We are told, however, "that it was for the House of Commons to consider whether they should appoint a Committee at all, or refer such a subject to such a mode of

“ examination; and that nothing can be more
 “ unjust than to impute blame to the Members
 “ of a Committee, acting under the orders of
 “ the House, in the due discharge of a duty,
 “ which the House had thought proper to im-
 “ pose upon them.” There never was, in my
 apprehension, a more unjust attack on the
 House of Commons, upon whom all the odium
 of any mischief that may arise from the Report,
 is thus attempted to be thrown. On a motion
 made by a learned Member of the House,
 a Committee was appointed “ to enquire into
 “ the cause of the high price of Gold Bullion,
 “ and to take into consideration, the state of the
 “ circulating medium, and of the exchange be-
 “ tween Great Britain and Foreign Parts, and
 “ to report the same, with their observations
 “ thereupon, from time to time, to the House.”
 The Committee were certainly thus *authorised*,
 not only to report the evidence, but to make
 their observations upon it, if they judged it
 necessary. They might, even, with perfect
 propriety, have reported the evidence alone, re-
 questing the House itself to form the conclusions;
 or, if the subject appeared to them of great
 difficulty and importance, they might have post-
 poned presenting the Report altogether until
 another session, instead of hastily throwing to-
 gether so defective a performance, which they

had not leisure thoroughly to digest;* above all,
 it is questionable, whether it was proper to pre-
 sent a Report, *on such a subject*, involving in it,
 as the Honourable Gentleman admits, “ *the*
 “ *interests and the comforts of every class of*
 “ *society*, at the very close of a session, when it
 was impossible for the House to know its con-
 tents, or to judge whether it was fit to be printed
 and circulated as a parliamentary document.
 Here again, I suppose, the House is to be blamed,
 for having received the Report at such a
 time, and, having ordered it to be printed,
 from the confidence it placed in the judgment
 and the patriotism of its Committee.

This leads me to allude to a circumstance,
 connected with the appointment of the Bullion
 Committee, which it is impossible to contem-
 plate for a moment, without infinite regret.

The appointment of Select Committees, to
 collect useful information,—to digest the in-
 formation thus collected,—to suggest, when
 specially authorised to that effect, what pro-
 ceedings it might be proper for Parliament to
 adopt, regarding a subject thus investigated,—
 and afterwards to bring in such Bills as might
 be necessary to carry the measures proposed
 by them, if approved of by the House, into
 effect, is a system, which has been productive of

* The last evidence was examined on the 25th of May,
 and the Report presented on the 8th of June.

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many useful regulations : but the proceedings of the Bullion Committee will make future ministers, and future parliaments, extremely cautious in sanctioning such appointments; it is impossible therefore to foresee the public mischief which may thence arise. A Committee may be appointed on very plausible pretences, it may unnecessarily postpone bringing its proceedings to a close, and, at the very last day of a session, it may present a Report, in the preparing of which, the Committee have gone far beyond the powers with which they were intrusted. The Report however is printed, and is circulated during a long recess, under the sanction of Parliament; and after much mischief has been done, when the Committee are asked, how all this came to pass? it is gravely answered,—“ The House of Commons, and not we, are to blame—the House appointed us, and we have done but our duty.” I mention a possible case, the very idea of which may prevent many useful inquiries. Indeed respectable members of the House will, in future, become extremely unwilling to take any share in such investigations, since they may inadvertently be led, to concur in the recommendation of measures, which may ultimately prove destructive to the public interest.

However much these circumstances are to

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be lamented, I beg to have it understood, that, though now under the necessity of controverting the doctrines of the Committee, yet that I feel no want of respect for the gentlemen who constituted it, nor any alteration in that personal regard which I have long entertained for some of its members. They were placed indeed, as many Committees are, in a very awkward situation. Great things were expected from them, and they were of course perpetually teased to bring forward their Report, from an anxiety to know what they intended. The variety of important business discussed in the course of the last session, prevented them from paying that *unceasing attention* to the subject, which its intricacy and importance demanded; and probably, they thought, that it was of less consequence what doctrines were contained in the Report, as they were afterwards to be fully discussed in the House, before they could possibly be acted upon. Besides, the subjects of coin and paper currency, are questions of great difficulty, regarding which much may be said on both sides, and in the deciding of which, persons may, I trust, fairly and conscientiously, entertain discordant opinions.

I must now take the liberty of explaining the circumstances which have induced me to take so active a part in this investigation.

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Some years have elapsed since I originally published the "History of the Public Revenue of the British Empire," in the second volume of the third edition of which, printed Anno 1803, I fully explained the ideas which had occurred to me, on the subjects of Circulation and Paper Currency, and which are exactly similar to those which I have lately maintained.

Being fully convinced that the power and prosperity of this country, entirely depended on supporting its established system of circulation, as soon as it was surmised that the Bullion Committee had proposed to open the Bank, and consequently to overturn that system, I took the liberty of addressing a Letter to the Chairman, of which the following is a copy.

*Copy of a Letter from Sir John Sinclair, to the
Chairman of the Bullion Committee.*

SIR,

I REGRET much to understand, that some ideas are entertained, of restricting the number of Notes issued by the Bank of England, which I am persuaded would be attended with the most injurious consequences to the agriculture, the commerce, and the revenue of the country. I have thought it necessary therefore, to submit to the consideration of the Bullion Committee, some thoughts upon the subject, in the enclosed

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paper. Some check to the unlimited circulation of private Banks, would, I am persuaded be highly expedient; but in regard to Corporations, established for the purpose of issuing either large or small notes, any restriction can hardly be politic or advisable, if the security is unexceptionable; for any real unnecessary surplus of Notes, will soon return upon those who issue them.

I beg to conclude, with expressing my full conviction, that if the paper circulation of the kingdom is put on a proper footing, in regard to the following particulars: 1. Suffering none to be issued, but on the most undoubted security: 2. Taking care that as much paper currency is in circulation, as the increasing wealth, population, and revenue of the country demands: and 3. Issuing small notes, as well as large ones, without which the system is not complete;—if these principles are acted upon, there will be no difficulty, in finding pecuniary resources, for carrying on the war in which we are at present engaged, for twenty years more, and longer if it should be necessary.

I have the honour to be,

Sir,

Your faithful and obedient Servant,

No. 5, Terrace, Palace-yard,
19th April, 1810.

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No notice was taken of this communication. Whoever will give themselves the trouble of reading it, will probably admit, that if any mischief shall arise from the Report of the Bullion Committee, they were fairly warned, on the 19th of April last, of the dangerous consequences which would result from the measures they intended to propose.

The Report, though ordered to be printed on the 8th June, did not reach me in Edinburgh till about the 16th of August. I happened then to be on the eve of setting out for London, and resolved to take the Report with me, as a companion during the journey. It is impossible to express the astonishment and regret which I felt on the perusal of that performance. On my arrival in London, I found the whole mercantile world in the utmost distress, which was greatly aggravated by the idea, that the Report would be acted upon as soon as Parliament re-assembled. Not a person seemed resolved, either to maintain the advantages, or to vindicate the solidity of the established currency of the country. I could not therefore resist the inclination which I felt, to come forward at such a crisis; being apprehensive that the Bank Directors might be deterred from acting with sufficient energy in checking the misfortunes of the commercial world at that time; unless they were

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convinced, that the doctrines of the Committee, were not so universally admitted, as they had been led to imagine, and consequently might not be ultimately adopted. I was thence led to publish some observations on the Report of the Committee, which have been for some time before the Public.

I shall now proceed, to make some observations on Mr. Huskisson's pamphlet, in so far as it seems to me essential to remark upon it, stating, first his sentiments in the words he has made use of, and next the Remarks which have occurred to me on the doctrines he has promulgated. I shall then conclude, with explaining the principles on which I conceive the paper currency of this country is now established; any tampering with which, in the present moment, would, I am persuaded, be attended with infinite, and endless mischief.

In the following Observations, the third edition of the pamphlet is referred to.

OBSERVATIONS ON MR. HUSKISSON'S PAMPHLET.

Preface, page 9.

"The necessary information (regarding the
"doctrines of coin and paper currency) is to
"be easily obtained, by resorting to the history
"of our currency in former periods, and to

these authors, in our own language, who are looked up to, as of the highest authority in "political economy."

Observation.

This paragraph explains the origin of all those erroneous ideas regarding coin and paper currency, which the Honourable Gentleman has unfortunately imbibed. Instead of resting on *the improved experience of modern times*, he has suffered his judgment to be warped, *by the history of former periods*, and by authors whose *supreme authority*, in questions of political economy, can be no longer recognized.

A Locke, and other authors *of former periods*, could only reason according to the circumstances of the times in which they lived, and on the facts to which they had access; but the same doctrines could never be applicable to such an era as that in which we live. Could they have formed an idea, of the whole Continent of Europe being made subject to the dominion of one man? Could they have foreseen, a general anxiety to hoard, arising from the oppression to which whole states were subjected, and the commercial intercourse of nations put under trammels hitherto unheard of? No man can be absurd enough to suppose, that the same rules or principles, are

applicable to a state so forced and unnatural, as to the more fortunate period, when Europe was divided among a number of independent states, under governments either free, or not tyrannically exercised; where, in the midst of war, no idea was entertained of any general stop to commercial intercourse; and where, for the sake of mutual convenience, nations regulated their conduct, according to principles, to which the emphatic name of "The code of nations" was given, the authority of which unfortunately is no longer recognized. Besides, new discoveries are constantly making in commerce, in manufactures, in medicine, in agriculture, in mechanics, and in all the other arts and sciences; and why should not some be also made in political economy?

I must here take the liberty of remarking that, whatever respect we may entertain, for the celebrated Locke, as a metaphysician, and as a zealous and able friend to liberty and morals, yet no one, at all acquainted with the political history of this country and of America, will ever be disposed to quote him, as decisive authority, by which any practical measure of Government ought to be regulated.* It is well known that

* The plan of government for this new colony, (Carolina),

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Mr. Locke was desired to draw up a Constitution for the province of Carolina. He exercised, on that occasion, all the political ability of which he was capable; but so different is theory from practice, that this constitution was found, by experience, totally unfit for the government of a country. The theories of Mr. Locke on gold and paper currency, are equally inapplicable to the circumstances of these times. Were Agriculture the subject of discussion, it would be idle to rest on the ancient dogmas of a Columella, or the Georgics of Virgil. More useful information is to be obtained, from an experienced farmer of the improved modern school, than from all the ancient authors who have written on husbandry.* In the same manner, intelligent mer-

was drawn up by the famous Locke; a philosopher, who was a friend to mankind, and to that moderation and justice which should be the only rule of their actions. Being more of a metaphysician than a statesman, it is certain that the same man, who had dissipated and destroyed so many errors in his theory concerning the origin of ideas, made but very feeble advances in the paths of legislation. Raynal's Hist. of the Indies, translated by Justamond, Vol. VII. p. 341, &c.

* Suppose that an author was determined to write a book on Agriculture, and wished to explain to his readers, the best mode of separating the grain from the straw. He might, on consulting ancient authorities solely, collect much information, as to the different sorts of flails, their length,

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chants, well-informed bankers, or even the reprobated Directors of the Bank of England, who are guilty, according to the Report of the Bullion Committee, of great practical errors in the management of that vast concern,* would have given the Honourable Gentleman, more valuable information regarding coin and paper currency, than he has been able to derive, from all those ancient authors by whom he appears to have been misled.

Preface, page 1 and 2.

“ I committed to paper, the substance of my opinions, *in part before*, and the remainder very soon after, the publication of the Report.—I trust that I shall be justified in submitting, what was originally prepared for an indulgent, and limited circle only, to the examination and judgment of a more extended and impartial tribunal.”

their weight, the various sorts of wood of which they might be made, the mode of spreading the sheaves, and a number of other minutiae, and after all, he would find, on consulting a modern practical husbandman, that his labours were altogether thrown away, for, that whenever agriculture was well understood, the thrashing mill had entirely superseded the use of the flail.

* See Rep. of the Bul. Com. as printed by the House of Commons, p. 24.

Observation.

The Honourable Gentleman, after his retirement from office, having directed his attention to the subjects of coin and paper currency, and having formed a system on the foundation of ancient authorities merely, *wished to gain as many proselytes to his creed as possible.* He therefore prepares the substance of his opinions, communicates that substance *to an indulgent and limited circle,* perhaps to some particular Members of the Bullion Committee, and by such a mark of confidence, induces them to become *converts to his faith.* But, I should be glad to know, if the communication of these opinions ~~was~~^{is} restricted to particular Members of the Committee, why it was not general? and if it was general, why the doctrines of the Honourable Gentleman were not incorporated with the Report? The House was intitled to know *all* the grounds on which the Committee had formed its opinions, and it was not right to withhold information from the House, in order that a Member of that Committee might appear, in the course of any future contest, with more advantage, and, as the *Champion or Goliath* of the ancient system,

might acquire all the credit, and carry off all the glory, of the expected victory.

Preface, page 1.

“Proportionate to the general interest excited by that Report, had been the clamour raised against it.”

Observation.

It is to me a matter of astonishment, that the clamour has not increased ten-fold, considering the mischief it has already done, and how much it is likely to affect, “in its practical consequences, the interests and comforts of every class of society.” The Honourable Gentleman, (Pamphlet, p. 11.) talks of the restriction “having wrought so much mischief, and laid the foundation of so much confusion in all the dealing, and transactions of the community;” I should be glad to know, where was the mischief, and where the confusion, prior to the Report of the Bullion Committee? The mischief and the confusion has since been great; and will be fatal indeed, if that Report shall be acted upon. Is it to be wondered at, that a clamour should be raised, when a fire has been kindled, which may spread devastation and ruin over a whole kingdom? The stocks have already fallen materially, since that *in-auspicious* Report has been printed and circulated;

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bankruptcies have increased beyond all former precedent; and mercantile confidence has been shaken to an extent, never before experienced. All this may partly be owing to other circumstances; but a considerable share of the mischief ought certainly to be attributed to the Report of the Bullion Committee. The clamour, however, is nothing to what it will be, if any attempt shall be made to carry the suggestions of the Committee into effect. What will the public feel, when the same taxes are demanded from them, with but half of that circulating medium, on the abundance of which, its ability to pay those taxes entirely depends. A clamour would then be excited, beyond any thing known in the history of this country;—Indeed a convulsion would take place, which must throw every thing into confusion.

Preface, page 3.

“Sir John Sinclair defines *Money* to be, “*a well regulated paper currency with a certain proportion of coin.* Such an axiom seems “to me wholly unintelligible, and must of “course be wholly unanswerable.”

Observation.

The Honourable Gentleman appears to have so completely immersed himself in antient litera-

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ture, that he cannot comprehend the common language of modern times. If he has to pay any individual such a sum as 10*l.* 14*s.* 8½*d.* in money, I should be glad to know, whether it would not be payment *in money*, according to the modern meaning of that word, if he were to deliver to his creditor a ten pound Bank note, half a guinea in gold, four shillings in silver, and two-pence halfpenny in copper? Does not that exemplify the definition of *Money* given by me, namely, “*Paper Currency, with a certain proportion of coin.*” In fact, coin is of no real use in a country, except as small money, or change for Notes. A moderate proportion of silver, and of the smaller pieces of gold, therefore, is all that is necessary.

Pamphlet, page 1.

“It is of the essence of money to possess “intrinsic value.”

Observation.

If the Honourable Gentleman by *Money*, means *Coin*, it certainly possesses intrinsic value; but his researches have not been very deep or extensive, if he does not know, that various articles have passed for money, which are without any material intrinsic value. Among the ancient Britons, iron rings or plates were used as money. The Spartans preferred iron bars,

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quenched with vinegar, that they might not serve for any other purpose. Seneca observes, that anciently, there was stamped money of leather. The Hollanders, in 1574, coined great quantities of pasteboard. Cowries, a kind of shell, are made use of as money on the coast of Africa, and in the East Indies. All these sorts of money have little or no intrinsic value.

Pamphlet, page 2.

“*Paper Currency* has obviously no intrinsic value.”

Observation.

The Honourable Gentleman cannot have studied the subjects of coin, and Paper Currency, with that intelligence and ability which might be expected from him, when he states that circumstance as an objection to paper currency, which is in fact its greatest advantage, namely, that it has no intrinsic value. The chief objection to coin is, that you must purchase it at a great expense from foreign countries, and after all, it is only a transferable commodity, or a medium of barter; whereas paper currency answers the same purpose, with many additional advantages, and being of no intrinsic value, the nation has it for nothing. From fifty to sixty millions, carrying on our agriculture, our commerce, and our manufactures, and pro-

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ducing a revenue, (and consequently a national force), altogether incredible, are created by paper money. It is a species of circulation, obtained at little or no expense, and which has saved the exportation of many millions of property, by the loss of which the nation would have been impoverished.

Pamphlet, page 2.

“The money, or coin, of a country is so much
“of its capital.”

Observation.

Here money, and coin, are considered as synonymous terms, and in that point of view it may be admitted, that it is “of the essence of money, or coin, to possess intrinsic value.” It is astonishing to me, that either the Honourable Gentleman himself, or the indulgent and limited circle to whom his opinions were originally communicated, could suffer themselves to be deceived by such fallacies. They seem to have considered money, sometimes as different from, but at other times as synonymous with, coin.

Sir James Steuart has well observed, (Book III. cap. 1.) that the metals have so long performed the use of money, that money and coin have become almost synonymous, though

in their principles they be quite different. This difference he afterwards thus explains.—“Money is the scale for reckoning value; and coin, certain denominations of money, realized in a proportional weight of the precious metals.” (Book IV. ch. 19.) Bank notes are as just a scale for reckoning value as coin, and consequently, equally as well entitled to be comprehended under the general term of money.

In regard to the idea, that the circulating coin of a country, is to be considered as part of its capital, in every sense of that word, (and if not, why does not the Honourable Gentleman point out the distinction), it is totally inadmissible; and it is astonishing how any one, who has undertaken the task of teaching others the elementary principles and doctrines of finance, should have fallen into such a mistake. The capital of a country, as Dr. Smith justly observes, is of three sorts, 1. *consumable*, which yields no revenue or profit, as food, clothes, household furniture, &c.; 2. *fixed*, as useful machines, profitable buildings, improvements of land, &c. the characteristics of which is, that it affords a revenue or profit without circulating or changing masters; 3. the *circulating*, consisting of money, stock of provisions, rude materials for manufacture, &c. which he afterwards observes, though a very

valuable part of the capital, makes no part of the revenue of the society to which it belongs; to which a 4th might be added, namely, the *disposable*, or property which a community can export or part with, without any material injury, as bullion and plate. The coin, or specie of a country, therefore, forms no part of its consumable, fixed, or disposable capital: It is included in its circulating capital, which produces no revenue; and which cannot be parted with, without injury to the public prosperity. The coin of a country may be compared to its roads, for neither the roads, nor the currency of a country, produce any thing: they are only indirectly the sources of national wealth, or the instruments by which it can be obtained.

Pamphlet, p. 2.

“Whoever buys, gives—whoever sells, receives,—such a quantity of pure gold or silver, as is equivalent to the article bought or sold: or, if he gives or receives *paper* instead of *money*, he gives or receives that which is valuable, only as it stipulates the payment of a given quantity of gold or silver.”

Observation.

There never was a more erroneous idea, and it could only originate from a blind deference to ancient authority, which cannot possibly be

admitted. There is not one transaction in a million, where the object of the sale is to procure coin, except merely for the purpose of employing that coin to purchase some other article. If, therefore, that article can be purchased by paper, instead of coin, the object of the seller is equally well answered, by the one as by the other; and there is not the least occasion, either for pure gold or pure silver.

Pamphlet, p. 6.

“ I assume, as admitted, that in Great Britain, “ gold is the scale to which all prices are referred, and, since the 39th of the King, the “ only *legal tender*, except for payments under “ 25*l.*”

Observation.

The Honourable Gentleman does not seem to be aware of the origin of those laws which were enacted, for the purpose of regulating our coin. The great object was, the preservation of the King's revenue.* It was thought hard,

* See articula de moneta. 20 Edw. I. stat. vi. Ces sont les articles qe sont dela la meer, et de cea, a graunt damage nostre Signur le Roi, et de son poeple, et a graunt corruption de sa monnoye Dengleterre. For the protection of the King's Revenue, the Tellers in the receipt of the Exchequer, by their duty and oath of office, were required, to

however, that individuals should be compelled to receive a species of money, which would not be accepted of at the Exchequer, in payment of those taxes to which they were liable. But since the Exchequer has received Bank notes in payment of taxes, all those ancient regulations are virtually abrogated; and whilst bank paper is received at the Exchequer, as readily as gold, and will purchase with as much facility, every article he wishes for, no man can justly complain of any defect in our circulation.

Pamphlet, p. 13.

“ It follows that the difference between 56*l.* “ and 46*l.* 14*s.* 6*d.* or between 12 and 10 $\frac{1}{4}$ “ ounces of gold, arises from the *depreciation* of “ the paper; and is the measure of that depre- “ ciation, as well with respect to gold, the “ *universal equivalent*, as to every other com- “ modity.”

receive no money, but good and true; and, by the ancient course of the receipt of the Exchequer, all money ought to be received there, by weight as well as by tale; See Preamble 9 and 10, Will. III. c. 21. By the Gold Act in 1773, the Tellers of the Exchequer, their deputies and clerks, were required to weigh all gold money tendered to them, and to cut, break or deface all pieces thereof, which, by the weight, or otherwise, shall appear to be counterfeit, or diminished otherwise than by reasonable weighing.

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Observation.

It is well observed by a witness before the Bullion Committee (Mr. Greffulhe, Ap. p. 71), that the dearness of gold and silver cannot be called a discount on bank notes, or, in other words, a depreciation of paper.* From a variety of circumstances, unnecessary here to dwell upon, the price of bullion has become high; an event of a temporary nature merely, and which will be restored to its ancient standard so soon as Europe shall be settled, and general tranquillity restored. A pound of gold it is said is exchangeable for 56*l.* in paper currency; but can any one seriously maintain, that that is an argument for the convertibility of paper into coin. Is it not demonstrable, that no man in his senses would issue 46*l.* 14*s.* 6*d.* in paper, when the very next moment, 56*l.* might be demanded from him. It puts an end at once to all paper currency; and the Bank of England could no more issue paper, with the risk of such a demand, than it could convert its iron chests into

* It has been well observed, that if Bank notes are at a discount, when gold rises in value *above* the mint price, that gold coin is certainly at a discount, when bullion is below the mint price, which has been the case. Can any thing be more absurd?

ingots. We are gravely told, however, that though the Bank must pay 56*l.* for 46*l.* 14*s.* 6*d.*, "yet, "as a trading company there is very little, "or perhaps no inducement, to make a sudden "and violent reduction of its issues." *Pamphlet*, page 111.

Preface, page 17.

"Every month our exchanges were growing "worse, and the price of gold rising,* notwithstanding that our expedition to the Continent was terminated, and our pecuniary aid "to Austria was discontinued."

Observation.

Were there no other causes for the unfavourable state of the Exchange, and the high price of Bullion, than those which the Honourable Gentleman has enumerated? † By the expedition to the Continent, I suppose he means the attack on the Isle of Walcheren. But had the expenses of that expedition been winded up? Were there no expeditions to Spain and Portugal? Have we not an army to maintain in Sicily; and fleets and armies to support in various other quarters of the globe? The great defect however, in the inquiries

* The price of gold has since *fallen* considerably. See Address prefixed.

† In my observations on the Report of the Bullion Committee, I have endeavoured to enumerate them.

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of the Committee is, that after having ascertained the fact "that the price of bullion was high, and the exchange unfavourable;" and having also inquired into the causes thereof, that they did not investigate the possibility of diminishing the price of bullion, and rendering the exchange more favourable, without disturbing the established system of circulation? Why did they not inquire, whether new channels of export trade might not have been discovered; and above all, whether we could not have supplied ourselves at home, or from our own colonies, with a variety of articles, such as corn, naval stores, and timber, the price of which, with the enormous freights for their conveyance, were in fact the sole causes of those evils, which the Honourable Gentleman, and the Bullion Committee have so loudly deplored. That would have been an investigation worthy of statesmen. The Committee would then have proved themselves real benefactors to their country; and the tide of exchange would soon have become favourable to the British merchant.

Pamphlet, page 19.

"Creditors, annuitants, and all who possess
"incomes fixed in their amount by a contract

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"of any description, would be able to measure
"the extent of their loss."

Observation.

The loss which annuitants sustain by the progressive increase of paper currency, has long been a subject of complaint, but without any just foundation; for any great increase of metallic money would have exactly the same effect, that of diminishing the relative value of all such payments; nor can it be admitted, that a nation is to be kept in an insecure or impoverished state, merely that annuitants, and other persons having money to receive by contract, may be comparatively richer. Indeed the money received by annuitants is not depreciated by an excess of paper. It will not go so far as it is used to do, because taxes have been necessarily augmented. The price of provisions also has been considerably increased, because the harvests have been unfavourable. Some imported articles must likewise sell higher, from the hitherto unheard of restrictions under which our commerce with the continent has been placed. *Besides, the peculiar circumstances of these times ought never to be lost sight of, in the course of the discussion.* When the state of Europe is as much changed, as if a volcano had suddenly burst forth, threatening to cover one

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half of the kingdom with ruin, we must not act or reason, as if nature had remained in its ancient quiescent state. Indeed, if our paper circulation had not given us the command of forty millions sterling, which otherwise we must have imported in bullion from other countries, sending them property to that amount in return, we could not have gone on at all; and had we not been thereby enabled to resist the power of France, the payments to annuitants, and others entitled to receive money by contract, would not have been very regularly liquidated. How can they expect to escape a share of that pressure, to which every other branch of the community has been subjected?

I have thus gone through the preface, and the first nineteen pages of the pamphlet of the Honourable Gentleman; and I trust it will be evident, from these observations, that the doctrines maintained by Mr. Huskisson are founded upon principles, inconsistent with those which are sanctioned by the improvements progressively made in the science of political economy. The Honourable Gentleman, indeed, has very candidly, and very justly admitted, (Preface, p. 8), that his observations contain *nothing which is new*; and it were to be wished,

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that from the old matter, so anxiously and laboriously searched into, he had made a happier, and more judicious selection. Instead of persevering therefore in the task of commenting on such a publication, which, after the remarks I have already made upon it, and the want of novelty in its contents, seems to me perfectly unnecessary, I shall proceed to the principal object I had in view in publishing this work, namely, to state those Political Maxims, which explain the ideas which have occurred to me upon the subjects of coin and paper currency, the meaning of which, I hope, that any author, of even common penetration, will find little difficulty in comprehending.

It may be proper to add, to prevent any idea being entertained, that these Observations are published at the instigation of any party in the country, that they have not been communicated to a single member of either House of Parliament; and that the individual who writes them, is alone either implicated in, or responsible for, their contents. It would give him infinite pleasure, if his anxious endeavours, in conjunction with those of many others, by whom the cause, he trusts, will be advocated, should be the means of preserving from destruction, *that common bond*, (the established currency of the country), by the

interchange of which, numbers of insulated individuals, are combined into one whole; each, in various ways, promoting his own interest, and thereby increasing the wealth, securing the safety, and augmenting the happiness, of a great community.

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POLITICAL MAXIMS

REGARDING

COIN AND PAPER CURRENCY,

INTENDED TO EXPLAIN, THE REAL NATURE, AND ADVANTAGES, OF THE PRESENT SYSTEM.

1. **THAT** it is of the utmost importance, in an early period of society, to have metals, or any other substance of a similar nature, fixed upon by common consent, by means of which, individuals may receive the reward of their labour, and the public its revenue, in an article equal in value, when sold, to that for which it has been exchanged, and which will answer as a medium for transferring property in goods, without the necessity of actual barter; and that the precious metals, from their intrinsic value, and other advantages, are peculiarly calculated for such useful purposes, in periods of society, when property is insecure, payments few, credit unknown, and the population inconsiderable.
2. That when a society becomes more numerous, property more secure, and payments

larger, and more frequent, it is a most essential improvement in the political circumstances of a country, to have some means of paying the wages of labour, raising a revenue, and effecting the transfer of goods, with such a circulating medium as paper currency, being of a nature less cumbrous than coin or bullion, and not liable to the various disadvantages, to be afterwards explained, attending a metallic circulating medium; and that in countries where no mines of the precious metals exist, the necessity of procuring them from foreign countries, at an enormous expence, for no other purpose, but merely to act as the medium of circulation, is thereby prevented.

3. That the establishment of a paper currency is of great importance to a nation, were it only for the purpose of saving the expence of purchasing bullion to be converted into coin; but that such a currency does not answer the object *effectually*, more especially in times of war, *if the paper is convertible into coin on demand*, as, in that case, a large quantity of specie is uselessly hoarded up, to be ready for any probable, or even possible demand, and hence that, in times of alarm, the circulation of a country is most diminished, when its abundance is most required.

4. That coin, though highly useful when no other medium of transfer can well be established, yet is attended with great disadvantages. — 1. It is perfectly unfit for making large payments, in so much, that neither the commerce of this country, to its present extent, could be carried on, nor its great revenue collected, if coin were the sole medium of circulation. — 2. It can never be procured in sufficient quantities for the demands of an industrious, and a prosperous nation. — 3. It is constantly diminishing in its value by wear, which diminution must be made good, either by the public or by the individual.* — 4. It is liable to various operations, as filing, clipping, sweating, &c. by which its weight may be so much reduced, as to render it unfit for passing. — 5. It is apt to be hoarded up when it is most wanted, namely, in times of alarm, and the hoards being generally secret, they are frequently totally lost; — and, 6. Private individuals possessing a quantity of specie, are more liable to lose their right of property in it, than in paper;

* In the reign of King William alone, the recoinage cost the public £3,170,480. — History of the Revenue, Vol. II. p. 45. The average expence of the Revolution war was only about three millions per annum.

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and when nations possess it in great abundance it is a temptation to invasion.*

5. That paper currency, on the other hand, *when properly regulated*, is not liable to any one of these objections, whilst it possesses many advantages of peculiar importance.—1. A nation has the advantage of this currency at little or no expence, instead of exporting millions worth of goods to purchase bullion to be converted into coin, which after all could only answer the same purpose as paper currency, but not so well.—2. This currency need never be diminished in its amount, which uniformly occasions infinite misery to a country; on the contrary, it may be augmented whenever the wants of agriculture, to carry on its improvements, or of an increasing commerce or revenue, render it necessary.—3. Where paper currency is the medium of circulation,

* When an individual is plundered of coin, there are no means of distinguishing it from the other specie in circulation; but notes may be marked, or the payment stopped, and any loss thereby prevented. In regard to nations, abundance of coin or bullion becomes the immediate object of the plunder of an invading enemy; whereas the paper currency peculiar to a country, if he succeeds in his views of conquest, is of no use to him; whilst it circulates among those who place confidence in the government, under whose sanction it had been issued.

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either coin or bullion, instead of being uselessly hoarded up, may be exported, for the purpose of carrying on necessary wars, or of purchasing grain in times of scarcity, which could not otherwise be hazarded, without the risk of throwing the whole country into confusion.—4. With an abundant circulation, the necessary result of a paper currency, a nation prospers to a degree beyond all possible conception: Thousands of people are employed, who, under a different system, might either have been almost entirely idle, or a burden on the community; and money, whether borrowed by individuals or by the public, is procurable, (a point of the most essential importance), at a moderate rate of interest. With such facilities, the payment of taxes, however great, is accompanied with much less difficulty; industry does not languish for want of employment, and every species of improvement is carried on with spirit. The mischiefs of a cramped circulation, on the other hand, are incalculable; agriculture decays,—commerce fades,—public credit is annihilated,—the public revenue becomes unproductive,—and men, from distress and despair, are ready to involve themselves and their country in all the horrors of revolution.

6. That the state of Great Britain, for a period of thirteen years, during which, a paper currency, not convertible into coin, was the medium of circulation, proves, *beyond the possibility of doubt*, the advantages of the new system. During that whole period, our exertions in foreign war, and domestic improvement, have been great beyond all example. We have at least occasionally fought France single-handed, which her Emperor had boldly declared to be impossible; we have confirmed our empire of the sea; we have every where defended our friends; we have every where combated our enemies; and yet, during all that period, the Bank of England was not compelled to issue gold;—*the whole was effected by paper, not convertible into coin*. Would it be wise to overturn a system capable of accomplishing such astonishing effects?

7. That there is a most essential difference between a Paper Currency, acting merely as the representation, not of coin, but of marketable property in general, and issued by a respectable, opulent, and well conducted Corporation; and State notes, or Government paper, circulated by compulsion, issued without limits, and founded on no security; and though such *Government paper* may have be-

come depreciated in other countries, when multiplied beyond all bounds, that is no reason why a Paper Currency, of a description completely different, namely, *mercantile paper*, which is never issued but on the most unquestionable security, may not, under proper regulations, be perfectly unexceptionable.

8. That coin or bullion, as a species of merchandise merely, may be of service in the transactions between commercial nations, and is a ready means of making remittances from one country to another; but that unless where the balance is unfavourable, (in which case the exportation of goods is much more expedient), the exchange between one country and another is best arranged, by means of bills of exchange, which are always at the command of an active and industrious nation, when wars, and obstacles arising from commercial jealousy, or political rancour, do not intervene.

9. That even where the exchange is unfavourable, it is much better to be subjected to any loss thereby occasioned, than for a nation to deprive itself of the advantages of Paper Currency, even if that currency were the cause of the lowness of the exchange; for that a paper currency, by promoting industry, and every species of agricultural and com-

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mercial improvement, will soon bring about a favourable state of exchange, either by the solid exportable wealth which it would be the means of producing, or by raising articles at home, with which we are now supplied by foreign countries.

10. That the Bank of England cannot well exceed in the amount of its circulation, whilst it issues its notes, *on the security of good marketable property of any description*, and that to compel the Bank to pay in gold, an article which, from the failure of the mines, or a general disposition to hoard, it may be impossible to obtain, and which, after all, is itself nothing but a species of marketable property, would infallibly shake and subvert, not only the credit of our circulating medium as it is now established, but also the whole fabric of the commercial and public credit of the kingdom, on the maintenance of which its prosperity so essentially depends.

11. That it is highly desirable, that the circulation and commerce, not only of any particular country, but of society in general, should be carried on with as small a proportion of the precious metals as possible, the extracting of which from the bowels of the earth, requires so much labour and expence, and for the pro;

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curing of which, the lives of so many millions of human beings have been unnecessarily, and it may be safely contended, in a great measure, even wantonly, sacrificed; and,

12. That the price of bullion rising in the market, much above the mint price, is a circumstance attaching to gold *merely as merchandize*, and which must vary with the demand for that merchandize, as in every other similar case; and that we might as well institute an inquiry into the price of diamonds, of cochineal, of sugar, or of any other commodity, as into that of bullion.

CONCLUSION.

THE conclusion of the whole is this, that Parliament can find no difficulty, in rectifying any abuses, (if any shall be found to exist), which may have arisen, in our paper circulation, as it is now established, *for it is only the abuse that can be justly objected to*; but that wholly to overturn a system, which has proved such a source of national prosperity, which has stood the test of the experience of 13 years, THE MOST EVENTFUL IN THE HISTORY OF MANKIND, and a system

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which, if maintained, will enable us to resist the utmost efforts of all our enemies, would be a species of political suicide, *altogether unpardonable.*

JOHN SINCLAIR.

5, Terrace, Palace-yard,
London, November 24, 1810.

POSTSCRIPT.

AFTER these Political Maxims had been drawn up, I resolved to ascertain, how far they were consistent with the principles laid down in a work of great merit, Sir James Steuart's Inquiry into the principles of Political Economy. Not having had any occasion to consider that work for several years, I found, with peculiar satisfaction, that the system which seemed to me the best calculated for the prosperity of this country, was sanctioned by the authority of that most intelligent and respectable writer. Every word he says regarding coin and currency, merits the attention of those who wish to be master of those intricate subjects. I shall subjoin, for the consideration of the reader, those passages which seem to me the most essential; with such observations as have occurred to me on the perusal of them.

1. *On the Origin of the Obligation to pay Bank Paper in Coin.*

"The obligation to pay Bank paper in coin, owes its origin to the low state of

“ credit in Europe, at the time when Banks first
 “ began to be introduced; and it is not likely
 “ that any other expedient will soon be fallen
 “ upon, to remove the inconveniencies which
 “ result from it, in domestic circulation, as
 “ long as some persons of the most acute un-
 “ derstanding in many things, consider all
 “ money, except coin, to be false and ficti-
 “ tious.” Book IV. chap. 7.

Observation.

One would imagine that this distin-
 guished writer, had forseen the appointment
 of a Bullion Committee, in the course of whose
 proceedings, persons of the most acute un-
 derstanding in many things, seem to have
 been impressed with most erroneous opinions
 on the subjects of coin and paper currency.

2. *On the Amount of Gold Coin, necessary to
 circulate any given quantity of Bank paper.*

It is supposed that the Bank of England
 was formerly obliged to keep in coin one
 third part of the value of all its notes in cir-
 culation. On this subject Sir James Stuart
 observes, “ but the consequence of the obli-
 “ gation to pay in coin is, that when the na-
 “ tion comes to owe a foreign balance, the
 “ notes which the Bank had issued to sup-
 “ port domestic circulation *only*, come upon

“ it for the payment of this balance; and
 “ thereby the coin, which it had provided
 “ for home demand only, is drawn out.”
 Book IV. chap. 7.

Observation.

The justness of these remarks can hardly
 be questioned; it is evident, therefore, that
 it would require £7,000,000. in specie, to cir-
 culate £21,000,000. of Bank Notes, the a-
 mount necessary for the demands of the coun-
 try at this time. If the Bank were compelled
 to have always £7,000,000. in its coffers, which
 it must now purchase at a loss of $£8\frac{1}{2}$ per
 cent., and which, from any great additional
 demand, would soon rise to 15 or 20 per cent.
and which it must be constantly replacing; I
 should be glad to know, in what the profit of
 the Bank would consist, and whether it would
 be worth its while to issue a single note, with
 the risk of its being converted, at such an ex-
 pence, into specie.

3. *On the Advantages of Paper Currency.*

“ In countries where nothing circulates but
 “ the metals, when coin becomes scarce, it is
 “ hardly possible to find any credit at all in
 “ the remote provinces; and even in the cen-
 “ tre of circulation, the interest paid for the
 “ use of it, must rise very considerably, and

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“ must stand high for some time, before Bullion, for the purpose of coinage, can be imported. Paper money, on the other hand, when Banks and trade are well established, is always to be found. No part of it lies dead—not even for a day, when employed in trade; it is not so of coin.” Stewart’s Polit. Econ. Book IV. chap. 12.

“ To the Banks of Scotland, the improvement of that country is entirely owing.” Ditto, Vol. III. p. 197.

Observation.

These remarks are perfectly just. The prosperity both of England and of Scotland, ought principally to be attributed to the Banking establishments in those two countries, and the judicious principles by which they are regulated. Any attempt therefore, calculated for the purpose of diminishing their power, or restricting their circulation, cannot be two vigorously opposed.

4. *On the necessity of having Bank Notes convertible into Specie.*

“ It is said that bank notes can never be received as specie, but from a persuasion that they may be exchanged for it on demand.”

“ To this the answer is obvious; that it is sufficient that bank notes be received as

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“ *value*, and that they answer every purpose in carrying on alienation. The use of paper money is, to keep the reckoning between parties who are solvent; the use of specie or coin, is, to avoid the inconvenience of giving credit to persons who perhaps may not be so.”

“ Again it is said, that if I have coin, I may pay any where within the commercial world, at the expense of transportation and insurance.”

“ To this it may be answered, that the principal use of coin is not to send it out of the country, but to keep accounts clear among the inhabitants within the country; and that the only complaints against paper money, and regrets for want of coin, issue from those who wish to profit from the rising value of the metal contained in the coin, and who endeavour to persuade the public, that its interest, and not their own, is their object; but let us not say, that because some of our money may be made of the precious metals, that *all our money* should be made of them, in order that those, who carry on transactions in money, may have an opportunity of sending our metals away with greater ease, and thereby of depriving us of the means of carrying on alienations among ourselves.” (Stewart’s Polit. Econ. Book IV. chap. 20.)

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Observation.

Those who are not convinced by these judicious remarks, must be either warped by interest, as jobbers in money often are, (who perhaps have been at the bottom of all this mischief), or they must be impressed with prejudices not to be surmounted. It is astonishing how any doubt of the utility of our present system of circulation, should remain in the breast of any one, after we have witnessed the beneficial effects which have resulted from it, during the course of the last 13 years.

5. *On the Necessity of Maintaining Banks.*

“ If a statesman do not support his banks by
“ a systematical chain of conduct, he will
“ drain the fund of circulation by his remit-
“ tances, his credit will fail, his taxes will no
“ more be paid, and his people will be op-
“ pressed. But if he pursue his plan syste-
“ matically, circulation will be kept full, his
“ credit will be supported, his taxes will be
“ paid, and his people will be easy, because
“ no check will be put either to their indus-
“ try or consumption for want of money.”
Steuart's Pol. Econ. Book. IV. chap. 10.

Observation.

The doctrines contained in this paragraph, completely justify the observations contained

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in the fifth political maxim. It were to be wished that those, who are anxious to form a just opinion regarding coin and paper currency, would study the works of an author, whose “ Inquiry into the principles of Political Economy,” *was the labour of 18 years diligent research*, and whose works cannot be surpassed by those of any other political author, for ingenuity of thought, justness of reasoning, and soundness of judgment.

6. *On Public Loans.*

“ As the object of the borrower is, to have
“ interest low, the statesman who intends to
“ borrow, must use all possible means to in-
“ crease the quantity of money in circulation.”
“ But if coin alone be used as money, and if
“ this coin be sent out of the country, when
“ borrowed, and if what is sent away cannot be
“ replaced, at will, the scheme of augmenting
“ money becomes impracticable: it will daily
“ become more scarce, more difficult to pro-
“ cure, and interest must rise higher every
“ day. Symbolical, or paper money, that is cre-
“ dit, must then be established at home, upon
“ the firmest basis: this will enable every one
“ to pay what he owes, consequently the taxes
“ will be paid, the creditors will receive what
“ is due to them regularly, money every year
“ will augment in proportion as debts are
“ contracted, and if borrowing do not augment

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“beyond this proportion, interest will not rise,
“and if borrowing should fall below this pro-
“portion, interest will sink.” Steuart's Polit.
Econ. Book IV. chap. 10.

Observation.

These doctrines are invaluable, and are completely justified by the recent experience of this country. Those who cannot feel their importance, do not merit the name of Statesmen.