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OBSERVATIONS

ON THE

REPORT

OF THE

COMMITTEE OF THE HOUSE OF COMMONS,

APPOINTED TO INQUIRE INTO THE

HIGH PRICE OF GOLD BULLION,

&c. &c.

TOGETHER WITH SOME

REMARKS ON THE WORK OF

FRANCIS BLAKE, Esq. F.R.S.

ENTITLED,

"Observations on the Principles which regulate the Course "of Exchange, and on the present depreciated "State of the Currency."

BY EDWARD THORNTON, Esq.

LATE HIS MAJESTY'S ENVOY EXTRAORDINARY AND MINISTER PLENIPOTENTIARY TO HIS MAJESTY THE KING OF SWEDEN.

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PREFACE.

I think I can hardly fail, at a moment like the present, of obtaining an easy belief, if I disclaim every intention of considering the subject of the following sheets as a question of party, affecting one system of government alone, or applying peculiarly to one administration. The question is, in fact, of the greatest political importance, involving all the essential interests of the Country in commerce, agriculture, and finance; and, as far as my feeble efforts have been directed to elucidate it, I can truly affirm that they have been exerted with the sole view of giving conviction to myself, and of imparting it to my fellow-subjects. I can say with equal truth, that having commenced them nearly three months ago under this single impression, I have not been induced by any consideration of present circumstances to suppress a single reflection, or to alter a single phrase, which I had put to paper before the occurrence of these circumstances.

In truth, the subject is too general, its extent and importance too universal, to admit of any partial views; and it is a misfortune to the Country, if the force of any arguments, directed to the principal points in discussion, is to be weakened, or their full effect diminished, by the imputation of inferior or improper motives.

I should have more difficulty perhaps in defending myself from the charge of obtruding unnecessarily upon the public attention, after so many other abler and more elaborate publications, if the subject were not of so intricate and complicated a nature, as to justify every man in putting forward his opinions, and to impose it upon him as a duty, if he can add but a single one to the stock of accurate ideas upon it. Whatever there may be of this character contained in the following pages, have been derived from a most attentive consideration of the Report of the Committee of the House of Commons on the high price of bullion. I may indeed say, that if I entertain a different opinion from that of the Committee, it has been produced by the facts, the evi-

dence, and the reasonings detailed in their Report: I must even add, however the confession may impeach the correctness or steadiness of my judgment, that until I had read that Report, I had entertained, perhaps as hastily as I may now be accused of discarding it, an opinion pretty nearly the same as that of the Committee.

Having, when the question was first started in the commencement of the present year, talked in this sense to more than one gentleman, members of the Committee, or examined before them, it would be difficult for me to defend myself against the charge of some inconsistency, if I did not anticipate the accusation by a frank avowal of the origin of my first opinion. I flatter myself, that the reasoning contained in the following pages will form something like a satisfactory ground for the change.

During the year 1808, while I resided at Stockholm with the character of his Majesty's minister to his Majesty the King of Sweden, I was entrusted by Government with the charge of paying the subsidies stipulated to be paid by Great Britain to that crown, and indeed of raising a proportion of the funds by the usual operations of exchange. It became necessary, therefore, to settle with the Swedish Government some fixed rate of exchange for the pound sterling; and it was in the course of conferences on this point with the Swedish minister of foreign affairs, that he observed to me incidentally, that this mode of payment was desirable to Sweden; that the entire liquidation of the subsidies by specie was inconvenient, and even injurious, as it imposed upon her the necessity of issuing paper currency to the full amount of the specie received; and that the occasional abstraction of a part of that currency by my operations in exchange, would relieve the circulation from the pressure of any possible excess.

I was much struck by this observation, in which, however, there was something affected, as it was intended to imply that the bank of Stockholm issued notes to no greater amount than it actually possessed specie in its vaults to redeem. But the observation certainly tended to assert, that if by possibility a paper currency could be issued to the exact limit, *and no farther*, of the specie actually deposited and pledged for its redemption, it still might be issued to excess, if it

could not be freely converted into coin or silver, and if any occasional redundancy could not be relieved by its exportation.

I do not know whether such an assertion is not perfectly correct, when applied to a bank like that of Stockholm, established principally or solely for the use of the government, making advances in its own notes to any amount of the national revenue, purchasing with its own notes specie at very high prices (as in the case of that part of the subsidies paid in dollars, which was bought by the bank at I think sixteen or seventeen per cent. above its value), converting on any demand great or small notes into their contraries, and re-issuing those so brought in for this conversion, without much regard to the sums already out in circulation in their room (processes which I had likewise opportunities of witnessing), and in fine, as far as I could judge from so short an acquaintance, possessing no very exact criterion by which to regulate the quantity of the paper currency put forth, or of apportioning it to the exact demands of the country.

Be this as it may, I certainly applied this observation of the Swedish minister to the circumstances of England, at the time when the bullion question was started early in the present year, without much reflection how far the systems of the two banks admitted of any sort of analogy, and without any consideration how far the convertibility of a paper currency into cash on demand, was the sole criterion to judge of, and to correct, any possible excess. I went farther, and having no sort of experience even in Sweden of the effect which excess of issue had produced, or might produce, upon her exchanges, I decided, with a very indiscreet haste, that the depression of our exchanges with the Continent had its origin in the same two causes, the redundance of our paper circulation, and its non-convertibility into specie.

The ten months of the year 1808, in which I resided in Stockholm, were distinguished in Sweden by perhaps the greatest expenditure which that country had experienced for many years, certainly far greater than had occurred in any year of the recent war with France. Five-sixths of the subsidy stipulated to be paid by Great Britain, were either liquidated in specie or in the currency of Sweden; perhaps the remaining expenditure was between two and three times

as great as that amount. The whole of this aggregate sum, amounting to about sixteen or seventeen millions of riks-dollars banco, (for I do not pretend to state it with accuracy) must have been circulated in payments and in purchases through the medium of the paper currency emitted from the bank of Stockholm, (the notes of which I must observe, by the bye, are issued for as low an amount as ten-pence or a shilling sterling, while I have seen some for twenty-five and thirty thousand riks-dollars banco); and I did not observe the slightest effect which that emission produced on the exchange. During six months of 1808, from April to October, I raised, by bills of exchange upon England, about three hundred thousand pounds—a considerable sum, when estimated by the contracted theatre on which these operations were performed; and the exchange was not for an instant depressed, nor indeed did it experience more than a slight elevation. Through the succeeding year, 1809, as I find by the tables in the Appendix to the Committee's Report, the exchange continued pretty nearly as before, though in the course of it peace was re-established with France.

In these two years, if ever, the excessive issues of the bank of Stockholm ought to have rendered the exchanges of Sweden peculiarly unfavourable. In the present year, I find them however rising progressively to an unprecedented height of disadvantage for that country,* and of advantage for England, now that in all probability the reduction of her expences has enabled, or has obliged, the bank to diminish its advances. Shall I say, that this is the consequence of continued excess in the issues of the bank of Stockholm? or may it not be ascribed with probably more truth to the extraordinary scarcity of bills upon England? Is it not rather owing to the paucity of commercial transactions between the two countries? And would not the restoration of commerce to its ordinary course of importation and exportation bring the exchange at once back to something like its ordinary level?

I have too much reason to condemn myself for former hasty conclusions, to be guilty of this error

* The latest accounts from Gottenburgh give the exchange at seven dollars banco for a pound sterling, at least seventy-five per cent. above the acknowledged par.

now; and I leave these questions to the judicious decision of reflecting readers. I have given a candid account of the first impressions, which the putting forward of this question produced on me; a question to which I had paid no more than the common unreflecting attention which is usually given to subjects not exciting an immediate interest. What have been the results of a more attentive investigation, I lay with equal candour and with as much diffidence as ever before the public, hardly certain of my own conviction upon the subject, and quite persuaded that there may possibly lie behind, in the hidden stores of this very complicated question, sufficient to give a new direction to my opinion, and even to justify a future change.

I will even say, that although I have laboured most sincerely for my own conviction, and think I have really attained that object at least, however I may fail of communicating my own impressions to others, I yet have many doubts upon the whole question. It is a sort of involuntary scepticism, the result perhaps of ignorance or want of comprehension in the mind which entertains it, but still sufficient to render one dissatisfied with one's own decisions. I feel this impression most strongly in the perusal of the very acute and ingenious performance of Mr. Blake on the principles which regulate the course of exchange, from which I never rise without the impression of something which confounds and confuses, but never convinces me; which leaves me doubtful of myself, and gives me no other ground of confidence or certainty.

I know not to what to attribute this impression, except to his analysis of the exchange into what may be called its primary and component elements. Each of these elements he has characterized by its distinct effects, not one of which can ever be brought to the test of practical experience, because in the composition of the elements (which is alone a real and practical subject) those effects may be perpetually counteracted, and consequently may not be perceptible. His theory of the *nominal* exchange resembles that of the occult causes of the old philosophers, or of the phlogistic principle of those, who may now be called the old chemists; —the ready solution of every difficulty, the ready mean of accounting for every appearance, the magician who performs all that is marvellous and contradictory, but who is never to be brought

upon the stage in his real shape.—If in the *computed* exchange (that indicated by the tables of the merchants, and the only practical one) there should be something irreconcilable with the theory of the *real* exchange, the *nominal* is at hand to account for the contradiction; if the *nominal* exchange ought to have produced such and such effects on the same *computed* exchange, and has not done so, the answer is "as ready as a borrower's cap;" it is the *real* exchange which has counteracted these effects.

The Reader will easily judge how difficult it is to arrive at a direct and practical demonstration of the fallacy of any such theories, which are not within the reach of common experience. I have therefore been obliged to have recourse, where I could, to that mode of reasoning called a *reductio ad absurdum*, and to shew into what incongruities and contradictions the theory of Mr. Blake, and that of the Committee, which seems founded upon it, would inevitably lead.

It was essential likewise to consider the effects which may be produced by excess in the circulating medium of a country, or by the kinds of depreciation which I have described, as well upon the commerce as upon the exchanges, and on the prices of the precious metals. These discussions were preliminary to any observations to be made upon the Report of the Committee of the House of Commons, and upon the doctrines contained in Mr. Blake's book.

With regard to the latter, I must acknowledge much deficiency: for it would require a work apart, to enter into all the deductions and all the consequences which he and which others might derive from it.

I submit the whole to the judgment and to the decision of the enlightened Public.

London,
December 31, 1810.

OBSERVATIONS, &c.

It is my intention, in the following sheets, to examine with somewhat more of detail, and possibly with more discrimination than has hitherto been done, the various sorts of depreciation which may take place in the currency of a country, as well as the distinct and even opposite causes which may produce it; to apply such principles, as I may have the good fortune to illustrate, to the present state of our relations of commerce and exchange with the rest of Europe, and to compare them with the doctrines laid down in the work of Mr. Blake "on the Principles which regulate the Course of Exchange, and on the present depreciated State of the Currency," as well as with those contained in the Report of the Committee of the House of Commons, published in the course of this summer, on the causes, &c. &c.

It will naturally be a part of this plan to consider that analysis of the exchange, and that resolution of it into its component elements, which forms the basis of all Mr. Blake's reasonings on this subject: but it suits my purpose better, and it accords, I think, more with the general sense and with the received notions of all classes, to regard exchange solely, as a practical operation of the same sort, although capable of being infinitely varied and modified by the peculiar transactions which may give occasion to it, and by the causes which may affect it.

Without entering, therefore, into any distinctions between the *real*, the *nominal*, and the *computed* exchange (in the way in which they have been subdivided by Mr. Blake), I shall define exchange generally to be—

A commercial operation, by which the currency of one country is converted into the currency of another country, and is transmitted under this second denomination, in the form of a bill, from the former to the latter country:

And the rate of exchange to be—

That variable proportion, which the values of the two currencies bear to each other respectively, as they are determined by the price paid and by the sum purchased.

Thus if the metallic par of exchange between London and Hamburgh (estimated in gold) be thirty-four shillings two grotes Flemish, or twelve marks thirteen shillings banco; and if one pound sterling can buy a bill upon Hamburgh for that

precise sum in marks banco, I should call the ratio which the values of the two currencies bear to each other, or the rate of exchange, a ratio of equality. If a pound sterling can purchase more than that sum, the ratio which the value of the English currency bears to the value of that of Hamburgh, is greater than a ratio of equality; if less, it is less. I will only observe farther, that as exchange is constantly a commerce of equivalents, the rate, as indicated by the price paid and by the sum purchased, always represents the difference of the intrinsic value of these equivalents.

It is in this sense alone, that I beg the Reader will understand the term of exchange, or the rate of exchange (which is exactly the same as that indicated by the tables of the merchants) whenever I may make use of it; and that if the terms of *real*, *nominal*, or *computed* exchange be occasionally employed, they are to be understood in those senses in which they have been used in the Report of the Committee of the House of Commons, and in the work of Mr. Blake.

In the view which it is my object to take of the subject of depreciation in general, it is hardly necessary to detain the Reader upon that peculiar kind incidental to the precious metals, which has been created by the discovery of the New World, and by the exploring of the American mines. Not that it is not of a nature perfectly similar to that which I shall have to consider, and which arises out of an augmented wealth, and a great accumulation of the circulating medium; but its effects having been generally diffused over the whole commercial world, there exists nothing in that cause of depreciation, peculiarly applicable to any one country.

The sorts of depreciation which it is proposed to examine, are such as may occur in a country, whose circulating medium is composed of coinage of a given standard purity, and of a paper currency; and they appear to have their origin in two causes.

First, In a degradation of the standard of the coin, or in a discredit of the paper currency.

Second, In an augmentation of the quantity of coin or of paper, the one preserving its original standard purity, the other possessing entire and unimpeached credit.

The former may be called an *actual*, the latter a *virtual*, depreciation; the first acting upon the prices of all other articles, and upon their nominal values, by an intrinsic alteration in the currency itself; the second affecting prices by a change, not in the quality, but in the quantity of the circulating medium.

In speaking of the second cause of depreciation, I have purposely made use of the term augmentation, instead of the words, *over-issue*, *excessive issue*, or any other which implies redundancy and unnecessary superfluity. The use of these terms is rather to assign a cause, than to state a simple fact, of which the cause is afterwards to be sought: it rather tends to prejudge, and to condemn the case, than to investigate and afterwards decide upon it.

The idea of augmentation involves only an acknowledged fact, for which a cause is to be assigned, and possibly a sufficient and necessary cause: that of excess, that is, superfluous and unnecessary augmentation, assigns at once the fact and its cause, always an improper one, as the term itself implies; and I do not see how, if they be both admitted to exist, the injurious consequences stated to result from them can possibly be denied or evaded; or how, if their joint existence be doubted, and no preliminary proof of it be brought forward, the continued assertion of such excess is not in reality a begging of the whole question.

For excess infallibly tends to discredit, to depreciation: it infallibly produces those consequences, if the corrective be not applied; and it becomes us to examine minutely, what are the real preventives and the real correctives of this particular evil.

In both cases, viz. of a currency composed of a mixture of coinage and paper, and of a currency consisting almost totally of the latter, a sound discretion on the part of the issuers seems to be the only preventive. It is incumbent on the Government in its issues from the Mint, on the national Bank in its emission of paper, to discriminate accurately the real from the unnecessary demand, and to apportion their supplies to the former alone. The Mint, I believe, never issues coinage, but on an actual demand from the depositors of standard bullion, or on a certainty of such approaching demand: the exercise of discretion on the part of the Mint is, consequently, little or none, and is a very moderate and easy duty. It is much more arduous on that of the Bank; and it is possible with the very best intentions, and with the firmest persuasion in the directors that the permanent interest of the institution is best consulted by the strictest performance of that duty, that their issues may be sometimes carried to an improper extent. The application of the correcting principle then becomes necessary.

It is clear, that if the penal statutes of England, which forbid the melting, the degradation, the exportation of the current coinage of full weight, were conscientiously observed by every class of persons, or could be rigorously and effectually enforced, the correction of any excess of the currency, so far as it could be applied to the coin when once issued, would be solely obtained by the slow and almost insensible effect of the wear of the precious metals.

Such a remedy, it is obvious, would be absolutely null; and the whole burthen of the correction would therefore, falling exclusively upon the paper currency, affect principally the Bank, and the profits arising from the use of its capital.

Its first step must necessarily be to suspend a portion, perhaps a great portion, of its discounts: this would arrest the progress of the excess, and prevent its augmentation, as far as the issue of paper was concerned; but manifestly it would not go to the cure of the existing evil. Any other active exertion of the directors of the Bank would hardly be within their power: they could not draw in the redundant coinage without paying its equivalent, that is, without the issue of the same amount of paper: in common with the rest of their fellow-subjects, they could not export that part of the coinage already in their possession: and although, on the repayment of the bills previously discounted to the merchants, they would have the means of withdrawing another considerable portion of the superfluous currency, yet having no alternative in their option of being repaid in coin, or in their own notes, they could not, it is clear, be certain that even then a sufficient portion of the excess would be abstracted.

It is even possible, that bullion being already in the country in great quantity, or continuing to pour into it, its market price might fall below its mint price, and consequently the Mint be obliged, on the demand of the bullion holders, to convert it into coin, and thus add continually to the redundance as much currency as the Bank might be continually exerting itself to withdraw from it.

The exertions of the latter would, however, be attended with one happy effect: they would secure its paper from all imputation of discredit; and though they could not save it from the effects of the depreciation caused by the excess of the circulating medium, it would have to sustain it in common with the coinage of a perfect standard purity, and would emerge from the trial with the same unimpeached credit as the other.

It is this depreciation which would finally, though perhaps slowly, effect the cure of the evil, by the way in which it would act upon the foreign relations of the country. As the excess of the circulating medium would bring into the domestic market a greater number of purchasers, the *real* prices of all internal commodities would rise. The export would be proportionably contracted, not simply because of their dearness, but because in the foreign market, where there might exist possibly no unnecessary augmentation of currency, they might be sold for less than their original cost. On the other hand, articles of import from foreign countries, not experiencing the same increase of real price from any excess of *their* currency, would be proportionably cheap, that is, when measured by the money price of the country where the currency is excessive. Importation, therefore, would be augmented. Bullion would then begin to be exported, not only because it bore a higher relative value abroad to the commodities there to be purchased, and was consequently become a better article of export than domestic productions, on which, as I observed, a loss might be sustained, but because the augmented importation and contracted exportation beginning to affect the exchange, bills on the foreign market would be purchased at a greater expence than would attend the transit of bullion.

The other great source of excess, that is, the stream which supplies the redundance of the coinage, would be thus cut off; and the slow and patient processes of the Bank, exerted according to a sound discretion, which I have before enumerated, would cure this plethora of the currency, and restore it to that vigorous and healthy circulation, which constitutes the life and strength of the body of the state.

But (it may be objected) the coinage part of the currency may preserve its just proportion; it may receive no augmentation from the influx of bullion, being at the same time (according to the hypothesis) incapable of diminution by being exported; and the Bank may be the sole cause of the excess of the currency by the improvident increase of its paper. Let us consider this point.

It is hardly to be supposed that any aberration from the exercise of a judicious discretion would not be fully corrected by the measures which I have just pointed out in page 7, viz. the contraction of its discounts for the future, and the abstraction of its notes made in repayment of former discounts. But let the excess go beyond this point of correction. Let it produce a discredit of the paper, or let it only produce a depreciation of the conjoint currency.

The former of these effects, I own, I dare not look in the face. Discredit is a depreciation of opinion; it has no limit but that of opinion; it might occasion a constant drain upon the Bank for coin in exchange of its notes, without the unfavourable impression being removed; it might induce sacrifices of capital for the purchase of new bullion convertible into coin for the purpose of meeting the continued drain; and after all, neither the discredit would be done away, nor the excess diminished. The latter effect, it is evident, could not be produced: for the drain would do no more than change the form of the excess by converting paper into coin.

It is not from the same apprehension and feeling of dismay that I do not consider at much length the effect of the depreciation of the conjoint currency, arising out of the excess of the paper portion of it; but I really do not conceive this evil capable of an extent which would not be relieved by the measures of the Bank above alluded to; and if these measures were ineffectual, I cannot imagine a remedy for it without resorting to some exportation of the coinage. [I shall besides point out presently what appears to me the true corrective principle for an excess of issue in the paper currency.]

For the reader will recollect that the whole of the process of circulation which I have above described is founded upon the preliminary supposition, that the penal statutes of this country relative to the coinage are conscientiously and universally observed, or are rigorously and effectually enforced. But by a curious anomaly in our legislative system, it happens that an evil over which the Government, that is, the Mint*, has no sort of controul, and which, if incautiously produced by the direction of the Bank from fallibility of judgment combined with the purest intentions, admits only of a partial cure from their sacrifices, should find its remedy in the very violation of the statutes, which were enacted, to prevent a greater supposed evil, *i. e.* the scarcity of the circulating medium, and to sustain it at its standard value. The exer-

* Can the Mint refuse to coin standard bullion presented to it? or has it any discretion on the subject?

tions of a less scrupulous * class of persons, employed in degrading, melting, exporting, the current coinage of full weight (according as these various processes are accompanied with some gain), secure the Bank from almost the whole of the sacrifices which it would otherwise be obliged to make, of the profits of its discounts; and only impose upon it the necessity of cautiously watching the progress of these processes, so as to prevent the possibility of a drain upon it for specie, or at least to be in a condition to meet it. It, indeed, might even happen that, on the contraction of the money circulation, the Bank could extend its own issues within the limits of that excess, which the exportation or other abstraction of the coin had contributed to remedy.

I must now proceed to examine the nature and efficacy of the corrective principle in the excess of a circulating medium, which is composed almost totally of paper currency; a subject, it must be acknowledged, of much more difficulty, and requiring a much nicer discrimination. Perhaps the principle itself may not be so strong in its operations, nor so immediate in its effects, as when the currency is of a mixed nature, although it is an efficient principle in both states of the currency: and the reader will, I hope, consent to follow me

* Vide Mr. Blake's pamphlet, p. 75.

through the investigation of the simpler, to that of the more complicated, cases.

Let us first take the example of an individual banker, who, on the strength of his capital, his credit, or the promised deposits of his friends, begins to issue his notes payable on demand, and exchangeable, at the option of the bearer, into those of the Bank of England.

The public, attentive to the operations of this new banking establishment, soon takes the alarm, if it be observed that it discounts with an improvident facility bills of doubtful credit, for the sake of the profit, or of spreading the circulation of its own paper; that it lends its aid to mercantile enterprizes of great risk or extravagant speculation; or that, when any particular articles of domestic or foreign merchandize have attained a height of price which, in the common reason of things, cannot be supported, it affords the same accommodation to dealers in these articles as in others of more steady demand. For all these imprudent operations probably lead to loss. The extravagant speculation is unsuccessful. The merchandize, of which the price has already exceeded the ordinary limits, is poured into the market by the purchases of an increased number of competitors with such an influx, as to decline far beneath its ordinary value. The discounted bill of doubtful credit is not duly paid, when the term of payment arrives: the banking establishment experiences embarrassment:

a run is made upon it, and it is obliged to support itself by a sacrifice of part of its capital, or by the borrowed funds of its friends, or possibly in losing its whole capital still leaves a part of its improvident issues unsatisfied, although no longer in circulation. In either case, the excess is completely remedied: for the notes withdrawn, as well as the notes remaining out, are reduced at once (according to Mr. Blake's emphatical expression) to the value of the ink and paper of which they are composed.

But it is evident that the obligation to pay by interchange in notes of the Bank of England, any more than the actual payment in such notes, is not in itself the principle corrective of excess: for if the banking establishment were to vest its whole capital in Bank-of-England notes, holding them ready to answer the demand of interchange, the excess, it is obvious, would only experience an alteration of form. But bankers do *not* hold such means of interchange in their hands: if their notes fall back upon them, the capital sacrificed to redeem them must be sold for other more accredited paper *already in circulation*; and it is possible, without the intervention of a single Bank-of-England note, to exchange that capital for their own notes by any mode of composition or assignment with their creditors holding them.

The obligation therefore to interchange, at the demand of the holder, the paper of any banking

establishment with that of the Bank of England, or any other accredited establishment, contains not within itself the principle corrective of an excess of issue; nor has the obligation to pay in coin on the demand of the holder any greater power of correction. The one and the other are rather the test, than the instrument, of the correction, and contribute much more to prevent, than to remedy, the excess. They form a link in the chain of that sound discretion, which is to guide and restrain every intelligent banker in the emission of his notes, so as never to render it excessive.

The true correction of an excessive issue of paper is, the loss sustained by the banking establishment, of its profits, of a portion, or even of the whole of its capital; and the punishment is, as it ought to be, the complete cure of the evil produced: for the offending paper is totally withdrawn from the circulation, which it has contributed to embarrass and to depreciate. It is in this way that we have seen many of the banking establishments of the country restoring by their failure the circulation to its sound and natural state.

The same course of reasoning, which is applicable to a single case or to an aggregate of banking establishments, acting separately but each in its sphere affecting the circulation, is equally just when applied to the Bank of England, though acting with unimpeached credit and much ampler means. The want of an obligation to change its notes for coin on demand; removes, it must be allowed, the check; the *preventive* correction of an excessive issue of paper; but the great corrective principle, the consequent loss, acts as strongly upon this as upon any minor institution. Let it not be said, that so great an establishment will be regardless of petty losses, arising out of an incautious issue of too many notes, and will speedily recover them by an extension of discounts. He will not argue thus, who reflects that, to recover the loss of a single hundred pounds made by the non-payment of a discounted bill of that amount, the Bank of England would be obliged to discount other bills, and make an issue of paper, to the extent of eleven thousand nine hundred pounds;—that this proportion holds good in more considerable losses; and that a loss of two hundred thousand pounds, to the extent of which we have all of us witnessed numerous mercantile failures, could not be replaced to the Bank, through the process of discounts, but by an emission of paper, greater than the highest sum ever put by that institution into circulation* at one time. To suppose that the bad effects of an improvident issue of notes would be remedied by a still more improvident issue, is to deny to the directors of any banking

* Vide Appendix to Bullion Report, No. 40.—The circulation of 14th April, 1810, amounted to 22,222,780*l.*

establishment, not only the exercise of a sound and judicious discretion, but even the possession of common sense, or the capacity to understand their plainest interests.

To practical men, observations like these must no doubt be unnecessary, and may be thought an useless waste of argument; but they are necessary to those who can be seduced by such doctrines as the following: *—"That the Bank which discounts, and the merchant requiring discount, are two parties exactly suited to the supply of each other's wants, and co-operating from mutual interest towards the same object." As if the one were a needy adventurer, desiring nothing better than to borrow, with very little anxiety about the repayment; the other, a credulous or greedy capitalist, who only wished to lend for the sake of discount, and whose care about the repayment was the least part of his concern: as if the latter, for the sake of gaining sixteen shillings and eight-pence (his own money too, be it observed), would put out of his power for two months 99*l.* 3*s.* 4*d.* to any man who would give a formal security for the repayment: as if too the security itself was composed of persons equally needy or equally indifferent about the payment of the discounted bill.

It may however be said, and truly said, that al-

* Vide Mr. Blake, page 80.

lowing loss to be as great a corrective of incautious issues on the part of the Bank, as I have stated it to be, it is still no corrective of the excess issued, but rather an aggravation of it. But this part of the evil is of comparatively easy remedy, by a contraction of discount to little more than the bare amount of the loss; and perhaps the diminished demand for discount would of itself be sufficient, without any active interference of the Bank. To recover the loss, and to remedy the excess, are two measures the very extreme of each other.

The more these reasonings are examined and probed, the more it appears to me, will they lead to a conclusion which may, if correct, be regarded as an axiom in financial economy: it is, that a circulating medium of unimpeached character, whether it consist solely of coinage of a given standard, or solely of paper of perfect credit, or of a mixture of both, can never be *permanently* augmented to excess, that is, to a degree of superfluous and unnecessary increase. The quantity of currency may and must vibrate occasionally on the side of excess, as on that of defect or improper diminution; but the counteracting and correcting principles, of drain with exportation, and of loss by failure, and by the non-payment of discounted notes, are perpetually tending to restore the balance to that state of circulation which the real demands of the country require.

It has appeared to me essentially necessary to enter into the preceding examination of the effects which an excessive issue of a currency of perfect credit may produce, because the depreciation of the currency occasioned by this cause (if after all, as I have just observed, it can be sufficiently permanent to create depreciation) is very different in many respects from the two sorts which I shall have to describe, and which I have distinguished by the titles of *actual* and *virtual* depreciation. It is time to proceed to the consideration of them.

Let us suppose that a pound sterling, containing twenty shillings of standard silver, of a just weight, were equal to twelve marks banco of Hamburgh (I use these proportions for the sake of round numbers, though they are not very far from the truth); * and that at once, by an order of the Government, fifteen shillings of this standard silver were declared to be equivalent to a pound sterling; or, which is the same thing, the silver were so debased by alloy, that fifteen shillings of the present standard could be converted into twenty pieces of coin, called shillings, of the same weight, and

* The par of exchange between London and Hamburgh, if estimated in gold, is thirty-four shillings two grotes Flemish, or twelve marks thirteen schillings banco, for the pound sterling: in silver the par is rather higher.

nearly of the same appearance, but of a degraded quality.

What would be the immediate consequences of such an act, and such an avowal of it?

The proportion between the pound sterling and the foreign sum of money reckoned on a par with it (for I suppose the English currency, under this alteration of its value, to preserve the same denomination) would be immediately reduced in the ratio of twenty-five per cent, and the pound sterling under its new valuation would be equal to nine marks Hamburgh banco, instead of twelve. In all calculations of exchange, this new par would be taken as the point from which to estimate its favourable or unfavourable rate; and whatever might be its fluctuations from other causes, whatever might be the balance of trade or of payments, this intrinsic difference between the old and the new valuation of the pound sterling would be constantly kept in view, and would have its full and perfect effect in diminishing the favourable, and in enhancing the unfavourable, appearance of the exchange.

But the real state of the commercial relations between Hamburgh and England would not be at all affected by this depreciation of the currency, other circumstances remaining the same. The twelve marks banco of Hamburgh, the former standard of equality for the currencies of the two countries, would enter with the same advantage as

before, into the markets of England, buying the same quantity of goods as before, although at an advanced nominal price in English currency: and the Hamburgh merchant, importing his merchandize into England, would sell it either at its value in marks banco, or in sterling money computed according to its new standard, and consequently, in either case, on the same terms as if no such depreciation of English currency had taken place.

At home, the first annunciation of a change in the currency, such as I have mentioned above, would be immediately followed by an augmentation in the nominal prices of every article of necessity or luxury, and of the wages of labour. But, if this augmentation bore only its just proportion to the depreciation of the standard, I do not see how the real prices of commodities could be at all affected by it. The twenty shillings of the ancient standard would purchase just the same quantity as formerly of any commodities, would support a competition with foreign purchasers, bringing their twelve marks banco, with precisely the same advantage as before; and the new depreciated coin, bearing the ancient denomination, would sustain no other disadvantage than such as was occasioned by the alteration in its intrinsic worth. It would indeed require a greater quantity of the latter to perform the same functions, and to produce the same effects; and the debasement of the standard would occasion a redundancy in the circulating medium of the country:—but putting out of the question all idea of fraud or oppression on the part of the Government, in ordaining the debasement of the standard (a case which does not make any part of the present disquisition) I do not see why the exchanges, and every other commercial and pecuniary transaction whatever, should not almost immediately accommodate themselves to the new level, with no other loss or inconvenience than that which would result from using a less commodious and more cumbrous vehicle for the settlement of all transactions.*

The Reader will observe, that the redundancy of the circulating medium, in the case which I have just supposed, is the effect, and not the cause, of the depreciation of its standard. More

* I think it was about the year 1772, that the Spanish dollars, or pieces of eight, were reduced in their standard about five per cent. while the old dollars of the higher standard, called pillar dollars, were continued in circulation. The latter, within my remembrance, in the United States of America, still carried their original premium of five per cent. or more, particularly for the Chinese market. This degradation of the standard of the dollars has permanently altered the par of exchange; but I know not any other effect, either at the time or since, which has been produced by it, beyond the intrinsic amount of the degradation.

of the representative of wealth is required to perform the same operations, because its quality is degraded; and the augmentation of the quantity in circulation constitutes a real redundancy, because it is proved, that a smaller quantity of a higher standard would answer the same purposes as the former. In this case, the mass of national and individual wealth is not augmented, though the nominal income of the nation and the individual is increased. As the mere representative of wealth, the new coinage performs its operations as effectually, and as much without real loss as its nobler predecessor, though perhaps a little more clumsily: but putting out of the question all idea of fraud, which might render such an alteration injurious to any particular class of subjects, and supposing the stated depreciation to be adhered to with good faith, there would arise no evil from the change; and the foreign and domestic concerns of the country, in all pecuniary transactions, would proceed in their usual train, and be governed as before, by the ordinary state of those events which affect them.

Let us now suppose, that the standard silver of an English pound sterling preserved its just proportion to the twelve marks banco of Hamburgh, which I have called the measure of equality between the currencies of the two countries; and that by the consequences of successful mercantile speculations, of prosperous seasons, of an exclusive commerce, or of any other similar cause, a considerable part of the community had received such an accession of wealth, as to require an augmentation of the circulating medium of the country to the extent of one fourth of its whole amount. That such an enriching of large portions of the community would have a direct and irresistible tendency to produce this effect, is as true in the aggregate, as we are all of us capable of seeing that it is true in the individual. For every one of the individuals, benefited by this common prosperity, finds his means increased of adding to his stock of comforts or enjoyments; he is enabled to enlarge his allowance of necessaries, to diversify their nature, or to extend it to articles of convenience or luxury. But for this purpose, he must be furnished with the means of entering into the market on a footing with others, and, in proportion to his increasing wants, must be prepared with an additional quantity of the circulating medium. The supply of articles in the market continuing the same, but the demand increasing with the number of new purchasers, it is evident that the competition among these will increase the prices of the articles; and if the demand be general, and extend to every merchantable object of necessity, convenience, or luxury, the whole prices of the country will feel the effect of the augmented demand: that which before could be purchased with twenty shillings, will now require an addition of

one-fourth; and the current coin of the country, though equal in intrinsic worth to the accustomed standard of any other country by which it has been measured, will appear to suffer a depreciation to the same amount.

The competition which thus raises the prices of every domestic commodity, will extend itself to every article of external product, the use of which is essential in England; and the foreign merchant (that of Hamburgh for example) will find himself either rivalled in his own market, if he has the same views of purchase, or proportionably benefited, if he be the possessor of such articles as are demanded in England. The prices of all foreign commodities in request here, will thus be augmented; but this very augmentation of price will enable the foreign merchant to enter into the English market for the purchase of English commodities on the same terms with ourselves, which else he would not be able to do: for in every case he will have to meet the competition of the English consumer, and must indubitably submit to the same advance in price to which every other part of the English community is exposed. It is evident, that if, instead of merchandize, he shall make use of his foreign currency for the purchase of the products of England, he will find that his twelve marks banco of pure silver have undergone the same moral depreciation as the standard silver of England, and will purchase no more than the twenty shillings of that standard, to which they are assumed by the hypothesis to be equivalent: he will therefore never import silver into England for the purpose of his investments, unless he can find, for the same purpose, no articles of merchandize which are demanded in the English market, and the relative price of which at Hamburgh will permit the exportation with some profit; or unless from any cause the exchange at Hamburgh shall be so unfavourable for him, as to present a sort of comparative advantage in the transmission of the silver itself. On the other hand, having disposed of his foreign merchandize at the advanced price of the English market, if he should be unwilling to invest his returns in English goods at *their* equal advance, he can have no temptation to export the standard silver of England, although it bear its just proportion to the pure silver of Hamburgh, unless the exchange on England should be so disadvantageous to him, as to make its conversion into his own currency by bill a manifest loss. The exchange in both cases will be the sole regulator of the importation or exportation of silver; and the moral depreciation of the circulating medium of this country, which, as I observed before, communicates its effect to the currency of the Continent in every transaction of commerce with England, has no sort of effect in itself in promoting or preventing the transmission of specie.

There is a striking distinction, to which it is necessary particularly to direct the reader's attention, between the two cases of depreciation, which I have been endeavouring to illustrate. In the one, there is a real redundancy of the circulating medium, which is the *effect* of its debasement. There is more than is necessary for the purposes of circulation, because it requires a greater quantity of the debased coin to perform those functions, which less of a purer quality would be equal to. In the other case, there is no redundancy, no unnecessary superfluity of the currency, because it is proved, that with the increased wants, and with the increased means of supplying these wants, less would not be sufficient; but there is an augmentation of the circulating medium, which is the *cause*, but the secondary cause, of its depreciation; the real and primary cause being that accession of general wealth, which requires more specie to diffuse its use, and to extend its enjoyment. Should this accession of wealth be so considerable, as to form something like a permanent increase of income to any great portion of the community, or (which is the same thing) should the progressive advance of general prosperity renew for several years the gains of one, there is no reason why there should not be a progressive augmentation of the medium of circulation, as well as a progressive rise in all the articles of necessity or convenience, constituting thereby its apparent depreciation.

I have gone into greater length in the consideration of these two forms of depreciation, where coin forms the principal medium of circulation, because it appears to me, that both of them may be applied by a very easy and just analogy to cases where paper currency forms a part, or even the greater part of the circulation:—The first of them (namely, the debasement of the coin in a given proportion below its former standard, and its consequent redundancy) answering to a discredit of paper currency, so as to form a permanent discount upon it; the second (namely, the augmentation of the current coin while it is preserved at the same standard, and its consequent diminution in value) corresponding with that state of things in which the paper currency of a country, preserving its entire credit, becomes augmented in quantity in consequence of the increasing wealth and business of the country. [I have, in considering the subject of excess, proved, I hope satisfactorily, that a currency which preserves its entire credit, cannot be augmented from any other cause.]

I have already asserted that the debasement of the coin of the country to a degree which is to be regarded as absolutely fixed and permanent, can have no effect in raising the prices of commodities farther than the intrinsic alteration of the currency will render necessary. The nominal rates will be indeed higher, because the same denomination as before is affixed to coin of a baser quality; but the real prices, estimated by the standard of the antient coinage, or that of foreign unadulterated currencies, will continue the same. In the same manner, a paper currency which has undergone a fixed and immutable rate of discredit below which it cannot descend (if, after all, this be a possible case), ought to produce, and would produce in strict calculation, no other alteration in prices than that of a nominal increase. But it must be owned, that when once a coinage or a paper currency has been exposed to a degradation of its standard, or a diminution of its perfect credit, it is very difficult to assign any limits to the rate of debasement or discredit which it may have to sustain. It is still more difficult to convince the public understanding, that the first innovation upon this point will be the last; and there will consequently exist a sort of bias in the public mind to make a distinction beyond its real amount between the old and the new currency, and to establish a greater difference of price, when estimated in standard gold and silver, or in the debased or discredited currency, than their relative merits justify. The nominal price, therefore, that is, the price demanded in the degraded coin, or the discredited paper, will be somewhat higher, and the real price, that is, the value estimated by the coin of the unalloyed standard or the paper of an unsullied credit, will be somewhat lower than they ought to be in the just estimation of the two proportions. The foreign merchant, who enters the market with his own undebased coin, and indeed the native consumer, who purchases with gold and silver, will not feel the effects of the depreciation, but will rather derive an advantage from it; and he only, who uses the degraded coin, or the discredited paper, will be sensible of some loss. Every article which is an object of exportation will become cheaper than it ought to be; and every article of import, dearer; and, as far as the relative proportions of importation and exportation may be affected by it, the exchange will feel the full effect of this influence of public opinion.

I think it may be safely affirmed, therefore, that a real depreciation of the currency, arising out of a degradation of the coin, or a discredit of the paper, will always have a tendency to depress the exchange unfavourably (though it may not go so far as actually to produce that effect), because the public apprehension will lower the real price of all domestic commodities, and will raise that of all foreign articles of import, and thereby equalize the balance of payments, or even render it unfavourable.

But a depreciation of the currency, which arises from an augmentation of its quantity in circulation, and primarily from the increasing wealth of the country (whether that currency consist of coinage

of a just standard, or of paper of unimpeached credit), cannot be attended with the same consequences. I have already shewn that a depreciation of this kind, while it raises the price of all domestic commodities, has the same effect on all foreign articles of merchandize, the use of which is demanded in England.

The foreign merchant must submit to this advance in price in England, because he cannot produce a currency which will place him on a better footing than the native; but he is indemnified by the proportionate advance in price of commodities of his own growth or manufacture; and this equal advance in both cases is the cause, that no alteration is made in the relative balance of trade, or of payments between the two countries. The exchange, therefore, remains absolutely untouched by this depreciation, considered in itself, because its influence extends itself as much to the twelve marks banco of Hamburgh, as to the twenty shillings of a just standard weight contained in the English pound sterling.

If the foreign merchant having sold his merchandize in England at the advanced rates, shall be unwilling to invest the proceeds in English productions at their high price, he will naturally seek to remit them either in specie or by bills of exchange. He certainly will not prefer the first of these modes, unless the exchange should be unfavourable in such a degree as to occasion a great loss in the purchase of a bill; and the measure of the exchange will be the sole regulator of his choice.

If a considerable number of the foreign importers be actuated by the same unwillingness to pay the high prices of the English commodities, the generality of this sentiment will go to increase the demand for bills, to render the exchange progressively more unfavourable, and in its consequences to augment the prices of gold and silver bullion, which in the depression of the exchange, and in default of other exports, become the only remaining media for liquidating the balance of payments on imports.

It is not however, in common times, the usage of merchants to be unwilling to pay the advanced prices on the goods they may desire to export for returns, especially if the goods bear still higher prices in the countries to which they desire to export them. Still less will this be the case, where the exporting country possesses a sort of monopoly, either from the nature of the articles or from the excellent fabric of the materials. But there may exist, in extraordinary times, such a difficulty in the exportation of merchandize, accompanied with so much risk of seizure, with so many duties, or rather with so many extortions, which, coming in an undefined shape, are a thousand times more vexatious and oppressive than duties, with so much personal danger, of which I

believe, no times but the present can furnish an example, that the foreign merchant who would be paid for his merchandize actually sold in England, seeks for any but the most advantageous way of making his returns, because, unfortunately, the most profitable mode is the most open to observation, and of the most certain exposure.

What then would be the natural gradation of proceeding, which a foreign merchant, desirous of securing his adventures, and of concealing all transactions relative to them, would be solicitous to take?

His first aim would be to procure bills of exchange on his own, or an unsuspected country: for these may be transmitted in duplicate, triplicate, or even quadruplicate (I myself have had occasion to witness this augmentation of the number of bills of the same tenour), and by the assistance of a notary, being multiplied without limit, may be passed in every possible mode of disguise or concealment; their discovery, at any rate, being attended with no pecuniary loss, and with no personal danger.

The value of such bills, and the uncommon demand, which would be the consequence of it, would naturally depress the exchange far beneath its ordinary limits, and far below the hitherto received standards of value between the currencies of any two countries.

The next object of desire for the same purposes would be the most valuable, and the least cumbrous of the precious metals. This demand would at once establish a difference in the value of gold and of silver bullion, independently of that of their respective standards, the current price of the former receding farther from the mint price than that of the latter: and the loss which the merchant would sustain by a remittance of gold bullion, would approach nearer to that which he would have to sustain by the still safer remittance of bills of exchange. But if at the same time the current price of gold at the great markets of exchange on the Continent so far exceeded what may be called the mint, or silver, or par price, as to do more than counterbalance the charges of freight and insurance, and even to afford a degree of profit on the exportation, it is evident that this would render gold bullion a desirable object of remittance, sufficient at least to encourage him to encounter some degree of risk.

The third object for remittance would be, silver in coin or in bars; but this, from its bulk, would be less capable of being transported with the requisite secresy; * and, being consequently less in

* I am acquainted with merchants who have sent adventures to the Continent both in gold and silver bullion, and from both of which, if they had succeeded, a fair profit might have been derived. That in gold did succeed to their wish; but the seizure of *two chests* of the

demand, would recede less in its price from the mint or standard value.

I have brought the examination of the preliminary principles, which it appears to me necessary to establish, sufficiently near to the desired point to enable me to make the application to the present state of affairs in England, and to the circumstances under which the Bank of England finds itself placed, relatively to the Country, and the Country to it.

It cannot in the first place be doubted, that an actual depreciation of money, measured by the rise in price of all commodities, has taken place in England, not only from the period in which the Bank was restricted in its issues of coin in 1797, but from one long antecedent to it. If I were to presume, with the little experience which I have had, and the few observations which I have been able to make, to judge of its commencement, I should point out for this effect the end of the American war, and the great interval of public prosperity which intervened between the year 1784 and the commencement of the French revolutionary war. The French revolution itself,

silver by the French *douaniers* absorbed the expected profits of the latter. This simple fact accounts fully for the difference of value of the two species in these times, considered as articles of exportation.

which paralized all the commercial and financial resources of that great country, so powerful within itself, gave a tenfold spring to the energies of every other state not immediately within its vortex; and the very disasters and ruin which it has at length brought upon the continental system, have contributed to the accumulation of internal prosperity of every country which it has not reached. The United States of America felt all the beneficial effects of this influence in the years 1789 and 1790; and the revolution of France was almost the sole author of all the good which, in the first enthusiasm of their fondness, the Americans ascribed to their new constitution.

By the depreciation of money, I mean to be understood the enhancement of the price of every article of use or of luxury, the value of which is estimated by a relation to the current coin, including consequently the augmentation of the prices of labour, of the rents of houses and of lands which had not been fixed before this depreciation, and the absolute increase of value, in an astonishing degree, of houses and of lands, the purchase of which has taken place since.

It is hardly necessary to detain the reader with arguments to prove that this depreciation, which I think myself founded in asserting began long before the year 1797, had not its origin in the debasement of the coin, or in the discredit of the paper currency. The one has both before and

since preserved its standard purity, and no breath ever sullied the reputation of the other, prior to the Restriction act. If that depreciation I speak of, therefore, were real, it must have had its cause in the augmented wealth of the country, and must have been indicated by a corresponding augmentation in its circulating medium. It is not, however, easy to determine with precision any increase of a currency which is composed of coin and of paper together, because it is hardly possible to define by any ascertainable limit the exact quantity of the former at any time in actual use*.

*There would be no difficulty, I presume, in obtaining from the Mint the quantity of gold coined for any number of years prior to the year 1797; but I know not any accurate criterion by which to estimate the quantity of it remaining in constant circulation, after allowing for the abstraction of a part for the purpose of manufacture or for a contraband exportation. I am persuaded that a much larger sum of guineas was in actual circulation than is generally supposed; and I infer this from an accidental circumstance which occurred to myself in his Majesty's province of Lower Canada, about eleven years ago. I have now in my possession a guinea of James II, of queen Anne, of George I, and George II, which I received among a hundred others, in common circulation, in exchange for a bill which I had occasion to draw upon England.—I am aware that no great stress can be laid upon a circumstance so trifling in itself, as to the quantity of even old coin in circulation; but I must say, that the

But from the year 1797, the paper currency having progressively assumed almost the entire

inference appears to me less forced than that which Mr. Blake has derived (p. 115) from the evidence of Mr. Abraham Newland before the Secret Committee of the House of Lords. The latter gentleman stated that, previously to the restriction, the cash payments from the Bank on the half-yearly payments of the dividends (amounting to fourteen millions) did not go beyond 1,300,000*l.* or 1,400,000*l.* that is, about one-tenth of the whole amount. From this evidence Mr. Blake makes the extraordinary deduction (p. 117) that the whole money circulation of the metropolis and even of the country did not exceed one in ten of the entire circulation as well in paper as in coin: as if every half-year every guinea circulating throughout the kingdom were drawn suddenly within the vortex of the Bank, in order to be paid out on the issuing of the half-yearly dividends. Without any accurate grounds (for, as I said above, I know not how they are to be obtained) I should venture to conjecture, that six or seven times the amount of those cash issues at the half-yearly dividends remained out in constant circulation.

I leave, however, to the sober reflection of every enlightened inquirer the following fact, which I have learnt from a source of the highest mercantile authority. It is, that in the last year (1809) a single broker at Amsterdam has witnessed the coinage of three millions of Dutch ducats from English guineas exported from this country.—It must be remembered that for the last eleven years not a single guinea has been coined (see the evidence of Mr. Binley, Appendix to Committee's Report, p. 117); and,

office of the circulating medium, and its gradual augmentation being ascertained in the most authentic and official manner,* it behoves us to inquire with the most discriminating accuracy into the primary causes of that augmentation, because from them alone can be inferred the true causes of the present depreciation of money, and the true remedy for the latter, if there be any, be discovered.

It would not be fair, and it certainly would not answer my purpose of producing conviction, to

after allowing a due proportion of half-guineas and seven-shilling pieces to the coinage of these ducats at Amsterdam, some judgment may be formed how large a sum of guineas remained in circulation twelve years after the Restriction Act of 1797, and so long after the time that the circumstances of commerce, one would have thought, must have exhausted that source of payment derived from the English coinage.

* The striking fact adduced in the preceding note, presents a most satisfactory proof, how much the gradual augmentation of bank notes, which has taken place principally in those under five pounds, has kept pace with the gradual abstraction of the gold coinage from the circulation. It would hardly, I think, be rash to assert, that the entire amount of one-pound and two-pound notes at present in circularion, does not materially, if at all, exceed the quantity of gold coin circulating ten or eleven years ago, or abstracted from the circulation since the stoppage of the bank payments in cash.

avail myself of the admission of all parties, that the credit of the paper currency of England (I speak exclusively of that of the Bank) remains to this moment unimpeached and entire, because it seems the inevitable, and indeed the only possible consequence of such an admission, that both the increased issue of the currency, and its depreciation, have been solely occasioned by the wants of increasing wealth. Proofs are much better than assertions, or even than acknowledged concessions; and it is essential to prove that the depreciation of money, such as we experience it at this day, and have experienced it for some years past, is not of that sort which causes a redundancy of a discredited paper circulation, but is itself produced by an augmented, not a redundant, circulation, and primarily by a great accession of general wealth.

It is necessary, for this purpose, to recur to the distinguishing characteristics of the two kinds of depreciation which have been already under consideration.

The first, originating in a degraded paper currency, causes a sensible alteration in the nominal price of all commodities, proportionate to the discredit of the currency; determinate and fixed, if the discredit have an assigned limit; increasing, if this be increasing; but in both cases *tending* rather to rise, and anticipating rather than following the rate of the discredit. It causes, on

the other hand, no alteration in the real prices of commodities, estimated according to a money standard, or that of the ancient accredited paper, but it establishes an immediate distinction between the money and the paper price; and in the same manner as it tends unduly to elevate the latter, so it is inclined to lower the former beyond the reasonable limit of the depreciation. To the foreign merchant, who sells or who buys at the standard of an undebased currency, it presents a double advantage, as well in the sale of what he imports, as of what he exports; turns so far the balance of trade in his favour, and affects in so far the rate of the exchange unfavourably for the country. If the par of the exchange be not itself altered, its alteration is at least indicated by a permanent discount, according to the degree of the discredit; and the *tendency* of the exchange is, as in all other transactions, towards a decline. The prices of gold and silver bullion likewise receive, besides their nominal augmentation, an additional increase from the opinion entertained of their comparative value above that of the discredited currency.

These appearances, the effect of a depreciation produced by a discredited and redundant paper currency, are in almost every particular different from those assumed by a depreciation which is the result of increased wealth, and which is indicated by an increased circulating medium. In this case, the *real* and not the *nominal* prices of all commodities, whether domestic or foreign, are raised. There exists *no* distinction of paper and money price; the foreign merchant has *no* advantage over the native consumer, by purchasing with his own currency. The foreign merchandize which he imports is subjected to the same enhancement of price, and consequently the foreign currency suffers, *quoad hoc*, the same depreciation. The foreign and domestic prices preserving the same ratio to each other, the exchange is consequently not at all affected by the depreciation: and it appears an almost unavoidable consequence of these circumstances, that the price of gold and silver bullion should in no manner be affected by it, but should be regulated entirely by the course of the exchange, or by the greater or less demand that may be for these articles as objects of manufacture.

Every one of these indications applies most strongly to England, and to the present state of things; but I dwell most particularly on that striking characteristic, the enhancement of price which foreign countries are obliged to submit to in the purchase of English commodities, and the preference which the English competition exacts in every foreign market, and in every article of merchandize which she requires for her own use: for how could this country, if overwhelmed with a redundant and degraded paper, and sinking

under the enhanced price of every article of existence (aggravated still more by a prodigious taxation), impose upon others the same necessity to which she is herself subjected? How could she, regardless of foreign demand, or releasing that demand from almost every species of internal impost, furnish a vast public revenue almost solely by her own consumption? How could she give the law with this debased currency in all other markets, and draw into her own vortex, against all the competition of purer currencies, the choicest of every foreign production?

I see no possible answer which can be made to questions like these, but in the admission, that the currency of this country preserves its entire credit; that its depreciation is not the effect of an *over*-issue, that is, of a *redundant* and *superfluous* augmentation (which is of itself alone sufficient to degrade its credit), but of a necessary augmentation, arising out of the demands of an augmented wealth.

If I am asked, what remedy can be applied to this great evil (for many certainly feel it as an evil), I must answer, I fear, for the most part in the negative, and shall find it much more easy to point out what will *not* remove it, than what will.

Were the whole paper currency of England at once converted into the same quantity and denomination of gold and silver coin, it is evident (putting out of the question the peculiar circumstances of these extraordinary times) that, the same wealth continuing, and the same demand for an augmented circulation, the conversion of the form would of itself administer no remedy: for any abstraction of the coin, occasioned by other momentary demands, would be soon replaced by new importations and a renovated coinage; or, in default of such importations, would be supplied once more by some species of accredited paper.

In the same manner, if by the repeal of the Bank Restriction Act, the currency were restored to that mixed circulation of paper and coinage, of which it was formerly composed, but in the same augmented quantity as that of bank-notes at the present day, the depreciation complained of would not be in the smallest degree alleviated or removed, because it is already proved that this quantity is necessary to the demands of increasing wealth, and must be, while that wealth remains, kept up in some form or other.

In the ordinary circumstances of an enriched and flourishing country, there could be no void occasioned by a drain of the coinage part of the circulation, which would not be soon filled up from other quarters, where the cause of drain did not exist. For it must be particularly impressed upon the mind of the reader, that augmentation is not in itself a cause of drain, although redundancy may be so; but there may exist extraordinary circumstances, in which the causes of the drain of specie

may become permanent for a considerable length of time, while all the causes for an augmentation of the currency remain in their full force. If, therefore, under such circumstances, the abstraction of the coin were to have no other limit than the whole quantity of the circulating medium, paper as well as specie (the one being by supposition convertible into the other at the Bank), it is clear, either that the country must voluntarily impose upon itself the enactments of the Restriction act, or require its renewal from the Legislature, or that the abstraction would not stop short of its limit: for why, in fact, should a diminution of the issues of the Bank necessarily arrest it? Why, if five millions of notes remained in circulation, should not those five millions of notes be converted into coin, and exported? Why, in short, should a single note remain unchanged into its corresponding quantity of gold or silver, if the temptation of a considerable gain, or if the necessities of commerce demanded the exportation? The remedy for the kind of depreciation which I am contending for, would, it is true, be effectually secured by this measure, and money would unquestionably recover its pristine value; but it would be attained by the substitution of an evil, to which, for extent and ruinous consequences, any we at present endure admit of no comparison.

For this is most certain—if the augmentation of general wealth be the real primary cause as well of the increase as of the depreciation of the currency (coin as well as paper), we must remove the cause, in order to deliver ourselves from the effect. It would be too much to have more money, and yet to expect more money's worth; to combine the comforts of an augmenting opulence with the cheapness of a stationary mediocrity; to retrench our means, and still to preserve the enlarged sphere of our enjoyments. If we have squeezed ourselves through more straitened circumstances into a situation of more varied and extended comforts, yet not unaccompanied with its difficulties and its apprehensions, we must not expect to return to our former position with full purses and overflowing warehouses.

Macra cavum repetes arctum, quem macra subisti,*

is the unpalatable advice which we too must be obliged to hear and to follow, although, after all, the rough experiment may not place us precisely in the same position in which we were before.

If the remedy were applied through the medium of a great forced contraction of the currency, whether it were produced by diminishing

* Hor. Epist. ad Mæcen. lib. i.

the issues of bank paper, or by a continued drain of coin to the Continent (for I regard these two modes as in all essential particulars the same), the immediate effect of this measure would be the fall of price of every article of merchandize, foreign and domestic, which would be suddenly thrown even to saturation upon the market, and by the sacrifice of which a considerable portion of the mercantile community would endeavour to save themselves from ruin. The fall of prices is, it is true, no evil in itself; but if it is to be accompanied by such a stagnation of business, such a cessation of ordinary occupation, as to take away from a great portion of the labouring community not only their profits but their means of subsistence, I see little ground of exultation in the offer of cheap purchases to him who can hardly make any purchase at all. It is however certain, whatever might be otherwise the ruinous effects, that prices would decline, and that the value of money would rise in proportion. In ordinary times too (for I must keep this reflection constantly in the reader's mind) the export of the surplus thus thrown upon the market, would by degrees remedy the evil; and things would settle, after much individual misery, and much transfer of property, in something like a quiet and permanent order of things, in perhaps a favourable exchange, and by degrees a prosperous commerce.

But as the causes which necessitate a great contraction of the paper currency, or a drain of the current coin, may acquire, from the uncommon occurrences of the times, a sort of permanence (I speak still upon the supposition of the convertibility of paper into coin, as before the year 1797),—I wish to direct the reader's attention to the consideration of a question, nearly the reverse of what I have hitherto examined: viz. The nature of the effects, which the progressive impoverishment of a mercantile community (from whatever causes it may arise) is calculated to produce.

It is clear that there will be a progressive rise in the value of money; that the price of all articles of domestic production or manufacture will continually decline; and that, if there exist the smallest temptation from abroad of an advanced price, or even a probable demand, not only the surplus, but much of what would be otherwise consumed within the country, will be constantly exported. This, as we have already seen, is the just reverse of what takes place relatively to exports in a country which is in a state of increasing wealth. With regard, however, to articles of import from foreign countries, the same opposite analogy is by no means to be found. Poverty enters with no advantage of competition into a foreign market; she possesses no powers which will cause prices to descend to the standard of her necessities; and she is contented by the moderation

of her demands, and the mediocrity of her supply to counterbalance the high rates which she is obliged to bear in common with her opulent competitors. The prices of foreign imported articles will not be lowered; but the quantity consumed will be diminished.

It is scarcely possible in a country labouring under embarrassments and distress, where however all the usual relations of commerce with foreign countries pursue their ordinary course, that the value of the importations, contracted as they are, should *equal* that of the exportations, greater as these are in quantity, though at an inferior price. That the former could not exceed the latter, seems to be rendered impossible by the impoverished state of the country. It may therefore, I think, be assumed as a certainty, that under such circumstances, the exchange will be constantly, while the cause remains, either not unfavourable, or very much in favour of the poorer country. If articles of export be in great demand abroad; if every facility, internal and exterior, be given to their transit and their consumption, it is probable that the exchange will become highly favourable, and for a considerable period of time. This will be still more the case, if the importation of such merchandize as the poorer country requires, be embarrassed by vexatious imposts, by arbitrary prohibitions and seizures, and by every form of civil and military oppression. *

* I wish the reader to pay particular attention to the state of the Continent of Europe, in the present circumstances of its oppression under the yoke of France. They are those of a state impoverished by exactions, having in a very great degree a free exportation of its productions and merchandize (free, because its oppressor does not possess the complete power of restraining it), having a rich market into which to pour its productions and merchandize, but with little power of receiving back from that rich market any thing else but payment. How is it possible that the exchange should not be singularly in favour of the poorer country selling every thing to an opulent purchaser, and buying comparatively nothing, because forcibly prevented from buying? How is it possible that every guinea should not be withdrawn from the latter, when the circulation can be carried on by other means, and when the only inconvenience felt is the partial increase of the price of the precious metals when required for articles of manufacture? That this impoverishment of a country by oppressive exactions, has the instantaneous effect of lowering the exchanges, is proved by the simple fact (see *Times*, 1st November) that on the publication of Napoleon's edict at Hamburgh, exacting forty per cent. on colonial produce, the exchange experienced a considerable depression. Could it be otherwise? The marks banco, which might have been employed in the purchase of bills of exchange, were diverted to the more pressing object of redeeming the sequestered merchandize. This,

But what would be the effect, were a country, already in a state of pecuniary embarrassment, and commencing impoverishment, to experience the reverse of this situation of things? were the exportation clogged with innumerable difficulties, and the importation free? Would it not inevitably follow, that, unable to meet the payment of even a limited importation by a corresponding export, she would find a constant decline in the exchange to her disadvantage, and would see herself under the necessity of exhausting the current coin as the only medium of discharging her engagements abroad? In vain would she depress, even to a state of vileness, the price of the commodities she might be desirous of exporting: in vain might the foreign demand justify the expectation of even enhanced profits. The difficulties of exportation, not being within her controul, would

it appears to me, would be the state of the Continent, rendered poorer, even if the importation into it were not clogged with restraints and prohibitions. By a reference to Mr. Mushett's Tables, the reader will see, that from the middle of the year 1799 to the end of 1802, the exchange was constantly in favour of Hamburgh, and against London; and if he reflects upon the great commercial distress, and the numerous failures at Hamburgh in the first of these years, he will see how much impoverishment contributes to the improvement of the exchange.

not be at all removed by these circumstances; and her attempts to extricate herself from her state of increasing distress, would only be aggravated by the reflection of their utter inutility and inaptitude to their object. *

The reader will allow me in this place to recapitulate briefly the different effects of those states of the currency which have been distinguished by the terms of excess, and of *actual* and *virtual* depreciation.

* In the above paragraph, the reader will see depicted the state of England, if she were reduced to a condition of comparative impoverishment, either under the influence of the French domination over the Continent, or under the effect of any indiscreet measures of the Government, or of the Bank of this country. The situation of England would be the precise reverse of that of the Continent. Her importation would be free, her exportation prohibited, or at least contracted, wherever the influence of France reached. Her poverty would prevent her from availing herself of the freedom of the one, her weakness from throwing off the restraints on the other. What then, unless the Continent were in a state of still greater distress, and were resolved to sell at any price what England could not purchase at a high rate, must be the position of this Country? A state of absolute inertness in commerce, both of importation and exportation, as soon as the resources derived from the precious metals remaining in her hands were exhausted in paying for her former importations.

The first of them, excess, raises the *real* prices of articles at home:—does *not* necessarily raise the prices of articles abroad, except in so far as it is great enough to create a competition in the foreign market. In this respect it may have the same effect as a real augmentation of wealth.

It therefore diminishes the exportation; because, the *real* price being higher than in the foreign market, exportation may be attended with loss.

It does *not* diminish the importation of foreign articles, but rather increases it, unless the excess be great enough to increase the competition abroad, and consequently by augmenting the price to contract the importation.

It may therefore depress the exchange, provided it be of such a nature as to diminish the exportation while it increases or does not contract the importation: otherwise acting equally upon both, it will have little or no effect upon the exchange.

Excess does *not* necessarily or immediately raise the price of bullion, it being possible that the lowness of the market price of bullion, compared to the mint price, may itself be a cause of the excess.

In the same manner the low price of bullion may be a cause of excess of the *paper* currency, the Bank issuing an extraordinary number of notes to make its purchases at the low price.

It may however mediately raise the price of bullion by causing an unfavourable exchange, and by rendering bullion, of which there is no excess in foreign countries, a preferable article of export.

Actual depreciation, *i. e.* arising from a real degradation of coin or discredit of paper—

Causes a rise, measured by the depreciation, in the *nominal* prices of domestic and foreign commodities, not in the *real* prices, that is, in the prices measured by the standard of an undepreciated currency either of coinage or paper.

It has, however, a *tendency* of opinion to make a greater distinction between the *real* and *nominal* prices, than the actual depreciation warrants.

The exporting merchant therefore buys dearer, according to the degree of that opinion, the commodities which he desires to export, and sells them cheaper in the country to which he exports them: for he buys at the *nominal*, and sells at the *real*, price. The importing merchant buys dearer, but at the same time sells dearer, what he imports: for he buys and sells at the *real* or money prices, paying and receiving payment in a depreciated currency, rendered still worse by opinion.

Actual depreciation therefore lowers the profits of exportation, and not those of importation.

It equalises their values, and depresses the rate of exchange, so that if the *quantity* of exported articles is not increased to counterbalance their declining value abroad, or the *quantity* of imported articles not diminished in order to counteract their

augmented price at home, the exchange must be depressed unfavourably for the country where the depreciation is.

Actual depreciation then depresses the exchange:

1st. Mediately, by its effects on importation and exportation:

2nd. Immediately, by reducing the metallic par of exchange to the level of the actual debasement, or by establishing a permanent discount to that extent.

It depresses also the exchange, by the tendency of public opinion in foreign countries to exaggerate the depreciation beyond its real extent.

It also raises the price of bullion, that is, of the precious metals preserving the antient undebased standard:

1st. *Nominally*, or in a degree measured by the actual debasement of the standard:

2nd. In a degree measured by the public opinion, which gives a greater value to the ancient undebased standard above the depreciated currency than the actual depreciation warrants:

3dly. From the effect of an unfavourable exchange, which creates a demand for bullion, and proportionally augments its price.

Virtual depreciation, the effect of an increased currency occasioned by an augmentation of wealth, causes a rise in the *real* price, as well of all foreign as of all domestic commodities;

Makes consequently no alteration in the rate of exchange.

It occasions likewise no alteration in the price of bullion: for the paper currency preserving its entire credit, or the coinage its standard purity, however they may be respectively augmented, there is no reason why that augmentation should raise, any more than that it should depress, the price of bullion.

There are, however, in this augmented state of the circulating medium, two domestic sources of demand which may produce an effect on the price of bullion, each in their way having a tendency to elevate it, viz. the demand for bullion to be converted into coin, or for the purposes of manufacture. In a mixed currency, composed of coinage and paper, the demand for bullion for the first of these objects must always elevate the price above that of the mint, unless the influx of bullion be constant enough to meet the continued demand. But in such a state of the currency, it is evident that the demand for bullion for the second of these objects will be absolutely none, unless the cheapness render it a matter of indifference whether it or coin be employed. For it is idle to suppose, that a manufacturer will pay an advanced price for bullion in the market, when he can put his hand into his pocket and take from thence as many guineas at a lower rate as he stands in need of. Let him however be so scrupulous (for I mean to impeach

no class of men), there will be others less so, and the work will be performed by them, the moment there is a prospect of gain by it.

But in a currency composed almost entirely of paper, from which coin has nearly disappeared, the manufacturer having no longer this source to apply to, must from necessity enter into the bullion market with other purchasers, and pay the market price. He will have no longer to meet the competition of the Mint or the Bank, as purchasers for the purpose of coinage; but the supply of his wants according to their extent will constantly add its effects to any other causes which may augment the market price of bullion beyond that of the Mint.

There can be, it seems to me, but one other cause of demand for bullion, and this is entirely an exchange demand for it, as an object of remittance: this last source of demand, resolving itself again into the two former in the foreign country, to which the bullion is to be exported.

Having thus laid down, with as much exactness and perspicuity as I am capable of, the principles which appear to regulate the two kinds of depreciation distinguished by the title of *actual* and *virtual* depreciation, it is time that I should apply them to the doctrines contained in the work of Mr. Blake, and to those of the Report of the Committee of the House of Commons, which seem derived from the same source, or founded upon the same chain of reasoning.

And here it appears to me that this distinction alone between an *actual* and *virtual* depreciation, leads at once to the detection of the great and fundamental error which has led astray this acute and ingenious writer through his whole work, and which in one division of his subject (that which he entitles the *nominal* exchange) has given rise to the fallacious, incongruous, and even absurd conclusions into which he has been betrayed.

Having proposed to himself to consider the subject of the depreciation of currencies, and the effect produced on the exchange by the fluctuations in their value in the exchanging countries, he has applied to the case of a depreciation arising out of an augmented issue of coinage of a perfect standard and paper of entire credit, or at any rate out of a redundant or excessive increase of such a currency, results which at the utmost could only be deduced from a state of degraded coinage or discredited paper.

The reader will permit me to explain myself on this point.

By referring to page 2 of the present Essay, he will observe that the rate of exchange is defined to be, that variable proportion which the values of the two currencies bear to each other respectively, as they are determined by the price paid for a bill of exchange and the sum purchased.—It is evident

that by the term " values of the respective currencies," no other meaning could be intended to be conveyed than their exchange values: because, if their intrinsic qualities as to weight and fineness continued unaltered, the only fluctuation in relative value that they could experience would be that which the exchange would occasion, of which the effect is to make sometimes twelve marks banco, sometimes ten, sometimes thirteen, the equivalent of the same pound sterling, the one and the other remaining always specifically the same.—Now in the very outset of his work (p. 6) Mr. Blake says, that the price of bills will depend, first, on their abundance or scarcity in the market, compared with the demand for them; and secondly, *on the proportion which the value of the currency in which they are to be paid bears to the value of that with which they are bought.*

This description of the second circumstance, on which the price of bills depends, and on which he founds the doctrine of the *nominal* exchange, coincides almost literally with what I have defined to be the rate of exchange. But as it could not have been the author's intention merely to assert that the price of bills of exchange depended on the rate of exchange, it is obvious that he must attach another meaning to the term " value," than that which I intended to convey. It appears indeed, from what follows, that he does mean the intrinsic value of the respective currencies; for in the following page he observes, that "as the currency "of all countries is subject to continual fluctua- "tions in its value, the quantity of British cur- "rency to be given for a determinate quantity of "foreign currency, at any period of time, will de- "pend upon the comparative value of each. An "English guinea," he adds, "may be worth, "sometimes, a certain number of guilders, florins, "or piastres, and at others a very different; de- "pending either upon alterations in the value of "the guinea, or of the guilder, florin, or piastre. "The moment that these alterations take place, the "information is communicated from one part of "the mercantile community to the other, and the "price of foreign bills is regulated accordingly."

To judge from this passage, it is evident that the author means to speak of specific alterations in the state of the coins which he enumerates; at any rate, he speaks as if such were his meaning: and it is with such a meaning alone, that the position which he lays down (of the price of bills depending upon the value of the currency in which they are to be paid, compared with the value of that with which they are bought) can be allowed to be any thing more than a mere truism, which asserts that the price of bills of exchange depends upon the rate of exchange.

But are there such continual fluctuations in the values of metallic currencies, here or in any other part of the world, of which merchants are

constantly communicating the information from one part of the mercantile community to the other? There are perpetual fluctuations in the exchange value of currencies, it is true; but they follow the course of trade, and they are and must be founded upon the preliminary condition, that the computed par of exchange is absolutely fixed, that is, that there are no changes in the intrinsic qualities of the coins as to weight and fineness. There are likewise fluctuations in the domestic values of coins, measured by the greater or less quantities of other commodities which at different times they may purchase; and these variations in price will affect more or less the exchange values of the coins, as all other operations in trade do, leaving always their intrinsic value unchanged. But will it be pretended, if two guineas were at any period in circulation here, where at another period there had been but one, that this circumstance of an augmented or even excessive currency would produce the same effect, as if the standard guinea of England were so debased by alloy as to be divisible into two coins of equal weight, each to be honoured with the ancient appellation of guinea, but possessing intrinsically in pure gold only the quantity contained in the present half-guinea?

Yet certainly this identity of effect is the foundation of the whole of Mr. Blake's reasoning on the *nominal* exchange; for after mentioning,

(p. 38) the two specific degradations of the coin in quantity and in quality, as causes acting upon the *nominal* exchange, he abandons the farther examination of those causes, as being seldom in modern times resorted to; and confines himself, (p. 43) to the third cause, which he says is "an "alteration in the total amount of the currency "of a country, without a corresponding altera-"tion in the commodities to be circulated by it." He makes no distinction between an excessive or a necessary augmentation of the currency; and he assumes, that the one and the other are equally the cause of depreciation; and (still father) that they both have the same effect, as an actual degradation of the coinage, on the price of commodities and on the foreign exchanges. After assuming as admitted, (p. 45) "that the increase of cur-"rency, while the commodities to be circulated "remain the same, will be attended with an in-"crease of nominal prices, and a correspondent "depreciation in the value of money," (a position which admits of little difficulty) he proceeds to say, that "it is impossible, when the cur-"rency of a country has been thus depreciated, "that the same amount of it should purchase the "same sum of foreign money as before its depre-"ciation." Now I will ask whether it be possible, that a guinea, only *thus* depreciated, should *not* buy the same amount of foreign money as before? or, if the course of exchange prevented the

purchase of that exact amount, that the guinea itself could not be sent abroad, and could not there be converted into the exact amount, deducting the charges of its transportation? How is it possible that a judicious man could say, that "a fo-"reign bill, or an order for payment of a given "sum of money abroad, will not be sold, unless for "such an increased amount of the depreciated cur-"rency as will counterbalance the diminution of "its value?" I will ask again, *what* diminution of the value of the guinea? Let it be able to buy forty, or twenty, or ten loaves of bread in England; how does this fluctuation in the domestic value of that coin, change its intrinsic value abroad, as a coin of a given weight or a given standard fineness? If indeed the seller of a foreign bill of exchange were obliged to lay out the guineas he receives for the purchase, in goods which he might buy cheaper in the foreign country, he might have reason to complain of the diminished worth of the guinea; but why then does he sell his foreign money, which abroad can do so much more? What is the object of the seller of a foreign bill of exchange? Obviously, to place in England money which he possesses abroad, without the charge and risk of an actual transfer. What is the view of the purchaser of a foreign bill? As obviously, to place abroad money which he possesses in England. If the intrinsic values of the two monies remain unchanged, the object of the two parties is fulfilled, without any sort of reference to their different powers in their respective countries.

It is true, as I have already shewn in considering the subject of excess in the issue of a currency, that its redundance, by augmenting prices, may check exportation, and may encourage importation; and thus finally affect the exchange, and consequently the value of bills. But this is by no means a necessary consequence even of excess, and still less, of that state of increase of the currency which is the result of an augmented wealth.

Still less would the same consequences result from these two causes, as from an actual debasement of the coin below its standard, or a diminution of weight below the Mint regulation, which (the author observes, p. 47), as well as depreciation of its value from relative over-issue, *alike* affect the price of a foreign bill.

For let us examine the first of the cases which Mr. Blake has brought forward, (pages 48, 49) as an example of the effects of the *nominal* exchange on the exports of a country, the depreciation of the currency (be it coinage or paper) having arisen from an over-issue, and not from any degradation of its standard or its credit. The first part of his case admits of no controversy: for if the price of a hogshead of sugar at Hamburgh be £100, and double that which it bears at London, and the two currencies preserve, as he says, their just proportions, it is evident that the merchant will place to

the account of profit all which remains of the second £50, after deducting the charges which he has incurred. "Now," (continues Mr. Blake) "suppose no alteration in the "scarcity or abundance of sugar in London "and Hamburgh, and that the same transactions "were to take place after the currency in Eng-"land had been so much increased, that the "prices were doubled, and consequently, the "*nominal* exchange 100, per cent. in favour of "Hamburgh. The hogshead of sugar would "then cost £100, leaving apparently no profit "whatever to the exporter. He would, however, "as before, draw his bill on his correspondent "for £100; and as foreign bills would bear a pre-"mium of £100 per cent. he would sell this "bill in the English market for £.200, and "thus derive a profit from the transaction, "amounting to 100 depreciated pounds, or £.50 "estimated in undepreciated currency; deducting, "as in the former instance, the expences of freight, "insurance, commission, &c."

There is some confusion and obscurity in this whole passage, from the use which Mr. Blake makes of the English denomination of money, as if the pound sterling of England were the currency of Hamburgh. It might be asked whether the £.100 which the hogshead of sugar continues to cost at Hamburgh, is of the ancient standard or of the new depreciation; that is, whether the price of the sugar continues to be double of that at London, or whether the nominal prices, when the currency is depreciated, are the same. I must conclude, from the course of his reasoning, that Mr. Blake means the latter; and his merchant must be a merchant *sui generis*, who, finding the prices of the two markets exactly the same, is willing to subject himself to all the loss of transportation and insurance for the sake of replacing in his pocket the precise sum which he drew from it two months before. But no! he is to recover himself by the effects of the *nominal* exchange; and with his bill upon Hamburgh for *one* hundred pounds in his hand (a depreciated hundred pound, mark!) he persuades another merchant to purchase it for *two* hundred pounds of the same depreciated currency. I remember to have heard in America an observation of a great speculator (an adventurous merchant, in the phraseology of that country), that he never knew a person to have made a foolish bargain, who did not find a greater fool than himself to take it off his hands; and I am afraid we must range in this cathegory traders who speculate upon the effects of the *nominal* exchange.

Let us not, however, be too hasty in condemning them; but first put this transaction described by Mr. Blake into a more mercantile shape, and avoid the confusion which has obscured the subject, by his applying to the two countries the denominations of the English currency alone.

Let us then suppose, that twenty shillings of the English standard and of a just weight, composing the pound sterling, preserve their due proportion of intrinsic value to twelve marks banco of Hamburgh; and that the hogshead of sugar purchased at London for £50, or a thousand such shillings, costs at Hamburgh twelve hundred marks banco, or £100, or *two* thousand such shillings. The merchant will immediately export, and will make a profit (in the way Mr. Blake has stated) by selling his bill of twelve hundred marks at the price of £100. Let us now suppose that an augmentation of the English currency has taken place to such an extent, as to double the price of all commodities, so that the hogshead of sugar costs in London one hundred pounds, or two thousand standard shillings, while at Hamburgh its price continues fixed at twelve hundred marks, which are equal in intrinsic value to that sum. Under such circumstances (I am afraid I must repeat), no merchant in his senses would export the aforementioned hogshead. Let him however do so, on the faith of the *nominal* exchange; but would he find another man in London, who, for the sake of placing twelve hundred marks or two thousand shillings at Hamburgh, would be willing to purchase a bill at the price of four thousand shillings, while by a small additional charge he could place at Hamburgh his own two thousand shillings, so as to be equal for every mercantile purpose, as well as in intrinsic value, to the desired 1200 marks banco?

The case, therefore, which Mr. Blake has put, must be abandoned, on account of the absurd conclusion to which it leads, when it is applied to a coinage not degraded by alloy, but only depreciated by augmentation. But I am aware of, and I anticipate, the objection of his friends,* that he means to apply it only to the case of a paper currency of perfect credit, not convertible at will into coin. Let us examine this point.

I think it may be demonstrated easily, that a paper currency of entire credit can be augmented, and can suffer a consequent depreciation from one sole cause; viz. the increasing necessity arising out of the demands of augmented wealth. Every other augmentation tends to discredit, because, being unnecessary, it must in the long run revert upon the issuer, or occasion him a loss by not being duly re-imbursed to him. But a depreciation of the currency from this cause, viz. augmented wealth, acts equally upon all the foreign as upon all the domestic relations of the country. If, therefore, in the undepreciated state of the

* It is impossible that he himself could make this objection, as he addresses his argument indifferently to a redundant coinage or paper circulation.

currency, a hogshead of sugar, costing £50 at London, were worth 1200 marks, or £100 at Hamburgh, it follows, that in the augmentation of the prices, it would be doubled in value at Hamburgh as at London, and, being worth £100 in the latter, would rise to the price of 2400 marks in the former, the demand and scarcity continuing the same, according to Mr. Blake's assumption. If the price at Hamburgh did not sustain any alteration, but continued at its fixed 1200 marks, there would be no exportation; there would be, in the vulgar phrase, no harm done; and certainly, long before the exchange (*real*, *nominal*, or *computed*) were depressed 100 per cent. the 1200 marks banco of Hamburgh would find their way to England, to make their own bargain with the hogshead of sugar, and to profit of the high price of silver occasioned by that very depression of the exchange.

But the supposition of Mr. Blake as to the effects of the *nominal* exchange, applies truly to no case but that of an actual degradation of the coinage, and an actual discredit of the paper currency: for these being debased to half their value, the prices of all commodities measured by them would be doubled; the hogshead of sugar costing £50 of the former currency, would now be nominally worth £100, while in both cases the real price at Hamburgh would be 1200 marks. In consequence of the debasement, the metallic par of exchange, that is, the measure of intrinsic value of the two currencies, would be altered, or (which is the same thing) the debasement would be defined by a permanent discount; and the hundred pounds sterling of England, which before were equal to twelve hundred, would now be worth only 600 marks. The exporting merchant, therefore, would find no difficulty in placing his bill on Hamburgh of 1200 marks at its intrinsic value of £200 of the new depreciated currency, and would repay himself his charges, and derive his profit, from the second £100, which would be really worth only £50 of the former undepreciated currency.

This example illustrates happily enough the doctrines which I have advanced relative to the effects of an *actual* depreciation of currency, arising out of the debasement of the standard, or discredit of the paper; and it seems to confirm unanswerably the opinion, that the author has erroneously applied to the case of a *virtual* depreciation, results which are applicable solely to a *real* depreciation arising from the degradation of the standard.

The same error leads him into the same fallacious deduction, when he considers the effects of his *nominal* exchange on the imports of England. Having stated with his usual correctness, when speaking of the *real* exchange, the result of a mercantile adventure between Hamburgh and

London on linen, which bears twice the price in the latter that it does in the former, he proceeds:

"Now, suppose the same transaction to take "place, without any alteration in the scarcity or "abundance of linen at Hambro' and London, "but that the currency of England has been so "augmented as to be depreciated to half its "value. The *nominal* exchange will then be 100 "per cent. against England, and the importer "will not be able to purchase a £50 foreign bill "for less than £100. But as the prices of commodi-"ties here will have risen in the same proportion "as the money has been depreciated, he will sell "his linen to the English consumer for £200, "and will, as before, derive a profit, amounting "to the difference between £100 depreciated "money, or £50 estimated in undepreciated "money, and the expences attending the im-"port."

I must repeat the observation which I made before, when speaking of exports under the effects of a *nominal* exchange, that if Mr. Blake, or his merchant, with a perfect coinage, or with a paper of entire credit in his hands, can find no better way of purchasing on Hamburgh a bill of £50, or *six* hundred marks, than by paying for it £100, or 2000 shillings, equal in intrinsic value to *twelve* hundred marks, he need not dread the conspiracies of his fellow-merchants on the exchange, to remove out of their way such a dangerous competitor.

> Antoni gladios potuit contemnere, si sic
> Omnia.

But the truth is, that the case of imports, like that of exports, is founded upon the consideration of an *actual* degradation of the currency, falsely applied to a depreciation merely *virtual*, and occasioned by an augmentation, not a debasement, of the coinage. In the case of a real degradation, the linen worth 600 marks, or £50, at Hamburgh, and double that sum of undepreciated currency in London, would procure in the latter a price of £200, the standard being actually degraded cent. per cent. But the par of the exchange and the exchange itself being altered by the degradation, it is certain that the importing merchant would not purchase a bill of 600 marks for less than £100 of the depreciated currency, and his profits and charges would be derived from the second £100 of debased coin, equal in intrinsic worth to £50 of the former currency.

There are some other examples in Mr. Blake's work, under the head of *nominal* exchange, which are liable to the same objections, and which lead to the same fallacious and incongruous conclusions: but I shall have attained the sole object

which I have in view, if I have proved by what has been already said, that this ingenious author has made an erroneous application of his doctrine of *nominal* exchange, to cases which ought to have obtained a distinct investigation.

It is the less necessary to enter into a detailed examination of the other parts of this work, as much of it (particularly that division of it relating to the *real* exchange) is put with equal truth and ability. And why is it so? Because, considering the *nominal* exchange in a state of quiescence, while the *real* exchange is submitted to examination, the author has identified this latter with the *computed* exchange, or that indicated in the tables of the merchants; and all the reasonings founded upon it, assume that character of general truth, which the attentive investigation of this subject for many years past has affixed to it.

The Committee of the House of Commons appears likewise to have adopted this fundamental error of Mr. Blake, and to have regarded the effects of an excessive issue of a currency, as precisely similar to those produced by an *actual* depreciation; and I can have no other view in noticing the work of the former, than as its doctrines may seem to have been adopted by the latter.

Having stated and endeavoured to prove at so much length, and in a manner, I fear, so wearying to the reader's attention, that the nature of our present currency (whether it be only necessarily augmented, or even in a small degree excessively, that is, superfluously and unnecessarily) contains no principle which occasions a direct and immediate action upon the foreign exchanges, or upon the prices of bullion, it remains for me to state my own opinion :—

That the foreign exchanges are solely, or almost solely (for I have already alluded to inferior causes of demand) the cause of the present high prices of gold and silver bullion :*

* I have not thought it necessary to allude to the demands of Government for bullion to pay their troops abroad, and to meet their foreign expenditure. They form no exception to the general opinion ; for it is evident that there would be no government purchases if the exchange could be employed advantageously or even without loss. I must observe also upon this point, that the action of the foreign expenditure of Government upon the exchanges, is only a secondary cause of their great depression ; it is one of the agents by which the effect of the political cause is manifested ; but if the latter did not exist in the high degree to which it is at present brought by the conduct of the enemy, the foreign expenditure would not perhaps produce a sensible effect. I do not pretend to deny, that if it were of great magnitude, it might not absorb in common times the greater part of a favourable balance of trade, and reduce the exchange very nearly to its par for a great length of time. But I am sure that with judicious management and with proper gradations (for nothing in exchange can be precipitated) it may be brought to bear without any considerable decline, much more than would be imagined.

If I may judge from the experience which I had at Hamburgh in 1805 and 1806, times, after all, of considerable difficulty, I should think that three or four millions sterling might have been raised by exchange for the foreign use of Government in the course of the year, without any pressure on it, and without creating even a sensible decline : while, on the other hand, the twentieth part of that sum, if attempted to be raised by precipitate and accumulated drafts, would depress it fifteen or twenty per cent. and prevent it through the whole year from recovering its former level. But it must be remembered, that I speak of common times of free trade and free communication with the Continent.

That the primary cause (that is, that which affects immediately the foreign exchanges) is the present state of our pecuniary relations with the Continent, as well in commerce as in politics.

It follows therefore,

That any inquiry which is not directed in the first instance to investigate the causes of the present depression of the Continental exchanges, and to apply a remedy to them, if it be within the reach of England to administer that remedy, must be at least incomplete, if not injurious, because it is certain that any remedy applied to the depression of the exchange would immediately produce a corresponding effect on the market-price of bullion, bringing it nearer to the standard of the Mint, and because it is extremely problematical (as I have already in part shewn, and may possibly prove still farther) whether the abstraction of a supposed cause of the evil (the Restriction act of 1797) and the consequent renewal of the Bank payments in specie, would have any effect in striking at the root of the evil, and would not rather accumulate a mass of distress, of loss, and ruin, either on the Bank or upon the commercial world, and, eventually, upon the nation, to which no evils consequent upon the restriction are at all comparable.

The Committee of the House of Commons commence their Report by stating the great progressive rise of the price of gold and silver bullion in the two or three past years, particularly in the last of them, the year 1809, and the great simultaneous depression of the Continental exchanges; and in the very outset of the Report declare, that "So extraordinary a rise in the market "price of gold in this country, coupled with so "remarkable a depression of our exchanges with "the Continent, very early, in its judgment, "pointed to something in the state of our own "domestic currency, as the cause of both appearances."

I hope I shall be pardoned for observing, that this early conclusion appears at least hasty; and I cannot but think it even extraordinary, that the

Committee having placed in the opposite scales of a balance two quantities of always opposite tendencies, one of which, it saw, was depressed to the ground, while the other kicked the beam, never entertained the obvious inference, that the depression of the one was the natural and true cause of the elevation of the other. It is the more remarkable, as the Committee had already observed (p. 2) that "the price of standard gold in "bars, *such as may be* EXPORTED, is that which "it is most material to keep generally in view, "through the present inquiry:"—thus appearing to lay the whole burthen of crimination upon some *foreign* cause, and the whole mass of suffering upon the *exportable* gold, from which it expressly relieves the gold for domestic use, by the remark of a difference of more than five per cent. in its price: and, as in the following page, when commenting upon the statement made by Mr. Greffulhe, the Committee remarks, that his statement "shews, that the actual prices of gold "in the foreign markets are *just so much lower* "than its market price here, as the *difference of* "*exchange* amounts to." How was it possible to avoid from such premises a deduction, or at least a suspicion, that the exchange and the price of bullion bore to each other some sort of relation as cause and effect; and that the remedy for the depressed state of the one, might be the proper, and perhaps the only, cure for the too great elevation of the other?

That no extraordinary demand for gold on the Continent has been the cause of its rise in price in England, appears to be very satisfactorily proved from the reasoning of the Committee; and the state of the agio upon gold at Hamburgh, which has suffered occasional variations, but no material augmentation, is in itself a decisive evidence of the fact. For the agio is the measure of the demand; and if either the wants of armies, or the alarm of opulent persons, desirous of concealing and hoarding money, demanded imperatively this, rather than the less valuable representative of wealth; that want could not be supplied without additional expence. It might even be added, that the comparative state of poverty under which the Continent labours, would itself prevent a competition with England, except on at least equal terms; and an anxiety to draw from England gold, merely as gold, could hardly be gratified, except by paying a market price proportionably higher than the Mint price abroad, as the former exceeds the latter in England.

But was the Committee sufficiently aware, that a foreign demand for gold, *as gold*, is not at all necessary, either as a cause or as an effect, to the existence of a great elevation of price in England, when caused by a great depression of the continental exchanges? It is possible that the long duration of a state of depressed exchange may cause, by the exportation of bullion, a continually increasing price at home, and a continually declining value abroad, without checking the exportation, for the simple reason, that it is not sufficient to produce an alteration in the exchanges. It is even possible, however paradoxical it may appear, that a demand for gold on the Continent may be injurious to the remitting merchant, or to the receiver of a remittance abroad. The reader will allow me to put a case.

Let a merchant of Hamburgh have received from America by the way of England (no very improbable case) a remittance of gold, the specific amount of which in the same metal he is desirous of receiving at Hamburgh, but which, on account of the various risks, or the great charge of guarding against them, he cannot receive in substance without some loss. His correspondent, therefore, would be directed to sell the gold, and to purchase a bill with the amount, which bill he himself would re-convert into the gold of which he stands in need. It is evident, in a transaction of this sort, or any similar one, where gold could not be transmitted, and yet would be required, that the agio on gold would be only a disadvantage; and that the interest of the merchant would be the more promoted, the higher the market price was in England, and the lower it was abroad.

Foreign demand, therefore, is not an essential ingredient in that state of things, where the price of bullion is greatly elevated, and the exchange greatly depressed.

The real demand abroad is not for gold *as gold*, but as an object of remittance. It is, as well as silver bullion, only another form of bill of exchange, and holds its proportionate value between the two, approaching nearer to the bill in commodiousness and facility of transportation, and having in an inferior degree the disadvantages of its more cumbrous and less valuable fellow-representative. *

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* I find that £100 in bank-notes, placed in Hamburgh, by bill of exchange at 29 *ss.* Flemish, produces in bank 1087 marks 8 schillings banco.

The same sum laid out in gold at 4*l.* 12*s.* 0*d.* per oz. and sold for silver in Hamburgh at an agio of 101, places in bank 1145 *m.* 11 *sch.* banco.

The same sum laid out in dollars at 5*s.* 8*d.* per oz. and converted into fine silver at the rate of 82 ounces for 276 marks 4 schillings banco, places in bank 1189 marks 3½ *sch.* banco.

The reader will see, in this calculation, an illustration of the position laid down in p. 34, relative to the different values of bills and of bullion as modes of remittance; and if he deduct from the two latter the charges of freight, insurance, &c. which in times like these are greater in silver than in gold, he will easily estimate the amount of that preference of opinion, which a bill of exchange, and gold bullion, each in its place, challenges at some loss over the third mode of remittance.

It by no means follows, because there is no demand for gold bullion *as such* upon the Continent, (for this is the only demand which the agio indicates) that there is therefore no scarcity of that precious metal in England. It would be indeed a bold assertion to make, with a market price so much above that of the Mint staring us in the face (for this, as far as it goes, is a demonstrative proof of scarcity), but it is somewhat more than a bold assertion in those who, a moment before, have argued from the low rate of the foreign agio that there was no extraordinary demand for gold, and consequently no extraordinary scarcity upon the Continent. The Committee of the House of Commons, it is difficult to say upon what ground, express "their doubt of the alleged fact, that a "scarcity of gold bullion has been recently experienced in this country." They assert, perhaps truly enough, that the disappearance of guineas, (which they admit) is no proof of the scarcity of *bullion*—but how can they add—"any more "than the high price proves that scarcity?" they who have just contended, that the low price upon the Continent proves the absence of scarcity there!—A dealer in bullion, who was examined before the Committee, admitted, it is said, that he found no difficulty in obtaining any quantity he wanted, if he was willing to pay the price for it. Be it so; but until he came up to the price, it was scarce. The holder of bullion keeps it back, until he finds a suitable market (which by the bye he could not do, unless there were a comparative scarcity): the hoarder of guineas, repenting perhaps of having so long refused to take "a breed "of barren metal," and seduced by the advance of eighteen per cent. upon their value, produces them under another form; but all these things prove incontestably comparative scarcity, and it would be as absurd to deny this conclusion from these premises, as it would be to affirm the scarcity of gold, when the market price falls short of the mint price. *Valeat quantum valere potest*, is all that can be contended for upon this point. That gold is so scarce as it is, is proved by its price; that it is no scarcer, is proved by the price being no higher. After all, I should be perfectly willing to admit, that this scarcity is almost entirely a scarcity of exchange; and, although perfectly real, and extending to every article of manufacture into which gold enters as an ingredient, or component part, that it will disappear with any permanent alteration of the exchange, sufficient to induce importations of specie from the Continent.

But, according to the opinion of the Committee, the idea of scarcity being the occasion of the high price of gold, is founded upon a misconception; because a given quantity of standard gold being the measure of the value of all other articles, is an invariable measure of its own value;

so that a pound weight of guineas, whatever effect the comparative scarcity or abundance of that precious metal may have upon the price of other commodities, can never buy more or less than a just pound weight of gold bullion, of the same standard with guineas. In the same manner, it is argued, fine silver being the measure of all value at Hamburgh, a given weight of fine silver can never purchase, and in fact, does never purchase at the bank of Hamburgh, more or less than a given quantity of fine silver (under the denomination of marks banco) of precisely the same weight.

The Committee, after admitting two causes of aberration in England from the mint price of gold, amounting to about five and a half per cent. (which causes do not exist in the case of fine silver at Hamburgh), proceeds (as if the analogy between the banks of England and Hamburgh were, with the exception of these causes of aberration, perfectly established) to draw the conclusion, that no possible scarcity in England can raise the market price of gold above the mint price, beyond the extent of that difference of five and a half per cent.* in the same manner as at

* This, I believe, is a fair summary of this part of the argument of the Committee; but I am unwilling to multiply quotations from the Report, and beg to refer the reader to pages 5, 6, 7 of the Report.

Hamburgh the price of fine silver, measured by itself, is immutably fixed.

It is necessary, in order to demonstrate the fallacy of this conclusion, to shew from the perfectly dissimilar constitution of the two banks, that what is incontestably and invariably the case in the bank of Hamburgh, relative to silver, is not and cannot be permanently the case with that of England, when applied to gold; and that this dissimilar organization of the two banks is the real reason, why a scarcity of the precious metal can occasion no possible increase of the market price of silver in the one bank, while such a cause may produce a great effect upon the market price of gold in the other.

The Bank of Hamburgh is a bank of deposit solely. It receives from the burghers of the city, and from them alone, deposits of fine silver, or other silver, convertible into it by melting and refining, at a stated price of 27-10 marks banco for the mark by weight of fine silver, opening with the depositor, on one of the folios of the Bank, a credit account to the extent of his deposit, which it undertakes to transfer at his order to other burghers having folios at the Bank, in any subdivisions whatever, or engages to restore to him in the same quantity of fine silver, at a small advance of 5-11ths per cent. whenever he shall call for it. The Bank lends in the same manner, on a deposit of silver of sufficient standard purity, a certain pro-

portion of marks banco, reserving to itself a right to call upon the depositor for a redemption of his pledge, or for an absolute sale of it, within a limited time, lest any demand for fine silver should be made upon the Bank, which otherwise it would not be able to answer. I believe that these are the whole, or at least the essential, transactions which the Bank is allowed to engage in; and in every case it possesses within its vaults a quantity of fine silver, equal to every mark banco which it holds on its books to the credit of any burgher.

The reader will see from this statement, that it is impossible any sudden call for silver should surprise the bank of Hamburgh; it is impossible any drain of that metal should impose upon it the necessity of making the smallest sacrifice for the purpose of replenishing its coffers, or indeed the necessity of replenishing them at all. The alarm of invasion can produce, nay, the very invasion and occupation itself of the territory, as we have ourselves seen, have produced no alteration in the form of its transactions; and the sagacious invaders, versed in all the arts of systematized plunder, have found their views better answered by leaving the Bank inviolate, than by an attack upon the deposits in its custody, which would only have thrown one great prize into their hands, and would have stopped the source of plunder for ever. Were the last ingot, in short, withdrawn from its cellars, the Bank might balance its last open folio, and close its books till the return of better times, without any sacrifice or loss, and with credit perfectly unimpeached. There is this of admirable in the constitution of the Hamburgh Bank, that it contains not a single principle which sets (I will not say the permanent, but) even the temporary interest of the burgher in opposition to that of the Bank. The sacred depositary of the wealth of the former, and his faithful accountant in the distribution of his payments and receipts, the Bank surrenders the remainder of its trust unimpaired, whenever the other shall call for it, however wild or extravagant the speculation which induces him to withdraw it.

It is evident that under such a system the market and mint prices of silver (to adopt our English phraseology) cannot possibly experience the slightest variation at the Bank of Hamburgh. It is no active dealer in silver; it makes no purchases but such as are immediately converted into marks banco, and placed to the credit of the seller; it issues no notes which it may be called upon to pay in fine silver: it is simply the passive receiver of all which is deposited in its vaults, where it remains till it is withdrawn. It is perfectly unaffected by the variation in the relative value of silver, which depends upon its supply from the mines, as well as every other which may take place between its market

and mint price. If by possibility it could allow more than a given weight of fine silver for that given weight of fine silver (an absurdity in terms), it might the next moment experience a proportionable loss by the abstraction of the allowed greater quantity.*

Were the Bank of England only to receive deposits of guineas, or of standard gold bullion, on which alone it issued bank notes of the same sterling value, reserving the gold in its coffers till the return of the notes into the Bank for the purpose of being re-exchanged into gold or guineas, there would exist a tolerable analogy between the two institutions, the notes answering in some degree, though with much less commodiousness, to the open account on the bank folios at Hamburgh.— In this case there would exist at the Bank of England no distinction between the market and mint

* It is a great satisfaction to me to have this opportunity of doing justice to the city of Hamburgh and to its commercial institutions, particularly that of its bank, which is most admirably calculated for the financial wants of a small state, and which, by the purity, simplicity, and integrity of its direction, has rendered itself the centre of the money operations of one half of Europe. That city contains many other institutions equally wise and humane, equally adapted to the views and to the wants of a limited community, some of which might well be adopted, under proper regulations, in a more extended society.

prices of gold bullion; for where could be the possible inducement to the Bank Directors to give in notes a greater sterling value than the quantity of guineas or bullion indicated at the mint price, when the very next hour the notes might revert upon them to be exchanged into this greater sterling value in guineas or bullion? Standard gold would then, in the same manner as silver at Hamburgh, be the measure of the varying value of all other commodities, and the invariable measure of its own value.*

* We must, after all, be particularly careful what sort of idea we attach to this term of value: a guinea, it is said, ought to be the invariable measure of the value of a pound of gold; of its intrinsic value certainly, and of no other, that is, of its value as a metal of the same degree of fineness with the guinea, and of which the latter is an aliquot part. A mark banco of Hamburgh is the invariable measure of value of a mark by weight of fine silver, of which it is somewhat less than the twenty-seventh part; of the intrinsic value I mean; but being convertible to every possible purpose of use or of purchase, of which the mark by weight is susceptible, it is likewise the measure of every possible value which the mark is capable of assuming. Is this the case with the guinea? From the instant that the Legislature of these kingdoms interposed, to prevent the melting and exportation of the current gold coin of full weight, from that instant the guinea ceased to be the measure of any value of a pound of gold bullion, but its intrinsic value, estimated by its fineness: for not being susceptible by

But upon this system of deposit the Bank of England, as well as all other banks in England, has raised a great superstructure of discount, and, combining its credit with the use of the money deposited in its custody, issues its notes as sterling money in loans at interest, and at short periods of repayment, engaging to exchange them on demand for gold and silver coin of the same sterling denomination, in exactly the same manner as the

law of the same convertibility into any other form for the purpose of manufacture, or of exportation, as a portion of the pound of standard gold, equal to two eighty-ninth parts, it is evident that the latter portion may have a value of circumstance, which the guinea has lost by passing through the mint. Of that value the guinea is no more an accurate measure, than a foot rule is of the worth of a yard of ribbon. The one and the other are the exact measures of certain qualities, of the length of the ribbon, or of the fineness and weight of the gold bullion; but the law has taken from the guinea the power of measuring the value of the *exportable* and *manufacturable* qualities of gold of the same standard.

The truth is, that this whole argument of the Committee is a side-blow on the political institutions of our ancestors, (peace to their honoured ashes!) not of the Bank; and some of the best things which have been said upon the subject (for even upon this subject gold asserts its privilege of joking) direct the laugh much less against the Directors of the Bank, than against our honoured forefathers—who rest, where there are neither gibes nor jokes "to set the table in a roar."

the notes which may have been issued upon actual deposits of coin or bullion. [I speak evidently of the period antecedent to the Restriction Act of 1797.]

This single engagement, which pledges the Bank to the furnishing of coin on demand, notoriously beyond the amount actually deposited for notes, and most probably beyond the amount actually existing in its vaults, establishes at once the possibility, almost the certainty, of a distinction between the market and mint prices of bullion, and imposes upon it the necessity not only of carefully watching its own issues of specie and the supplies of the bullion market, but also of occasional sacrifices by the purchase of bullion at a higher than the mint price, for the sake of anticipating an expected demand or of renewing its diminished funds. The frequency of these sacrifices, it is obvious, would depend upon the proportion which its constant supply of bullion might bear to the usual or expected demand (two circumstances in great measure within its controul, or at least within its prudential foresight), and upon the quantity of the precious metals coming into the bullion market of England from the usual sources of commerce abroad or at home—a circumstance within the purview perhaps of the Bank, hardly within its controul. If the influx of bullion were equal to the demands of the Bank, and were besides counteracted by no cause of re-flux or re-exportation, its wants might be satisfied by a very

slight departure from the mint price of gold; and it appears in fact from the investigations of the Committee (p. 4) that generally the market and the mint prices were nearly at a level (thanks to our favourable commerce and usually favourable exchanges), though there were frequent exceptions, in which the Bank was obliged to buy gold higher than the mint price.

A single exception not arising from the causes of difference specified by the Committee, in a case like this defeats effectually the whole argument: for I think it may be hardily asserted, that in the whole practice of the Bank of Hamburgh not a single exception can be found, in which it has given more than the fixed price for fine silver. It could not indeed be without an entire and unaccountable departure from the principles of its institution.

The Bank of England therefore may have to purchase bullion at a higher than the mint price: it actually does purchase it so: it is, as I have shewn, within the principles and in the nature of its institution, that it should purchase it so. These points conceded, it follows that the Bank enters, like every other competitor, into the bullion market, and must submit in common with other purchasers to all the fluctuations of price occasioned by the demands of manufacture, or by the consequences of an unequal trade or unfavourable exchanges. It enters, it is true, with a high hand,

and in no very uncommon times may be able to stifle all competition;* but in the long continued action of extraordinary causes, it must submit to the rise or retire from the market. Its competition in fact would only increase the evil.

The only difference which I can imagine to myself between the situation of the Bank now and its situation before the Restriction Act of 1797 is, that at present if an extraordinary state of politics and commerce, utterly beyond its reach or controul, creates a constant demand for exportable bullion, and a progressive rise in its price for a considerable period of time, it possesses the power of retiring from the market which it cannot reduce; while if such a state of things had existed before the Restriction Act, it must have submitted to the rise, without the possibility of retiring from the market. It was tied to the stake, and must have borne the attack of every assailant. And here that other broad line of distinction appears between the institutions of the two Banks of England and Hamburgh. As soon as any cause whatever creates a difference between the market and mint prices of gold bullion, there arises a class of individuals, aye and of individuals profiting directly or indirectly by loans from the Bank, whose interest is

* Vide Mr. A. Goldsmid's Evidence on the Bank's price for gold during 1806, 1807, 1808. Appendix to Report, p. 56 and 57.

in direct opposition to that of the latter; whose gain is to draw from its vaults with its own notes the specie which the latter is exerting itself at the expence of considerable sacrifices to replace; and who, the more they can augment the losses of the Bank by the rise of the market, increase in the same proportion their own profits and their own means of adding to the difficulties of the latter. It is easy to see in a contest of this kind, particularly if the whole commerce of the country is engaged in it by the singularity of the times and for a sufficiently long period against the Bank, which of the two must finally suffer, if not succumb, under it; and that if the embarrassment of the Bank became, as it certainly would become, by far the most formidable evil, a Restriction Act similar to that of 1797 must be had recourse to in order to avert it.

To return to the argument of the Committee.—It appears, I think, indisputable from what I have said, that in England the gold coin is not an invariable measure even of its own value in gold; that there is at the Bank of England, as well as among individuals, a market for gold (which by the bye would be almost a contradiction in terms if gold were an immutable measure of itself), and that a demand and corresponding scarcity may consequently augment its price. It is true, if a seller of gold were to offer at the Bank guineas at the advanced market price of bullion (supposing it legal to do so), that the former would hardly purchase guineas with notes of greater sterling value, when those very guineas, and even more, might be withdrawn a few hours after by the operation of the same notes. But the Bank must do, and actually does, what is almost as great a contradiction, when the price of gold is high: for those guineas converted into a bar of gold and offered for sale (with a little relaxation of conscientious scruples on the part of the seller) would immediately command at the Bank the very price which was refused to them in the form of guineas.

This state of things may exist either with or without the Restriction Act of 1797. In the former case, the burthen of the augmented price falls upon those who have occasion for the bullion: in the latter it would fall exclusively, and perhaps ruinously, upon the Bank.

There appears to me but a single exception in which gold becomes necessarily the invariable and equal measure of its own value, that is, in which a guinea can be worth neither more nor less than its own weight of standard gold bullion. This case occurs in times like those of the years 1796 and 1797, during which, (the Committee observes, page 4, with something like exultation) although "there was such a scarcity of gold, occasioned by "the great demands of the country banks in order "to increase their deposits, the market price of "gold never rose above the mint price."

But was not this the natural and even inevitable consequence of the state of things in 1796 and 1797? What was that state? One of alarm at the dread of invasion, which had the obvious effect of discrediting every currency and every representative of wealth but the metallic representative. With what therefore, or for what, could gold bullion be bought or sold in the market during such alarm? Manifestly, nothing in the shape of money but gold itself; nothing but an equal weight of bullion or coin of the same standard fineness. The country banks, and the Bank of England, were equally excluded from the market: for each could have nothing to offer in payment but notes which were equally discredited (I mean relatively to the alarm); but I will venture to affirm, that the market price of gold, whether in coin or in bullion, felt all the force of this alarm in the elevation it experienced, when measured by the value of every other commodity.*

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*It would be needless to observe to a commercial reader, that although silver is, as I have represented it, an invariable standard of its own value at the Bank of Hamburgh, it by no means follows that there is not in the *city* of Hamburgh, as well as in every other commercial place, a market as well as a mint price of silver bullion, which may vary from each other. During the periods that I was honoured with the character of His Majesty's minister at Hamburgh and in Sweden, when considerable

There seems to be therefore no great ground for the apprehension which the Committee expresses, that since the suspension of cash payments in 1797, we have no measure of value and of prices but bank notes. The measure is now, as it has ever been, the sterling money of these kingdoms, changing its relation to commodities according to the supply and demand for them, and according to the quantity of money which the prosperity or adversity of the nation may place at its disposal; and the Committee may be assured, whether the sterling money be composed of a mixed circulation of gold and notes, or for the most part of notes alone, that its relation to the currencies of foreign countries will never be altered, until its denomination be changed (as in the United States of America when they were British colonies), or the standard of the coin be actually debased.

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quantities of dollars were placed in my hands for the payment of subsidies, offers were made to me by merchants of Hamburgh to purchase those dollars at a higher rate in marks banco than they were intrinsically worth; that is, to pay more fine silver for them than the dollars intrinsically contained. With what object? Certainly with no intention of placing them in bank at Hamburgh: for that would have been a manifest loss; but to employ them in some mercantile speculation, or to use them as objects of remittance and exchange, in such a manner as it was hoped might not only repay their advance in price, but afford some additional profit.

I have already gone into such length in the preceding disquisitions upon the effects of an actual depreciation of the currency and of an excess in its issue, that it is not necessary to enter into any examination of the two last paragraphs of this section of the Committee's Report, (p. 7, at bottom) in which these effects are in the course of a few lines assimilated at once to each other, as if there could be no doubt of the perfect accordance of the causes. It may however be permitted to me to observe, that there is something extremely loose and unphilosophical in the Committee's promiscuous use of the terms of excess and augmentation, as if any possible increase of the circulation were necessarily excessive: and it would almost lead to a conclusion that the Committee, having the authentic fact before them of the numerical increase of the notes of the Bank of England, had supposed it conceded to them, that this augmentation was excessive.—I have already shewn, how very different are the results of a necessary and a superfluous augmentation of the currency of a country*.

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* In the first of these paragraphs there is another position which the Committee has regarded as evident, and which appears to me any thing rather than evident, unless the words convey a sense which does not seem attached to them. "It is no less evident," say they, "that "in the event of the prices of commodities being raised

I shall now proceed to remark upon the second section of the Report of the Committee, which is

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" in one country by an augmentation of its circulating " medium, while no similar augmentation in the circu- " lating medium of a neighbouring country has led to a " similar rise of prices, the currencies of those two coun- " tries will no longer continue to bear the same relative " value to each other. The *intrinsic* value" (as if the intrinsic value were altered by an increase) " of a given por- " tion of the one currency being lessened, while that of " the other remains unaltered, the exchange will be com- " puted between those two countries to the disadvantage " of the former." I find the same proposition in Mr. Blake's pamphlet, p. 43.

Now it appears to me, that the augmentation of one currency (I would almost venture to say even the augmentation to some excess) alters in no shape either its intrinsic value, or its relative value to the currency of the other country. That which *is* altered, is the relation which the augmented currency bears to the commodities of the other country (Hamburgh for example) which it is desired to purchase; and by entering into the competition, the augmented currency forces the other currency (which would otherwise preserve its just proportion to the commodities desired to be purchased) to alter its relation likewise to the same commodities. The exchange is therefore altered in the country whose currency is unaugmented, perhaps to its advantage. But, on the other hand, this same currency is obliged to submit to the same alteration of its relation to the commodities which it is desired to purchase in England; and the exchange is

directed to investigate the causes of the depression of the foreign exchanges.

And here it must strike every person, who examines the evidence adduced on this point, that the primary cause having been universally ascribed to the peculiar state of our commercial relations with the continent for the last three or four years, the testimony of an eminent continental merchant, whose name is suppressed, and who appears the most to favour the Committee's opinion of some latent cause in the state of our domestic currency, never once glances at the supposed excess of that currency, but imputes the entire continuance of the evil to its non-convertibility into specie alone.

It is impossible not to agree with this gentleman, that if there had been, during the whole of the operation of the causes he states, a constant and unexhausted supply of bullion to remit to the Continent, the exchanges could not have been depressed to the point where they now stand, perhaps hardly lower than the cost and risk of transporting it, rendered higher and more variable than common by the peculiar difficulties of the times, would have brought them down. An excess of currency would have been an additional advantage,

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altered to the disadvantage of the former country, Hamburgh. The equilibrium of the exchange is thus restored, and the augmentation produces no permanent effect either way.

and the sole question then would have been, which of the two, the furnisher of the bullion on one side, or the author of the causes of the depressed exchanges on the other, could have continued the contest longest. It would have been a match against time between him who could draw the longest purse, and him who could draw the most long-winded and obstinate decree; and if Buonaparte had been first tired of the effect of his decrees, the longest purse, as it has so often done, might have gained the victory. But I am afraid the Inquiry of the Committee itself furnishes a decisive proof, that poor bullion has *given in*, or at least is very hard pressed to continue the contest; and it is solely owing to the Restriction Act of 1797, that the Bank of England has not had to sustain the whole burthen of it, and is not at this day obliged to apply to Parliament for a similar act to save it from a loss, to which no limit can be assigned but the want of perseverance of a most bitter enemy.

To assert therefore, as this gentleman seems to have done, that "the exchange *cannot* fall in any "country in Europe at the present time, if computed in coin of a definitive value, or in something convertible into such coin, lower than the "extent of the charge of transporting it," &c. either implies the previous admission, that bullion lies in the country in sufficient quantities, at a moderate or mint price, and ready to be transported,

or it is to assert that that *cannot* happen, which has already occurred. With the previous admission of the existence of bullion, and its free exportation, the truth of the proposition may be conceded: for bullion is then a bill of exchange; and if real bills of exchange be dearer, that is, if the exchange be lower than the above-stated point, the remittance by bullion will be preferred, until the two are brought again to their level. On the other hand, this previous admission not being assumed, that is, bullion becoming scarcer or dearer (to the Bank or to the public, it is indifferent), the exchange will inevitably be depressed to the level of the bullion remittance, and will continually decline (the causes continuing) with the increasing price of bullion.—With these limitations, and without attempting to assign to what extent the price of gold may rise, or the exchange may fall, it may perhaps be taken as a general rule, that the difference in value of a remittance by bill and a remittance by bullion will rarely exceed the cost incurred by the expences of freight, insurance, &c. in the transport of the bullion.*

* Vide note, p. 80.

The exceptions even to this rule, however, are numerous enough to deter a prudent reasoner from laying down almost any rule upon a subject of such diversified relations, and depending upon so many different causes for the appearances which it assumes. The gentleman alluded to

After having allowed all possible weight to the evidence and to the opinions of this gentleman, the Committee proceeds to state its own upon the subject of exchanges, which it regards as a point of trade, than which there is none, considered politically, better settled. In speaking of the par of

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in the text, who has laid down a rule of much narrower extent, might have made his assertion with more caution, if he had paid attention to the Hamburgh exchanges of the years 1797 and 1798, (vide Mr. Mushett's tables at the end of Mr. Blake's pamphlet) which had then arisen to above par. I have myself been witness in America (in Philadelphia) to the rise of the exchange on England full eleven per cent. above its par, at a time when the British navy was in every sea, and a ship of the French republic was hardly to be seen, when the sea-risk of a remittance of bullion could not have exceeded two per cent., and when the freight on board an English man of war was one half per cent. If we may credit the American publications, the price of a pound sterling of exchange at the end of the year 1809 was five Spanish dollars; that is, (calling the dollars four shillings and six-pence sterling, the currency in America) the exchange was twelve and a half per cent above par; and if the price of dollar silver in England at that time be considered, it will be found that the real difference of exchange was eighteen or twenty per cent. above par. It may be said, that silver or bullion was not remitted to England from the United States, because the bullion itself was still more valuable there. Be it so; but what becomes of the rule?

exchange, it might perhaps have been as well, if the Committee had not totally disregarded the opinions of the same person. After stating that the par of exchange between two countries is determined by the equality of a given portion of the two currencies of the same weight and fineness, the Committee proceeds to shew by what alterations this par may be affected. The definition of it given by the Committee implies manifestly a metallic currency alone; and the opinion of the gentleman above alluded to, stated in the following terms (p. 73 of the Report), "I have no idea how "the par can be ascertained without the precious "metals being the foundation," involves the same implication.

Yet the Committee proceeds to state, that "this "real par will be altered if any change takes place "in the currency of one of the two countries, "whether that change consists in the wear or de-"basement of a metallic currency below its stan-"dard," (which is unquestionably true), "*or in* "*the discredit of a forced paper currency, or in* "*the* EXCESS *of a paper currency not convertible* "*into specie.*"

Putting out of the discussion the question of a forced paper currency, (though it is easy to prove that the par between two *metallic* currencies cannot be affected by it) I would ask why does the *excess* of a paper currency not convertible into specie affect the par? why not likewise the *deficiency*? (I cannot find in our language a better term to express the opposite of excess)—why not, in short, that state which is neither excess nor deficiency, but that just proportion which a currency ought to bear to the commodities to be circulated by it? How is the relation of intrinsic value, which a golden guinea bears to a pound Flemish, or seven and a half banco marks of fine silver, at all affected by any variation in the value of a paper currency not convertible into gold? I shall be answered, that a guinea is always intrinsically worth thirty-five shillings, ten and a half grotes Flemish, or thereabouts, while a pound note, which with the addition of a shilling affects to be equal to a guinea, is worth, according to the course of exchange cited by the Committee, little more than thirty shillings Flemish, and that consequently a pound note with a shilling is not what it affects to be, equal to a guinea. If this is an answer to the question, it must be meant to assert that the par of exchange of this pretended guinea is not the same as the par of exchange of a real guinea; and that notes are deteriorated in that proportion to an inferior par. But if the Committee had referred to the published tables of exchanges, they would have seen that this pretended guinea was worth, January 1, 1805, (vide Mr. Mushett's tables) more than the real guinea—aye, even if it could have been transported to Hamburgh and sold there for its intrinsic value in fine silver; for

the charges of its transportation must have been deducted from its value. The same tables would have shewn to them that in the years 1782, 1783, and 1784, the real guinea, though intrinsically worth a given quantity of Flemish shillings or marks banco of fine silver (13 marks 7 schillings banco), was itself depreciated by exchange, as well as the bank note; and was at times only worth 12*m.* 8*s.* banco. (See Tables.) Was there then a real depreciation of the guinea in the latter case? a real increase of value of the bank note in the other? or was the par of exchange (the relation of intrinsic value of two *metallic* currencies) at all varied by these circumstances of exchange? Facts like these might well have induced inquirers to doubt whether the exchanges were not the sole cause of these apparent contradictions; and whether, instead of a depreciation of bank notes having occasioned a depression of the exchange, the depression of the exchange had not been the only cause of the (apparent) depreciation of bank notes.

This doctrine of the fluctuation of the par of exchange, which I will venture to say is perfectly novel unless applied exclusively to what is occasioned by specific alterations in a *metallic* currency, and which, unless so exclusively applied, is as contradictory in term as it is impossible in practice, is introduced apparently for the purpose of gaining an easier admission to another new doctrine laid down in the Report, (p. 14) relative to the *real* par of exchange between two countries, and which if carried to its extent on the principles laid down, involves as palpable contradictions and as absurd consequences (I hope I may be pardoned for the use of this term; every thing in short which is contradictory involves an absurdity) as the other. It is necessary to probe this doctrine to the bottom, because upon it the Committee founds its grand conclusion, that the *real* exchange being only in a small degree unfavourable to England, or very nearly at its par, while the *computed* exchange is in a much higher degree unfavourable, the cause of this unfavourable state of things must be sought for in the depreciated value of our own currency.

The passage in the report of the Committee is as follows: (p. 13, at bottom, & seq.)

"That the real exchange against this Country "with the Continent cannot at any time have ma-"terially exceeded the limit fixed by the cost at "that time of transporting specie, your Com-"mittee are convinced, upon the principles which "have been already stated. That in point of "fact those exchanges have not exceeded that "limit, seems to receive a very satisfactory illus-"tration from one part of the evidence of Mr. "Greffulhe, who, of all the merchants examined, "seemed most wedded to the opinion, that the "state of the balance of payments alone was suf-

"ficient to account for any depression of the ex-"changes, however great. From what the Com-"mittee have already stated with respect to the "par of exchange, it is manifest that the exchange "between two countries is *at its real par*, when "a given quantity of gold or silver in the one "country is convertible at the market price, into "such an amount of the currency of that country, "as will purchase a bill of exchange on the other "country for such an amount of the currency of "that other country as will there be convertible "at the market price into an *equal* quantity of "gold or silver of the same fineness. In the "same manner the real exchange is *in favour* of "a country having money transactions with "another, when a given quantity of gold or "silver in the former is convertible for such an "amount in the currency of that latter country, "as will there be convertible into a *greater* "quantity of gold or silver of the same fineness."

The Committee proceeds to give an example in illustration of this doctrine, for which (not to multiply quotations) I beg to refer the Reader to the Report itself.

It follows then, according to the theory of the Committee, that the exchange between England and Hamburgh is *at its real par*, when a pound of standard gold in England will purchase at its market price such an amount of bank notes as will be convertible into a bill of exchange on

Hamburgh, for such a number of marks banco, as will buy at Hamburgh a pound of gold of the English standard fineness. If the result of this process at Hamburgh be *more* than a pound of standard gold, the *real* exchange will be in favour of England; if *less*, it will be unfavourable to England, and in favour of Hamburgh.

In order to simplify in the first instance this discussion, I will assume that gold and silver at Hamburgh are at their par, or at any rate that the agio is fixed and permanent, so that no variation arising out of a greater or less demand for gold at Hamburgh, may affect the calculation here. There will then be only two variable quantities to consider, the *computed* exchange (the exchange expressed by the tables of the merchants), and the market price of gold in England.

Now it is evident from the first inspection of these variable quantities, that if the *computed* exchange be in favour of England, that is, be above the metallic par of 34-2 Flemish, a pound of standard gold, even if the market and mint prices are equal, will purchase a bill of exchange for a number of banco marks sufficient to buy at Hamburgh *more* than a pound of standard gold. The *computed* exchange therefore being favourable, the *real* exchange (in the sense of the theory of the Committee) is always in favour of England, even at an equality of the market and mint prices. Now let the market price of gold exceed the mint

price in any proportion, the computed exchange not varying; it is evident that the pound of gold will then, with the same process of purchase and exchange, buy still *more* than a pound of gold of the same standard. The *real* exchange will consequently become still more favourable for England than before. It follows therefore, that the greater the depreciation of the paper currency of this country (for the excess of the market price of bullion above the mint price is, according to the Committee, the proof and measure of that depreciation), the more favourable for it is the real exchange. First conclusion deducible from the theory of the Committee! *

It is equally evident from the inspection of the same variable quantities, that if the computed exchange be unfavourable for this Country, that is, beneath the metallic par of 34-2 Flemish, a pound of standard gold will place at Hamburgh *less* than a pound of the same standard fineness, provided the market and mint prices of bullion be equal;— and that consequently the *real* exchange will

* Par 34-2 Flemish; computed exchange, 35 Flemish; market and mint prices of gold bullion equal: a pound of gold will place at Hamburgh 12*oz.* 5*dwts.* 14*gr.* Let the market price be increased to £4. The quantity of gold placed at Hamburgh will be 12*oz.* 12*dwts.* nearly; therefore the *real* exchange is more favourable, the more the paper currency is depreciated.

always, in that state of the bullion market, be unfavourable for this country in an unfavourable *computed* exchange. But if the market price of gold be sufficiently increased, the *computed* exchange remaining fixed, the *real* exchange, which was before unfavourable, will rise to its par; and with a still greater increase of the price of bullion, will even become favourable. It follows, therefore, that an unfavourable *real* exchange may be raised to par, and may be even converted into a favourable state for this country, by augmenting the depreciation of its paper currency. Second conclusion deducible from the theory of the Committee! *

It appears then, that the *real* exchange may be converted from an unfavourable into a favourable state, or may be constantly held at, or above, its

* The par being 34-2 Flemish, let the computed exchange be at 32, and the market and mint prices of gold bullion equal; then will a pound of gold produce at Hamburgh 11 *oz.* 3 *dwts.* nearly; consequently the *real* exchange unfavourable. Let the market price of gold be increased to £4 3*s.* 8*d.*: the pound of gold will then produce as nearly as may be a pound of gold at Hamburgh, and by the same rule the *real* exchange will be at par. If therefore the depreciation of the paper currency be rendered still greater, *i. e.* the market price of gold be still farther increased, the real exchange will be above par, and consequently favourable for the country in which the depreciation is.

real par by means of the depreciation of the paper currency acting upon the market price of bullion, provided the *computed* exchange remains permanent at some unfavourable point. But as this latter is also subject to variations, it is possible that by its increasing depression the pound of gold in England, may not produce as much or more than a pound of gold at Hamburgh, and the *real* exchange, of which this sort of purchase is the test, may again become unfavourable. It can then be restored to its par only by a farther augmentation of the market price of bullion. But this same depreciation of the paper currency is likewise (according to the Committee) the cause of the depression of the computed exchange. It follows therefore, that the depreciation of the currency, acting upon two quantities in a contrary manner, that is, depressing the exchange, and elevating the market price of gold bullion, may have its action so apportioned between the two, as to produce precisely equal as well as opposite effects, and consequently to leave the third quantity, viz. the *real* exchange, constantly the same, either permanently favourable, or permanently at its *real* par. From this is derived the third conclusion, deducible from the theory of the Committee, that let the depreciation of the paper currency be augmented in any assignable ratio, provided its action be properly distributed, on the one hand in depressing the computed exchange, on the other in augmenting the market price of bullion, the *real* exchange will always be in favour of a country issuing such a depreciated paper currency, or will always be at its real par, according to the degree of the apportionment. *

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* The par of the exchange being, as before, 34·2 Flemish, let the computed exchange be at 24, or 9 marks banco, and let the market price of gold bullion be £5. 11*s.* 6*d.*; then will the pound of gold in England produce, as nearly as may be, a pound of gold in Hamburgh; consequently the *real* exchange is at par. Let the computed exchange be depressed again to 21·4 or 8 marks banco, and the price of bullion rise to £6. 5*s.* 5*d*; again will a pound of gold in England produce the same quantity in Hamburgh, and again the *real* exchange be at par: and so on, *sine limite*.

It may be more agreeable to some of my readers to see the foregoing propositions put into a general algebraic formula, by which they may deduce their own conclusions in any state of the computed exchange, and of the market prices of gold in London and Hamburgh. Let a represent the value of a pound of gold, estimated in sterling money, at the mint price; x the difference of value in the same sterling money, arising out of the variation of the market and mint prices; then will $a+x$ represent the sterling value of a pound of gold in any state of the bullion market.

Let b represent the value of $a+x$ in marks banco of Hamburgh, estimated at the acknowledged par of exchange between the two countries; y the increase or diminution of this value arising out of the fluctuation of

I see but one way by which the Committee can possibly escape the force of the two first of these

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the exchange on either side of the par; then will $b+y$ represent the number of marks banco equivalent, according to the varying course of the exchange, to the number of pounds sterling contained in $a+x$. [x and y, it is to be observed, may be, according to the algebraic notation, either positive or negative quantities, according as the market price of bullion exceeds or falls short of the mint price, or as the exchange is above or below the acknowledged par.]

Lastly, let c represent the fixed value of a ducat *al marco* of Hamburgh, when gold and silver are at par; $c\,z$, the market price of the ducat at Hamburgh; then will $\frac{b+y}{c\,z}$ represent the number of ducats, into which a pound of standard gold in London is convertible (according to the process of purchase and exchange pointed out by the Committee); and if $\frac{1}{d}$ be taken to represent the fixed relation between the ducat and an ounce of standard gold of England, then will $\frac{b+y}{c\,z}\times\frac{1}{d}$ express the number of ounces of standard gold into which, according to this process, the pound of gold is convertible at Hamburgh.

According to the theory of the Committee of the House of Commons, if the produce of $a+x$ or its equal, $\frac{b+y}{c\,z}\times\frac{1}{d}$ that is, if the produce of the sterling market price of a pound of standard gold in England be exactly conclusions, derived from their theory of the *real* exchange, and avoid the imputation of contra-

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a pound of the same standard gold in Hamburgh, the exchange will be at its *real par*. If $\frac{b+y}{c\,z} \times \frac{1}{d}$ be greater than twelve ounces of standard gold, the *real* exchange is above its par, or favourable for England; if less, the *real* exchange is under its par, or unfavourable for England.

It follows therefore, that the favourable or unfavourable state of the real exchange varies in a compound ratio of the two quantities $a+x$, and $\frac{b+y}{c\,z}$ when x, y, and z, are all variable quantities. If the market price of gold in England be fixed, that is, if x be constant, the *real* exchange varies in a direct proportion of the *computed* exchange (represented by y), and in an inverse proportion of the market price of gold at Hamburgh, represented by $c\,z$. The higher therefore the *computed* exchange, and the lower the price of gold at Hamburgh, so much the more will the *real* exchange be in favour of England.

If the *computed* exchange be constant, then the *real* exchange is in an inverse proportion of the amount of the agio alone, and consequently the greater the demand for gold on the Continent (for the agio is the measure of that demand), the more unfavourable is the *real* exchange, *cæteris paribus*, for England.

I doubt whether this conclusion be exactly within the purview of the Committee of the House of Commons, although I have already shewn that the demand for gold,

diction and even of absurdity, to which it exposes them. It may be asserted that I have made an

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as gold, on the Continent, is not a necessary cause of the high market price of gold in England, or a necessary consequence of the fall of exchange.

Now let the variable quantities y and z be regarded as constant; that is, let the computed exchange be stationary, but under par however, and the agio on gold at Hamburgh invariable; it is evident that the *real* exchange (I speak always in the sense of the Committee), that is, its favourable or unfavourable state, will depend upon the amount of the sum $a+x$, or the excess of the market price of bullion above the mint price. Let the market and mint prices be equal, or $x=o$; the *real* exchange is then most unfavourable. Let x be increased in any proportion, in the same proportion is the *real* exchange favourably increased: that is, the greater the excess of the market price above the mint price of bullion, or in other terms, the greater the depreciation of the currency, the more is the real exchange favourable; and on the contrary, the more unfavourable is it, the nearer the currency approaches to that perfect state in which the market and mint prices of bullion are equal. Are these conclusions which the Committee will choose to sustain, however they may be derived from their own theory?

I will beg permission to lengthen this note by one or two examples, adding, for the benefit of such Readers as choose to convince themselves, that the quantity a is equal to £46. 14*s*. 6*d*.; the quantity b (calling the par of the Hamburgh exchange 34-2 Flemish) 12*m*. 13*sh*. × $\overline{a+x}$, the quantity c=6 marks banco, the par value of unwarranted assumption, in supposing, under the circumstances of a favourable computed exchange,

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the ducat; and finally, $\frac{1}{d} = \frac{55}{459}$, 55 ounces of standard gold being equal to 459 ducats.

Example I. Let the *computed* exchange be below par, and equal to 32 shillings Flemish or 12 marks banco. Let $x = o$, i. e. market and mint prices $=$, and let the agio on gold be at par, or $cz = 6$. Then will y be a negative quantity, representing *the difference* between b the value of $a \pm x$ at par, and the value of $a + x$ calculated an an exchange of 32; and consequently $b+y$ will be equal to 560*m.* 11*sch.* banco;

$$\frac{b+y}{cz} \times \frac{1}{d} = \frac{560.\ 11}{6} \times \frac{55}{459} \text{ ounces} = 11oz.\ 3dwts.\ +.$$

Therefore (according to the theory of the Committee) at an unfavourable *computed* exchange, the *real* exchange is unfavourable, although the market and mint prices of gold be equal.

Example II. Now, every thing else remaining the same, let the market price of gold be at £4. 10*s.* 0*d.* exceeding the mint price of the ounce of gold by the sum of £0. 12*s.* 1½*d.*; then will $a + x$, or the value of a pound of standard gold, be equal to £54. 0*s.* 0*d.*; x being equal to £7. 5*s.* 6*d.*; b, the par value of $a + x$ or £54. in marks banco, $=$ 12*m.* 13*sch.* banco $\times \overline{a+x}$, will be equal to 685*m.* 10*sch.* banco, and $b+y$ the value of $a + x$ at an exchange of 32, is equal to 648 marks banco. Consequently y is equal to $-$ 37*m.* 10*sch.* banco, and $\frac{b+y}{cz} \times \frac{1}{d} = \frac{648}{6} \times \frac{55}{459} = 13oz. +$

that the market-price of gold can materially exceed the mint price, which forms the basis of the

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gives thirteen ounces of gold nearly as the produce of one pound of gold in England, converted by the process of exchange and purchase, suggested by the Committee, into standard gold at Hamburgh. It follows then, as I said before, that with an unfavourable *computed* exchange, an augmentation of the market price of gold above the mint price has the effect of converting the unfavourable state of the *real* exchange into a favourable state; that is, a depreciation of the currency occasions a rise in the exchange above its *real par*, in favour of the country labouring under the depreciation.

I must beg leave to add, that although I have made use of the foregoing algebraic formula for the purpose of testing the theory of the Committee, relative to the *supposed real par* of exchange, and of pointing out the inconsistencies and absurdities (if I dare use such an expression) to which the theory leads, there appears to me nothing in the formula itself, which is not perfectly consonant to good and practical sense in every thing relating to the effect of exchange upon the prices of bullion. It contains all the varying elements, by the fluctuation of which the value of money as an object of exchange can be affected; and I must observe by the bye, that no idea of a depreciated currency can make a part of such a formula; for the very first principle of exchange is the establishment of a fixed par of value between the metallic currencies, and them alone, of the exchanging countries; and whenever a depreciation occurs, that par must be altered, before any farther operation of exchange can be calculated, or acted upon.

first conclusion; or that an unfavourable computed exchange can remain stationary, while a great increase takes place in the market-price of bullion, which is the basis of the second conclusion. But this assertion will hardly, I think, be made by the Committee, because it carries with it the inevitable consequence that the variations of the exchange are the sole and exclusive causes of the variations in the price of gold; a consequence for which I have from the first contended, and which I should be the first to maintain, because the assumptions I speak of appear to me perfectly unwarranted by practice and experience.

Even this assertion, were it to be made, would not deliver the Committee from the consequences of the third conclusion, because it rests entirely upon the supposition that the elevation of the market price of bullion keeps its proportionable pace with the depression of the computed exchange.

The only state of things in which the doctrine of the Committee relative to the *real par* of exchange between two countries is correct, is that in which the *computed* exchange is favourable, and the market price of bullion little or nothing above the mint price. The pound of gold in England will then produce more than a pound of gold in Hamburgh, and this result is the true test of a favourable exchange.*

* It was this circumstance which misled Mr. Abraham Goldsmid, in the answer which he gave to the Committee, p. 92.—Accustomed to consider but one sort of exchange (that quoted in the tables of the merchants), he could not but call it favourable for England, when 95 ounces of gold could purchase a bill sufficient to buy 100 ounces of gold at Hamburgh. He was not aware, that the same effect, by a sort of financial conjuration, could be produced, when the exchange was depressed twenty or thirty per cent. below par, provided the price of bullion were proportionally raised above the mint price.

By a course of reasoning corresponding in every respect with that used by the Committee upon this subject, it might be proved that at the present time the *real* exchange was in favour of, or not materially against, countries, where the paper money is of the most degraded and discredited sort. I allude to the currencies of Petersburgh and Vienna; perhaps I might add those of Stockholm and Copenhagen, which however are far from being discredited to the same degree. At the first of these capitals, the ruble, which should be intrinsically worth three shillings and three-pence or four-pence, and which has often been exchanged in London as high as three shillings and six-pence or even nine-pence, has within these few months been worth in exchange no more than ten-pence. The value of the ruble in the currency of Hamburgh, which at its par is thirty-four schillings banco, and which in exchange has been equal to thirty-eight, has in the same manner sunk to about nine schillings banco. Without being able to furnish any precise information on the price of gold, I will venture to assert that the golden ducat has arisen in value at least in proportion to the fall of the exchange; and consequently (according to the test of the Committee) a given quantity of gold bullion at Petersburgh being able by the same process of purchase and exchange to place nearly the same quantity of gold at Hamburgh, the *real* exchange will be either at par, or in a very small degree unfavourable to Russia.

But here perhaps I may be stopped at once by an answer on the part of the Committee, that they concede all which I have laid down in the preceding argument; that it was their intention to place the depreciation of the paper currency of England on precisely the same footing as that of the forced or discredited paper monies of other countries; that the same causes must produce the same effects, and that from the same effects a very fair presumption may be made of the existence of the same cause: and I may be triumphantly asked, if the great depression of the exchanges and the proportional increase in the market price of gold are in Russia confessedly owing to the discredit of the paper currency, by what criterion are we to ascertain that it is not precisely the same cause which has produced these two effects on the exchange and on the price of gold in England? There is, it may be said, a material difference in the *degree* of operation of the same cause in the two countries; but the degree itself may be urged as a proof of the identity of the cause.

I have stated this objection fairly, and I acknowledge it to be a strong one. It has come upon me, almost by surprise, in the course of the preceding discussion; and it would neither be candid nor consistent with that impartial search after truth which I most sincerely propose to myself, to disregard it, or to leave it unanswered.

It does not appear to me unanswerable; and though the contracted state of our communications with the Continent puts out of our reach many very ordinary documents, which would establish the truth or falsehood of an answer beyond the possibility of contradiction, I think we have still sufficient light to guide us to the right end.

There are then, it seems to me, two essential points of difference between the English paper currency (the Bank of England paper I mean) and those of Petersburgh and Vienna, which establish decisive criteria by which to prove that the effects on the exchange and on the price of bullion are not in London, as they are in the Russian and Austrian capitals, produced by the same cause, the actual depreciation and discredit of the currencies.

The first of these differences is internal, the other external, *i. e.* occasioned by our relations with foreign countries.

First, there is no distinction whatever in England between the money price and the paper price of any commodity whatever, which is the object of purchase—I will venture to say, not even of gold bullion itself, except with the design of illegally and clandestinely exporting the guineas, with which the purchase may be made. Mr. Blake will tell me, that in England the guinea is as much depreciated as the bank note; that the former recovers its value by being melted and exported; and that in fact the laws prohibiting the melting and exportation of the current coin are the only causes why a money and a paper price are not immediately established. It is doing great honour to the English legislation, or rather to the morals of the bulk of the nation, that laws so easily evaded can produce so great an effect. In the present instance, however, it is doing them an honour to which they are not entitled. I know of no law whatever which prevents a shopkeeper or trader from selling his merchandize twenty per cent. lower, if bought with guineas, than if purchased with bank notes. The Restriction Act of 1797 has done no more than establish bank notes as a sort of legal tender for the payment of debts; but does it oblige the creditor tradesman to let such debts be contracted? does it impose a penalty on his refusing to sell his goods for paper money, or does it force him to receive such a tender in pur-

chase, as well as in payment of debt?* Could he not, if he were willing to sell on credit at the reduced money price, make a special condition with his debtor, that the debt should be discharged in gold alone at the mint price? I leave it to legal men to say, whether a debtor may not wave the benefit of an act, which carries no penalty along with it. I shall be told again, that the trader would do himself no service by this sort of conduct: for where or how could the honest man dispose of his guineas to make up the loss he would sustain by the abatement in his price? I will not reply by stating the notorious matter of fact: but I will ask again, if the same objection would hold, were he to declare his resolution of selling twenty per cent. cheaper for Portugal gold in coin or in bars, for Dutch ducats, for Frederick-d'ors, for Napoleon-d'ors, and all the various coins which make their occasional appearance in the goldsmiths' shops, for the gold dust of Africa, and for the precious metals in all their varieties of form and material, provided their weight and fineness and *exportable* quality were previously ascertained?

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* This is universally the case, and forms the essential character, in forced paper currencies. The paper money of North America during the American war, and the assignats in France, are the two striking examples. If it is not equally the case in Petersburgh and Vienna, it is because a money and a paper price are allowed.

I shall *not* be told again, that all such gold is already monopolized, or eagerly sought after by the *exporting* merchants on account of the unfavourable exchange, leaving none to the shopkeeper who wishes to establish a distinction between money and paper; because this answer would bring us round to the point of the circle from which we set out, and would only state the proof, that the low rate of the exchange is the sole cause of the high price of bullion.

Second. The second criterion, which I have stated as external, of the depression of the exchanges not being the effect of any depreciation of the English currency, is the circumstance of that depression not being universal, which, it seems to me, it could not fail to be, if the deteriorating cause existed in our own currency. At any rate, if a course of exchange existed in any foreign country whatever with England (a country labouring under a debased currency) and at the same time with any other country whose currency was in a perfect state, there would immediately be established in the first a distinction, measured by the degree of the depreciation, between the computed exchange on England and the computed exchange on the foreign country where the currency was perfect; which distinction would enter into every calculation, abstracting so much from every favourable tendency of the exchange, and augmenting by the same amount every thing unfavourable.

For it is certain that a country whose currency is degraded by discredit or depreciation, finds no other with which it does not exchange to a disadvantage measured by that depreciation. Petersburgh exchanges solely on Hamburgh, London, and Amsterdam; with the two former I have already observed at how great a loss. Vienna exchanges with half of Europe, with England among the rest; but, I will venture to assert, with no part in which the degradation of its paper money is not fully felt. By late accounts from Sweden (about the fourteenth of November of this year), the exchange from Gottenburgh on London was between sixty and seventy per cent. in favour of the latter, while its exchange on Hamburgh was still more to its disadvantage. In the year 1808, during the time of my residence at Stockholm, the exchange though lower was in about the same degree in favour of London and Hamburgh, as far as could be judged from the very few transactions which took place with the latter. How this could be the case, if the currency of England laboured in any degree under the same discredit which oppressed that of Sweden, I am utterly at a loss to account.

But it is difficult, in countries whose paper money is so degraded as are those of Russia, Austria, and perhaps even of Sweden, to assign the causes of even considerable varieties in the exchange with one country beyond what it experiences with another. Let us take one, whose paper currency, though abundant in amount, lies under no suspicion of discredit, is issued from the banks national as well as individual, on much the same principles as that of England, and is besides convertible at will into the precious metals. I allude to the United States of America, and I regard it as impossible, if the Bank-of-England notes were really depreciated, that the exchange from thence on England would not shew it, when compared with the same exchange on Hamburgh and Amsterdam. I have before me a New-York price-current of the 10th June 1809, and two New-York newspapers (the Republican Watch-Tower) of the 30th of June and the 11th of July of the same year, in each of which the course of exchange is quoted respectively on London, Amsterdam, and Hamburgh. At the three before-mentioned dates a bill of exchange on London at 60 days sight for one hundred pounds sterling, was worth respectively £100, £100 a £101, and £101, *i. e.* fluctuated from par to one per cent. above par in favour of England. The exchange on Amsterdam was 40 cents per guilder, and that on Hamburgh $33\frac{1}{3}$ cents per mark banco, a cent being the hundredth part of a Spanish dollar, valued at four shillings and six-pence sterling, or about 2-25ths more than an English half-penny.—A bill at sight upon London, or the other two places, would be worth about one per cent. more.

If therefore a stray Bank-of-England note for

£100 had by any accident found its way into the city of New-York at the above-cited dates of last year (1809), it would have commanded the rate of exchange of a bill at sight on London, and (without any disparagement to the best paper in New-York) would most probably have obtained, from its superior credit, a still higher price. It would have received in exchange $453\frac{1}{3}$ Spanish or American dollars, each reckoned at 4*s.* 6*d.* sterling, and the course of exchange for a bill at sight being 102; or $448\frac{8}{9}$ Spanish or American dollars, the exchange being at 101. With these respective sums, bills on Hamburgh at sixty days sight might have been purchased for the sums of 1360 and 1347 marks banco respectively; and as I find by the tables, that, about three months after the preceding dates, the exchange from Hamburgh on London was depressed to 28-6 Flemish, it follows that the marks banco might have produced, by being vested in bills on London, the sums of £127. 5*s.* or £126.*

* The reader must not suppose that I am stating an imaginary case, except as to the circuitous mode of the remittance. It has been my lot to witness in the United States of America, at Hamburgh, and in Sweden, the occasional appearance of such a stray bank-note, carried over by some honest John Bull, who, knowing that in England it was as good as gold, imagined (unsuspecting soul!) that it would pass for the same value every where that England was known. The dangers of the sea, and the perils from "land rats" and "water rats" being, how-

Now if, instead of a Bank-of-England note of £100, there had been offered in exchange at New-York £100 in gold, that is, 95 guineas and a quarter, for a bill upon London, what would they have procured? In the first place, not the difference between a bill at sight and a bill at 2 months sight, which amounts to 1 per cent. The guineas offered in substance would have purchased (vide Appendix to Report of Committee, No. 62) 444½ Spanish dollars, which latter sum would have procured a sterling bill of £100, the exchange being at par; but at an exchange of 101 only the sum of £99. 2. 0. It is obvious that this sum would have bought a bill of proportionably inferior amount on Hamburgh, and would consequently have made a less advantageous remittance by this circuitous route, than the bank note would have done. If the guineas themselves had been sent to

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ever, once passed, honest John was not so far wrong in his calculation: for, as soon as the identity of the valuable stranger was satisfactorily ascertained (and I have sometimes been called upon, as an Englishman, to give my opinion upon it), he recovered all his importance, and appeared at the head of the exchange market, let its rate have been what it would. With the usual process of bisection, and leaving behind him, with a notary public, a description of his person, the exile returns to his native home by a double voyage, and, arriving in London, rejoins his dissevered limbs, and resumes completely his former self.

Hamburgh, they would indeed have purchased a bill of equal value on London, as if the bank note had been employed, provided the expences of freight, insurance, &c. did not exceed four per cent.; but even this equality would have been obtained solely from the agio in favour of gold at Hamburgh, and from the circumstance of the *computed* exchange at New-York being so nearly at par.

It would be unnecessarily fatiguing the reader's attention to prove that, if the same process were pursued with the exchange from New-York on Amsterdam, nearly the same results would occur.

I do not know how I could produce a more striking instance, or more decisive proof, than the preceding, of the *perfect equality* which the paper currency of England sustains in competition with the most accredited currencies on the most reputed exchanges;—of the *equality*, and even occasional *superiority*, which it challenges when compared with the metallic currencies of England, and any others of equal standard purity (of which superiority, however, no boast can be made, because a fluctuation in the exchange may give to bullion the same superiority while it takes it from the bank note);—and lastly, of the indisputable nature of the proposition which I am maintaining, that the exchange is solely and exclusively the cause of the apparent disproportion in value between the paper and the bullion of standard fineness, and that there is not a shadow of reason for maintaining that any intrinsic depreciation of the paper currency, either from excess or from discredit, has occasioned either the high price of gold, or the great depression of continental exchanges.

For how is it possible, I will ask, if the depreciation of the bank note (in the unfavourable sense of the word) were either permanent or progressively advancing, that the American merchant, who is as ingenious in discerning his own advantage, as adventurous in the pursuit of it, and as keen after the acquisition of wealth as the Englishman, the Hamburgher, or the Dutchman, should never have taken that circuitous mode of making his English remittances, which I have just described, and which would manifestly be so much to his profit? It is, because he knows that the present state of things, and all the unfavourable appearances connected with it, are entirely exchange appearances, which, during the voyage of his bill to Hamburgh, might be totally altered, and by the alteration inflict a great loss, where he expected a great advantage. Even with this correcting principle, it might be supposed, that the steadily unfavourable course of our continental exchanges for the last two years would give him a sort of security against a sudden change, and a consequent loss; and I should be almost surprised that the merchants of the United States had made few or no remittances that way (as they certainly have

not*), did I not reflect that the first object of a discreet and punctual trader, anxious to discharge his debts and to secure farther credits, is the certainty of his remittance to the creditor country; and that it is even a failure in that moral principle, which is the soul of all legitimate and prosperous commerce, to allow himself to be seduced by any collateral advantage of his own into the act of delaying his payments to his creditors, and thereby endangering his stability and reputation.

If I have proved satisfactorily (and I cannot but flatter myself that I have done so) that the exchange and its depression have been the sole and exclusive cause of the high price of bullion, and of the apparent disproportion (I cannot consent to call it depreciation) which the paper currency bears to that of the coin converted into bullion, it cannot be necessary to enter at any length into the examination of the rest of the Report of the Committee. If the two points which they have regarded as fundamental proofs of the depreciation have been demonstrated (as far as a subject so intricate and complicated admits of demonstration) to be the mutual action of cause and effect, without any relation to a third cause, I think I may be excused from combating that doctrine of the

* I argue to this fact from the state of the exchanges themselves, which would have felt the effect of any great circuitous remittances from America.

excess of the paper-currency of England, and its consequent depreciation, which has been brought forward by the Committee, with no proof whatsoever. The Committee itself admits (p. 26, last paragraph) that the mere numerical return of the amount of bank notes in circulation, furnishes no decision of the question, whether that amount is excessive or otherwise; and adds (end of same paragraph) that the only sure criterion is to be found in the state of the exchanges, and in the price of gold bullion. Why then, if the only sure criterion is found to be completely fallible, or to bear no relation at all to the subject in question, is the subject itself to be farther submitted to argument or to question? The decision of the point whether there actually exists excess or not in the issue of bank paper, may be safely left to the statements made by the Governor and Deputy-governor of the Bank in the evidence which they have given, and to the universal acquiescence of the merchants examined by the Committee (even of those favouring most the Committee's doctrine), not one of whom has suggested an idea either of the excess or of the consequent discredit of the Bank issues. I have already ventured to give my own humble opinion, that a paper currency of perfect credit can never be permanently excessive. The opinion of Mr. Greffulhe, certainly one of the most judicious and best-informed witnesses, examined before the Committee, is deci-

dedly (p. 69) in favour of the same idea, that a paper currency cannot be permanently excessive, unless it is forced. There cannot be a greater practical truth than that delivered by Mr. Whitmore, and cited by the Committee (p. 21, last paragraph but one), that "the bank notes would "revert to us if there was a redundancy in cir"culation, as no one would pay interest for a "bank note that he did not want to make use of." And I may add (what indeed I have already once observed), that the continental Merchant upon whose opinions, rather than upon whose evidence, the Committee lays so much stress, never thinks of ascribing to the excess, but solely to the non-convertibility of the paper into specie, the actual state of the exchanges, and the price of bullion.

I must farther observe, that every example which the Committee has brought forward, as illustration of the effects of an excessive issue of paper currency, not as proof of the fact, whether it be derived from the banks of Scotland or Ireland, or from the early history of that of England, is rather an example of actual depreciation arising from the discredit of the paper, or the degradation of the coinage, than of any depreciation arising from excess; and that the possibility of such excess of a currency, perfectly unimpeached in its credit, and perfectly unforced, is a point, for any proof which the Committee has adduced, as yet absolutely undecided. *Adhuc sub judice lis est.*

Returning therefore to the principal proposition which I have endeavoured to maintain, viz. that the exchange is the sole cause of the price of bullion, I must in the last place examine, with as much brevity as is possible, the primary cause of that state of the exchange, and the remedy, which it is in the power of England to apply to it. At the same time I think it essential to observe, that the evil in itself, and considered abstractedly, is not of so grievous a nature as to require a violent and excessive remedy, which may do more mischief to the country than the evil which it means to cure; and that if the remedy could be even applied abroad, where certainly it is most essential, I should hardly know how to recommend it, if its progress and effect were more injurious to England than to the Continent, upon which it ought particularly to act.

The best-informed persons, who were examined before the Committee of the House of Commons on the causes of the great depression of the Continental exchanges, ascribed them "altogether to "the commercial situation of this Country with "the Continent; to the circumstance of the imports and payments of subsidies, &c. having "very much exceeded the exports." (p. 8.)

The continental Merchant to whom the Committee has so much referred, and to whose opinion it has given so much weight, represents the first great depreciation to have taken place on the irruption of the French into the north of Germany, and on the penal decrees against a communication with England, and describes at some length the various ways in which these acts might operate unfavourably to England: "The exchange," he says, "once lowered by these circumstances, and "bullion being withheld in England to make up "these occasional differences, the operations be"tween this Country and the Continent have con"tinued at a low rate, as it is only matter of "opinion what rate a pound sterling is there to "be valued at, not being able to obtain what it is "meant to represent."—He afterwards ascribes the whole of the depreciation to have taken place originally in consequence of the measures of the enemy, and its not having recovered to the circumstance of the paper of England not being exchangeable for cash:—and in the succeeding paragraph (p. 9, 3d paragraph) he gives the same enumeration of commercial causes already stated by other gentlemen.

As practical men, they have all of them stated most accurately the immediate commercial causes which occasioned, in 1809, and since that time, the great depression of the exchange. But I must observe, in the evidence of the continental Merchant above alluded to, more than one very great inaccuracy. The first great depression of the exchange did *not* take place on the irruption of the French into the north of Germany. I was myself a witness to that irruption, having resided at Hamburgh during the Austrian war, which ended with the peace of Presburgh, and until the consequent defeat of the Prussians at Auerstedt in October 1806 expelled every Englishman from that city. I can assert from my own experience, and I appeal to the published tables for the truth of my assertion (vide Mr. Mushett's tables), that from the time that the effect of the Austrian and Russian subsidies, both of which his Majesty's government had been pleased to entrust to my superintendance, ceased, about the middle of the year 1806, the exchanges constantly rose higher in favour of England; and that at the period of the expulsion of the English from Hamburgh, on the 19th of November, which was followed immediately by the Berlin decree of the 21st, the exchange, so far from declining, continued to advance until the latter part of the year 1808. It is most gratifying to me to do honour to the feeling of any part of the Continent in favour of England; and it is peculiarly grateful to me to do justice to Hamburgh, in stating that the invasion of the French tended rather to raise than to depress the exchange, because there existed a general anxiety in every man having dealings with England, to

accelerate his payments, and to place, even at the expence of some sacrifices on his part, the property of his English creditor out of the reach of French extortion.

It is another very great inaccuracy on the part of this gentleman, in opinion as well as in fact, to state, as he does by implication, that for the first time in the year 1808, the non-convertibility of the English paper currency into cash should have prevented the recovery of the exchange from the effects of the enemy's irruption into the north of Germany. From the latter end of the year 1799 to the end of 1803, the exchange was constantly against this country: was the depression of that period owing to the circumstance (which then existed as now) that the paper currency of England was not convertible into specie? What then at length restored it to its favourable state, from which it had declined for the three preceding years? Did the Bank resume its cash payments in 1803? or to what cause are we to ascribe the constant continuance of the exchange in our favour, till the end of the year 1808 (with the sole exception of the Austrian war, which sufficiently accounts for the decline), when the same supposed cause of continued depression existed then as now? This by the bye.

The practical causes of the depression of the exchange, stated by these gentlemen, seem to me, as I have already observed, perfectly accurate; and had the occasion called for a more full exposition of their opinions upon the great primary cause, much perhaps might have been spared to the reader of the observations which I have still to make.

For it did not enter into the view which these gentlemen were directed to give to the Committee, nor perhaps into that of the Committee itself, to state how very closely the political and the practical causes are connected with each other, and with what force of combined effect they both of them contribute to produce that state of things, viz. that condition of the exchange, and that high price of gold bullion, of which the Committee was appointed to investigate the causes.

What was the nature of the Berlin decree of the 21st of November 1806? First, it declared the blockade of the British islands; and secondly, it excluded all navigation and commerce, neutral as well as British, quitting the harbours of Great Britain, from every port of the Continent over which France exerted her baneful influence. By the first, though the most ridiculous of all vaunts if regarded as capable of being practically enforced, she held up a menace against the timid neutral, who should presume to send his merchandize to England, and, as far as privateering could be used as an instrument, France executed her extravagant menace. But by the second, her

most powerful arm, she not only rejected from the great line of coast over which her influence extended, every vessel which bore the British flag, or was charged with merchandize in any way connected with England, but she placed under a ban of exclusion every neutral vessel which had touched in England without taking on board a particle of British merchandize, or, according to subsequent decrees, which had even been involuntarily visited by a British vessel of war. If France could have carried into complete execution both the members of this extravagant decree, she would have performed all she could have wished; she would have suspended equally the imports and the exports of this great commercial country; she would have closed up all the resources for the prosecution of the long war, which the commerce of England has enabled us to support against her vast power, and what is still more, her tyrannical exercise of that power. It is much, to have carried into effect one half of her decrees, to have so trammelled the exportation of this country, to have so enhanced the expence of transport and of insurance, and to have so augmented the dangers of seizure, as from these circumstances alone to have removed to distant periods the terms of remittance and payment, and to have imposed upon us the necessity of the most lengthened indulgence to our continental debtors, even for that portion of merchandize which may escape the rigour of her decrees.

At the same time France was perfectly aware, that it was utterly out of her power to prevent the Continent of Europe, oppressed as it is, from sending out its merchandize *from* its own ports, and consequently *to* those of Great Britain; for once on ship-board and at sea, with whatever false destinations, the merchandize was beyond her iron grasp. Perhaps it was not her wish so completely to impoverish the countries she has oppressed, as to refuse them the means of selling the productions of their soil, or of their industry: I certainly think it was not within her *intended* policy to take away the means of purchase, or to close the sources of enjoyment, provided that purchase and that enjoyment would take the direction which she wished to give them. But at any rate, whether from defect of power or of will, or whether from the clandestine connivance of a refined policy, it is certain that the freedom of imports into Great Britain, and their consequent abundance, have been as great as at any period anterior to the decree of Berlin; and that if there has been any limit to the quantity or quality, it is that which Great Britain has herself imposed, not that which she has submitted to from the prohibitory decrees of her enemy.

What must be the inevitable consequences of

this freedom of imports, combined with this exclusion (rendered every day more and more effectual) of exportation? The necessity of an immediate, perhaps of a previous, payment to a needy seller; the impossibility of making those payments good by anticipated or simultaneous exports; the exhaustion of every other mode of remittance practicable in the present state of continental communications; the fall of the exchanges; the demand for bullion (as remittance, not as bullion), its scarcity, and continually increasing price.

It is thus, that Buonaparté has contrived to lay a tax upon us of twenty per cent. on the amount of every article we import, which is paid for by an exchange or a bullion remittance. That this tax should be necessarily limited to its present amount, that it should not experience a progressive augmentation, if the decrees prohibitory of our exportation should be still more rigorously and successfully enforced, or rather if the excluding system (the decrees forsooth being repealed, as we are told) should be continued with more severity and success, I cannot see, either in the nature of our importations, or in the modes of paying for them, the smallest ground for supposing. The imports into Great Britain continuing in the same abundance and with the same freedom, even from countries under the influence of France, must be paid for either by exports, or by remittances in bill or in specie. The more contracted the payment by exports becomes, the more heavily will the burthen fall upon the exchange or the bullion remittances. These will and must, by their very nature, continue to advance in that case, *passibus æquis*, but in contrary directions. A great influx of bullion from the freer sources of our trade with countries unshackled by decrees, or out of the reach of them, may indeed prevent this advance in great measure; but, otherwise, it seems to me incongruous to affix any other limit to the effect of these payments on our exchanges and on the price of bullion, than that which we ourselves are willing to assign to the quantity of articles to be paid for by them, that is, to the amount of our importations. Our own self-denial of foreign merchandizes, or the increased prices of them, arising out of the difficulty of finding modes of payment, can alone set bounds to the farther deterioration of the exchanges, and the farther rise in the price of bullion.

There would likewise be a similar tax upon all the commodities exported from England in consequence of this fall of the exchange, were it not, I presume, a material part of the exporting merchant's calculation to estimate the difference, and to charge it in his invoices. After all, the prices being settled in sterling money, the low state of the exchange, however it may favour the remittance of the continental purchaser, does not

diminish its value to the English merchant, who will receive the sterling payment of his merchandize at the rate which he himself has set upon it.

This tax, then, of twenty per cent. on all imported articles, which are paid for by remittances of bills of exchange, or of gold and silver, on whom does it fall most heavily? On the class of importing merchants originally and immediately; but in its final effects upon the mass of the nation, whose necessities or whose conveniences require the use of foreign merchandize, either in the raw material or in manufacture. There is another collateral evil arising out of the high price of gold and silver, which affects exclusively the purchasers of manufactured articles, into which those precious metals enter as component parts; for they are manifestly enhanced in price according to the rise in the market price of the metals. This must be taken as the whole sum of the evil from this particular cause, until it can be proved that the scarcity of bullion has established the distinction of a money price and a paper price in every article which is the object of purchase and sale.

Now I will ask every impartial examiner, whether this is an evil of magnitude enough to demand an extraordinary or violent remedy; or whether any remedy ought to be resorted to, which is of very uncertain issue, and which, with the utmost possible success, would be attended with the most serious loss to a particular body—the more unjust, because it would accumulate upon it the whole burden of a political evil, arising out of the general character of the war, which at this moment affects only, and ought to affect only, the great body of the nation. Eventually, indeed, it would fall upon the nation, because I am quite persuaded, that if the political evil should be of that duration which its present appearances threaten, the nation must itself interpose to save the other from its ruinous consequences.

I will ask, whether it would not be far better to leave the evil (viz. this tax of twenty per cent. upon all imports paid for by bill or bullion remittances) to its own principles of self-correction, than to have recourse to an untried and dangerous remedy, which, after all, might not reach the seat of the evil?

Such, it appears to me, must be the remedy proposed by the Committee, of repealing at the end of two years the enactments of the Restriction act of 1797, and of restoring thereby the obligation on the Bank of England to exchange its notes for specie at the demand of the holder. I give all possible credit to the patriotic and considerate motives of the Committee in removing to so distant a period the term of this return to the old state of things, if it were certain that the same period would be the limit of their present state. But had the Committee the slightest

knowledge, had they the least ground for surmising, that two years or any number of years would be the utmost duration of the present system of the enemy? Let it be conceded to them, that at the end of two years Buonaparte will be pleased to revoke the whole of his prohibitory and excluding decrees against the British trade within and on the Continent of Europe, as he has been pleased to revoke those of Berlin and Milan in their powerless effect on the high seas: Is it not evident that the repeal of the Restriction act would virtually be enacted and take effect from the very instant that the term of two years was assigned by parliament to its duration? The Bank must from that moment (with Buonaparte's decrees existing in all their force as now) commence its purchases of bullion, must contract its discounts and advances to Government, and must adopt all those measures of suspicious precaution which would serve to anticipate or to defeat the effects of a drain of coin, when its payments of coin began. It will hardly be contended, I think, that in the actual state of the bullion market, the appearance of a new competitor would serve to lower the market price of gold. Such a competitor as the Bank would, it is true, stand at the head of the market, and, like all other opulent purchasers, would have the enviable distinction of being sure of all the purchases it desired to make, *at the highest price be it understood*: perhaps it might in a very small degree lower the price, by refusing discount to a number of competitors and driving them out of the market. But the excluding system of France continuing for the two years, and imposing upon England the same modes of payment for her importations as at present, the Bank would have for two years the whole importing mercantile interest of England arrayed against it, and would be obliged to purchase, if it could purchase, at the highest price in the market.

At the end of two years, the Restriction act ceasing, and the excluding system of France ending at the same time, it is probable, after the first novelty of the sight and touch of a guinea was worn off, that the Bank might continue its payments quietly and without any alarming drain; renewing its supplies from the usual sources of an unshackled commerce of importation and exportation, and from a generally favourable course of exchange. But if at the end of the two years it were found that Buonaparte continued his system with the persevering bitterness which he displays at present, the bullion market, it is true, would cease to exist; and the equality of its price, with that of the mint, would be for a moment re-established by the Bank's becoming the universal paymaster of gold.—For a moment only: with perhaps the very outstanding notes, issued for the previous purchase of the bullion (and with what

else but notes, or a part of its capital, could the purchase be made?) the Bank might have the whole of its coin withdrawn; it would see " all, " all its precious little ones," " at one fell swoop," torn from its hands, without the power of meeting the clamorous demands of many more notes in circulation.

The case I have put is extreme, it would hardly arrive near to that point; but I seriously believe, that the advances towards it would be so rapid, as to induce the interference of Parliament to prevent it, either by another Restriction act, or by some strong restraints upon that unlimited importation of continental merchandize, the cause of the evil; if the good sense or even the necessities of the country did not themselves set bounds to, and so far correct it.

For the evil contains within itself the principles of its own correction. If the importation continues with the same freedom, and in the same excess as for the two last years, while the exportation in consequence of the French system is as strenuously excluded as at present, the exchanges must inevitably fall still farther at our expence; the scarcity of gold, and with the scarcity, its price be proportionably augmented, until the very difficulty of finding means of payment, and the increasing charges, shall impose upon us the necessity of contracting the importations, and adapting them more nearly to our diminished resources.

I do not think, therefore, that this evil may not be fairly left to itself, and that in the abstract, and considered merely in a commercial point of view, it can ever want a higher interference to check and correct it, than what it furnishes from within itself. Even if it be considered in a political light, and in relation to the final object of the exclusive system of the enemy, it may appear, though less undeserving of the attentive reflection of Government, yet hardly to merit its actual interference.

It must not be supposed, that the bitter animosity which the French Emperor discovers by this system against the colonial productions and the internal manufactures of Great Britain, is the entire dictate of a blind and senseless rage against an enemy, whom he is more solicitous to weaken and destroy, than he is anxious to estimate the sufferings and privation of his own vassals by destroying him. If I were to judge indeed of the man by one memorable occasion alone (the conference of Buonaparte with the Hamburgh deputies at Posen, on the 15th December 1806, about three weeks after the Berlin decree of November), it might be said, that for the sake of destroying England he was willing to carry back commerce to its most simple and even barbarous state, that of the barter of one rude manufacture for another, and to annihilate utterly all the artificial modes of purchase and exchange, by which the

productions and enjoyments of every individual country are rendered common to the whole civilized world. If this were at that period his system, time, no doubt, and the suggestions of a cooler policy, have directed him to other ends, which he thinks he may attain by the destruction of the English commerce. It seems to me impossible not to infer, from the notorious freedom of exportation out of the Continent, and from the almost entire exclusion of importation into it (from Great Britain at least), that the main and ultimate object of France is to foster, by a permitted exportation from the Continent, all its means of purchase and of enjoyment, but to turn those means of purchase and enjoyment into the channel of French productions and manufactures alone—a channel opened and supported at the entire expence, or by the actual destruction, of the British productions and manufactures. With what other view can the late edict of Napoleon have been promulgated, by which the manufactures of England are unpityingly consigned to the flames, while its colonial productions are only confiscated, and, after paying a heavy tribute, are allowed to be added to the comforts and enjoyments of his good city of Paris, and of the other good cities within the limits of his vassalage? Why this distinction, except that he has no wish of eradicating the taste for, and annihilating the use of, coffee, or sugar, or tea, or spices; but that he recognizes a great personal and a great national interest in counteracting and obliterating, if possible, all the habits which have hitherto led the Continent of Europe to the use of British manufactures, in the entire absence of which those of France, he hopes, may take the lead, and may be completely substituted for the former.

If it be not convenient to him openly to avow this end of his policy, he would naturally pursue the course which he has done, and wish to appear to bear an *undistinguishing* hatred to every thing British, colonial as well as domestic. Like one of his great counterparts, brother *Peter*,* he would roast horse-beans, and swear they were good coffee, and force the *Martins* and the *Johns* of his good city to swear too that they were excellent coffee. He would make his minister of state, surrounded by a council of the most distinguished chemists of the country, address ridiculous reports to him (if any thing which touches the innocent enjoyments of a whole people can be ridiculous) upon the properties of sugar made from sour grapes, and upon the differences between it and the cane sugar in the composition of ices, creams, and *compotes* of apples.* All these

* Vide Swift's Tale of a Tub.

† See in the *Moniteur* of the 22d July, 1810, a report of the minister *Montalivet*, assisted by the chemists

follies will be forgotten, when peace shall have restored to him the French colonies, or at least the power of receiving as much sugar and coffee as the French people shall stand in need of: but if, in the mean time, he shall have attained the great point of weaning the Continent from the use of the English manufactures; if he shall have raised into something like a permanent consistence, and a permanent competition, the fabrics of France; if he shall have turned the taste and the habits of Europe into the channel of the productions of French industry, he will have performed a great work, and will have inflicted, he flatters himself, a more fatal wound on the future power of England, than any which his sword has yet been able to inflict.

Buonaparte will find here too, I doubt, that he has flattered himself; he has yet to learn, how weak is absolute power, when it attempts to execute certain things. It may encourage every art which is calculated to give brilliancy and splendour to the throne; but it is not in the na-

Berthollet and *Chaptal*, with other members of the National Institute, upon this important subject. The result of it is, that with a pound of grape sugar, costing nearly a shilling sterling, the same, or nearly the same effect may be produced as with rather less than half the quantity of cane sugar.

ture of a fierce and suspicious despotism to leave to their free scope the arts which make the elements of a people's happiness. It cannot give confidence, credit, security, tranquillity, the power of possessing, of employing, of enjoying capital, in all the diversified modes which the wants and desires of a whole people demand. Manufacture, with all her train of mechanic arts, may exclaim to him, as Sydney would have done,

Manus hæc inimica tyrannis
—Petit placidam sub libertate quietem.

There is nothing therefore in this part of the French system, if it be indeed a part of it, which England has to apprehend, or which ought to carry her into any great or violent measures to prevent its effect: certainly nothing that should induce her to adopt a remedy, which might eventually be as injurious to her as to the Continent; such as the stoppage in a great degree of importation from the Continent, which would, while we are interdicted from it, unquestionably put an end to most of the appearances in the exchange, and in the price of bullion, which the Committee has regarded as the effect of the depreciation of the paper currency of England.

To return to the main subject.—I have, through the whole of the preceding pages, combated

(with what success the reader must judge) the doctrine of the depreciation of the bank paper currency; first, from the utter absence of proof that there exists an excess of that currency in circulation, the only cause to which the Committee ascribes its depreciation; and secondly, from the utter inapplicability, as proof either of excess or depreciation, of the two points which the Committee regard as the infallible criterion of both, viz. the depression in the foreign exchanges, and the high price of gold bullion. But I shall be asked, how I can pretend to deny the proof, which is derived from the great increase of price of every thing around me, of every article of necessity, convenience, and luxury; of the wages of labour, of the rents of houses, and particularly of the rents, as well as the principal cost, of lands? Without meaning in the smallest degree to question the truth of these acknowledged facts, I should answer, that I regard them as the most decided proof, that there is no depreciation, which is peculiar to the paper-currency of this Country, and which is to be exactly measured by the rate of the exchanges, and by the price of the precious metals; because these two circumstances give no measure at all, certainly no adequate measure, of that great depreciation which is indicated by all the foregoing facts. That there has been for several years past, perhaps in a greater degree within the last ten years, a most sensible decline in the value of money (not of paper alone but of the precious metals in the form of coin, or even in the form of bullion, if regarded as money) is a truth of which those facts furnish incontestable evidence, and which is most severely felt by every class of individuals, whose incomes do not advance progressively with the decline in their nominal value. The measure of this great depreciation of all money, is not fixed or invariable; because in some articles it is indicated by an increase of thirty per cent. in the money price, in others of fifty, and in others of a hundred; but in all of them it would most probably continue nearly the same, were the foreign exchanges from this moment to resume their former level, and were the market price of gold bullion at once depressed to the standard of the Mint.

To what cause this great depreciation of money is to be ascribed, which has produced such changes in the condition and gradations of every rank of society, and which has occasioned such enormous additions to the sum of the national expenditure in peace as in war, is a subject well worthy the serious investigation of a patriotic and enlightened Legislature. Whether it be owing to the real augmentation of the mass of national wealth, or to its more equable diffusion over the whole community; whether the physical productive powers of the soil, or whether the ener-

gies of general industry, have not kept pace, or have not been able to keep pace, with the augmentation of active capital; whether the vast extension of the banking and discounting system, by creating a fictitious capital, or by giving greater activity, and a more rapid circulation, to that already existing, has produced this effect on prices, are all points which may support much argument in their favour. That part of the banking system which relates to the properties and to the effects of discounting, has many points of marked distinction from that which relates to the issue of a paper currency, and the effects of an excessive issue. But there cannot, it appears to me, be a more erroneous doctrine, taken generally, in financial economy, than that laid down by the Committee (p. 26), where they express an anxiety to remark, "that the largest amount of mercantile discounts "by the Bank, if it could be considered by itself, "ought never, in their judgment, to be regarded "as any other than a great public benefit; and "that it is only the excess of paper currency "thereby issued and kept out in circulation, which "is to be considered as an evil."

I think it may be safely affirmed, that from the first origin of banks, whether in the form of a *Mont de Piété*, or *Lombard*, to the present state of those establishments, the invariable effect of their loans or discounts, as far as they are made upon the credit of actual merchandize, and with the intention, on the part of the borrower, of suspending or delaying the sale of that merchandize, must be to augment its price. It is to prevent a sacrifice of his goods, as it is called; it is to await more favourable markets; it is to obtain a higher price by a sale upon credit, and to convert that sale into one of ready money by means of discount, that the holder of merchandize requires loans of money, which enable him to keep back his goods from the market. There is one loss which the holder must necessarily experience, or he must add to the price of his goods at least the interest of his loan; but he promises himself much more by the suspension of sale he has gained by the loan, and he is often not mistaken in his calculation. I allude rather to these effects of banking, which are as applicable to a coinage as to a paper circulation, than have any wish to enlarge upon a point which would carry me too far from any object I have proposed to myself in the foregoing remarks.

The conclusion which I would wish to draw from all that has been advanced in the preceding pages, is, that the remedy proposed by the Committee for the evil of which they have been appointed to investigate the causes, viz. the repeal of the Restriction Act of 1797, at the end of two years, cannot, under the present circumstances of Great Britain with the Continent and with her enemies, be applied, without the greatest and most serious mischief:

That this is not a time for resorting to such a measure as the said repeal:

That it is impossible to state or to foresee, that at the end of two years, or any number of years, the time may have arrived:

That, even with the continuance of the present political circumstances, the evil complained of contains the principles of its own correction:

And that, probably, the cessation of the present political circumstances will alone be sufficient to remove the evil altogether.

The repeal of the Restriction Act of 1797 may then be safely resorted to, and the pecuniary relations of the Country within itself and with the Continent be restored to their ancient form.

For I utterly disclaim any intention of recommending or advising that the Restriction Act should be regarded as a permanent measure. I have in common with thousands of my fellow-subjects a feeling (a prejudice, if it so pleases to term it) in favour of the re-appearance of the gold coinage, and the resumption of cash payments at the Bank. But there are powerful reasons, some of which also involve questions of personal feeling, for wishing it. If there be any thing in the resumption of cash payments, which will serve to check the too rapid growth of the public prosperity, which will throw obstacles in the way of the too sudden enriching of a particular class of the community, or of the whole community, I think it ought to be cherished and encouraged. It is with nations as with individuals; the only safe and certain opulence, the only prosperity which can be relied on as permanent, is that which is acquired by the slow and gradual accumulations of a regular, undeviating, and noiseless course of industry. Whatever is sudden, is the effect of a deviation from that course, is the effect of change; whatever is sudden is liable, therefore, to change again; but independently of the exposure of sudden prosperity to vicissitudes, there is something in its own nature, which leads to extravagant and thoughtless expenditure, to the contraction of great debts in the pursuit of vast projects, to the creation of a series of evils, the effect of which will remain long after the cause of them "has taken to itself wings and flown away." There have been circumstances in the history of the late and the present war which have thrown extraordinary sources of wealth and prosperity into the hands of this nation, which, in imposing upon it the necessity of vast exertions, have at the same time furnished the means of those exertions, but which, by the subversion of all the settled principles in politics and commerce, have completely unhinged and unseated all those which we have been accustomed to regard as the sure guides to permanent national and individual prosperity. It is this sudden accession of extraordinary opulence, not the fancied depreciation of a paper currency to be measured by the price of a bar of gold or a bill of ex-

change (which to-day is at ten, or yesterday was at twenty per cent. above or below its ordinary rate, and to-morrow may be at par), to which we ought to ascribe the hardships under which the public creditor, the annuitant, the possessor of a fixed income, labour. Each of these individuals is in a state of comparative privation and suffering, not only because his means are no longer as before equal to the decent supply, in his proper sphere, of his expences, but because (and this by the bye is the real foundation of the other) he finds a thousand new competitors, formerly his inferiors in fortune, crowding into the same market, and a thousand of his former equals, whose active incomes have felt the progressive increase of general opulence, rising in pecuniary consideration, and leaving him far behind—*Vous montez, et moi je descends*,* may be the melancholy reply of every one of these annuitants to his thriving friend. It is equally true that the wages of valour, talent, industry, and labour, are all rendered less valuable from the same cause, because from their very nature they must be stationary in point of quantity, and because they share the same fate with every other species of pecuniary remuneration. The posessors of these valuable commodities, which are of a description, I doubt, hardly likely to augment in value by their rarity,

* The reply of the Duc d'Epernon to the Cardinal de Richelieu.

have only to lament that they have not experienced the same rise in price with gold bullion, and to hope that the decline in the latter may restore them to somewhat like their real standard. I should not, however, in any case put them in the same account with the public annuitant, or public creditor. The complaint is common to every nation, and has been repeated in every age, that these qualities have never received a pecuniary remuneration at all adequate to the estimation of the possessors of them, or even to the estimation of the public. How is it possible they should, when that very estimation forms a part, and with some generous spirits, the most valued part of the remuneration? Still they ought not to be deprived of any portion of the pecuniary reward which the Country is able to bestow upon them, and it would be most desirable that they should receive it unimpaired and undepreciated.

Whether that effect will be produced by the repeal of the Restriction Act of 1797, the event only can shew. Certain I am, that many other changes must take place before the circumstances of the Country will be restored to that state, in which it was some years before that memorable measure was enacted.

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