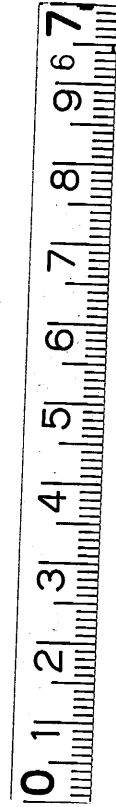
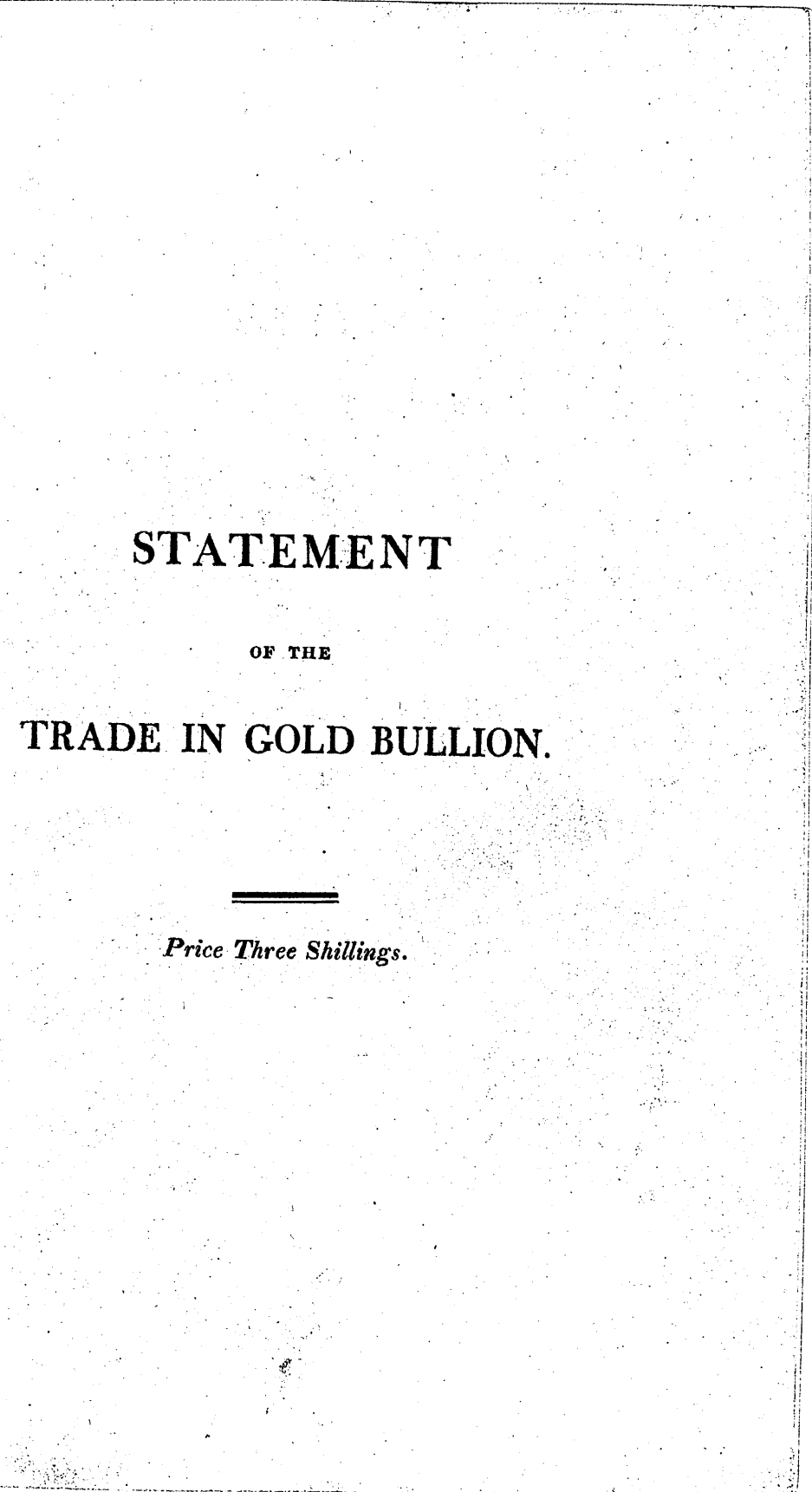


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2540



STATEMENT

OF THE

TRADE IN GOLD BULLION.

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A
SHORT
STATEMENT,
OF THE
TRADE IN GOLD BULLION;
WITH AN
ATTEMPT TO SHEW,
THAT
Bank-Notes
ARE
NOT DEPRECIATED.

Liverpool:
PRINTED BY HARRIS BROTHERS,
FOR T. CADELL AND W. DAVIES, STRAND, LONDON;
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1810.

FROM
THE
STATEMENT
OF
THE
COMMISSIONERS
OF THE
SINKING FUND
AND
THE
REVENUE

The high price of bullion, and the state of our paper currency, have for some time past been subjects of great general interest, and have given rise to much controversy, both in public and in private. They have been so ably and elaborately discussed, in several late publications, that it is with diffidence and hesitation I presume to offer any further observations on these matters. It was the pamphlet of Mr. Ricardo, entitled, "The high price of Bullion a proof of the depreciation of Bank Notes," which first called my attention seriously to the

STATEMENT.

THE high price of bullion, and the state of our paper currency, have for some time past been subjects of great general interest, and have given rise to much controversy, both in public and in private. They have been so ably and elaborately discussed, in several late publications, that it is with diffidence and hesitation I presume to offer any further observations on these matters. It was the pamphlet of Mr. Ricardo, entitled, "The high price of Bullion a proof of the depreciation of Bank Notes," which first called my attention seriously to the

subject. I saw it in London, in the month of April last. It appeared to me such a paradox, so directly contrary to my own ideas, and so opposed to the common sense and general experience of every man that has a bank note in his pocket, that I had at that time made a few memorandums, with some intention of controverting this gentleman's arguments. Other avocations, however, intervened, and they were laid aside, until I was reminded of them by the publication of the "Report of the Select Committee of the House of Commons on the high price of Gold Bullion, &c." and on perusing it, I observed that the majority of the members seemed fully to assent to the hypothesis of Mr. Ricardo, and, by their questions to the witnesses examined, appeared anxious to prove the truth of it. The publication of Mr. Huskisson's pamphlet

soon followed. He was one of the members of the committee, and in his individual capacity as an author, argues logically and ably on the same side of the question; and I should almost be afraid of venturing any thing in opposition to such a work, did I not perceive, that the superb edifice rests the whole of its weight on one single point, not very firm, and by the removal of which, it must fall to the ground in a moment. Of other publications, I know no more than what I see stated in the last Monthly Review (October,) and the authors of that judicious and elegant journal take the same side. It is therefore with extreme caution that any man should venture to oppose such accumulated authority. I will not pretend to quote or to criticize any par-

particular passages, but confine my observations to the general doctrine of these authors—that our paper currency, or in other words, the promissory notes of the Bank of England, are depreciated,—an opinion which, if it has not already, may cause some alarm through the country. I do not, however, apprehend, that such an alarm can spread very far. People who read these sort of pamphlets, and think, or fancy they think, deeply on the subject, pretend to see cause for uneasiness; but the generality of the good people of England will never believe, so long as they find a bank note of one pound to be worth twenty shillings, that it is depreciated, in spite of all the abstract and philosophical reasoning to persuade them to the contrary. In this they shew their accustomed plain and good sense; for it is most incontrovertibly true,

(the fact admitted,) that there can be no depreciation real or imaginary; for the moment a depreciation takes place, let the cause be what it may, it must, and will shew itself in this way and no other. A one pound note would in this case, first, perhaps, be received for nineteen shillings, then for fifteen shillings, and so on. But such a want of credit, I think, cannot possibly arise, so long as we possess any thing like a free constitution, and the actions of those who govern us are subject to investigation and inquiry.

Suspicious have been abundantly set forth, of the conduct of the Bank Directors, of their connivance with his Majesty's ministers, and thus issuing a superabundant quantity of their paper, to supply the wants of government. I am not prepared to deny that such an opera-

tion may have occasionally taken place, to a certain small amount; nor am I prepared to justify them, however rare, or however small the accommodation, so granted, may have been; and I hesitate not to say, that it was a deviation from their duty, were it only for a single £1000. I applaud, however, their prudence and discretion in not having gone farther, so far as applause is due; but I am bold to say, that neither the King's ministers dare to ask, nor the Bank Directors grant, an accommodation of this kind, to any great extent.

Let us suppose, however, for a moment, that the restraints on our government were so far relaxed as to be merely nominal; the parliament so entirely under the influence of the crown, as that its debates were disregarded; and the peo-

ple so debased and supine, as neither to ask for, or think of reform; and that in such a situation a minister, being in immediate want of so enormous a sum of money as to be afraid of publicly applying to parliament, for fear of rousing the slumbering lion, prevails upon the Bank Directors to fabricate for him, ten millions of their notes, which might not be perceived: this being squandered away, he asks for ten millions more; he would soon arrive at the point where the superabundance must become sensible. From thence the twenty shillings' note would drop to nineteen, and so, step by step, until it came to ten, or five, or even one shilling; but our nominal or imaginary pound sterling, with its aliquot parts, in which we keep our accounts, would remain unaltered; it would hold the same relative value with respect to gold, sil-

ver, copper, corn, sugar, or any other commodity.

I most cordially agree with the Governor, and Deputy Governor of the Bank, that so long as their notes are in demand, and they do not issue them, except in exchange for something which represents actual property, and is convertible into it, within a stated period, they may go on without apprehension to the most unlimited amount. It is when paper money has been fabricated without value having been received for it, that it becomes soon depreciated, and more or less gradual according to circumstances, and at last, in all cases, if not redeemed, must descend to its original nothingness.

If it is really true, that the notes of

the Bank of England are depreciated, there must be something essentially different in our paper currency from that in any other country within my recollection; for the paper first invented in North America, at the commencement of the dispute with the parent state, retained its nominal value for a very short time; a considerable discount was openly allowed upon it, which rapidly increased, till at length 1000 dollars of the paper would not purchase the value of a dinner. Exactly the same thing happened in France during the revolution; assignats were soon subject to a discount, which increased till they were absolutely worth nothing at all. Still, however, the imaginary money of the country, livres, sous, and deniers, continued the same; they bore the same relative value with respect to all other commodities; paper alone was

at first depreciated, lost its credit, and at length became of no value. The same thing has happened in Spain, and in Portugal; the vales reales in the former country have, for many years past, been at a very high discount, fluctuating according to political circumstances; but the reales and maravedies, in which their accounts are kept, have suffered no variation: and it is precisely the same thing in Portugal, as will be shewn hereafter. But, before discussing farther this subject of paper currency, I will relate what I recollect of the trade in bullion.

I first became acquainted with the Lisbon trade in 1772. During this and the four following years I resided in London, and received considerable quantities of gold bar, gold dust, and coin, from Lisbon. I generally took it with my own

hands from the bullion office, and frequently attended the refinery of Messrs. Cox and Co. to see the dust melted. Towards the end of the year 1776 I went to Lisbon, where I staid till 1801. During the first eighteen years of this period, I was in the habit of purchasing large quantities of gold bar and dust, and exported it to England in his Majesty's packets and ships of war. This was brought from the Brazils clandestinely, but it was done without much apparent risk, nor was there any great secrecy observed in the purchase of it at Lisbon: it seems as if it had been known to, but winked at by, the government. From the very nature of this trade, it is impossible to procure any exact account; but as the greater portion of it went to the bullion office, the statement of what was received there might be a good ap-

proximation: not however having even that to refer to, I will try to make the best computation in my power.

The five Lisbon packets, stationed at Falmouth, made, upon an average, together twenty-two voyages annually; perhaps four or five ships of war called at Lisbon in the course of a year, and brought gold to England; some was also brought by merchant ships; and I should think that, reckoning thirty voyages at £30,000 each, taking bullion and coin, would be the utmost amount of the gold imported into England from Lisbon, in the twenty years, between 1772 and 1792; and according to the best information I could obtain at that time, and my general idea of the trade, it was the chief supply that Europe received of this precious metal. Soon after the last-mentioned

period, the quantity of gold at the Lisbon market began sensibly to diminish; it continued to fall off gradually. It was reduced to a mere trifle for some years before the emigration of the Prince Regent and the government; and since that epoch the supply from thence has ceased totally and entirely.

Gold; it may be presumed, was brought to England from Africa, from our first communication with that country; the very name of our late current coin the *Guinea* seems to denote, and to prove it. I would compute the quantity, for a great many years back, to have been of the value of £200,000 annually; a small quantity. It understands is, nor was occasionally, brought from the East Indies. The next source of supply is from Spanish America. I do not recollect having ever

heard that any considerable quantity was imported into England from thence, either through our West Indies, or direct from Spain, during the above-mentioned twenty years from 1772 to 1792; but on inquiry I am informed, that for the last fifteen years the quantity brought, principally through Jamaica, has been considerable, and may be fairly computed of the annual amount of £700,000.

I have supposed, that the whole quantity of gold imported into Europe came through England, which may not be strictly correct; for I recollect, that the French merchant ships trading between Havre de Grace and Lisbon, used occasionally to carry a few hundred pieces of coin direct from the latter to the former port. The French ships trading to the coast of Africa may have carried a small

quantity of gold dust from that continent to France. The Dutch traders to Africa, as also their East-Indiamen, may likewise have conveyed a small quantity of gold to Europe. It may however, I think, be fairly computed, that the whole importation from the other three quarters of the globe never could, nor did exceed, the value of two millions of pounds sterling annually.

History informs us, that the gold mines in Brazil became sensibly productive about the commencement of the reign of king John V. of Portugal; and I imagine they arrived at their greatest fertility towards the close of that reign, between the years 1740 and 1750, for I have often heard, soon after I went to Lisbon, the old merchants, both Portuguese and English, describe that period as the golden age of the country.

We will now take a cursory view of the other side of the account, and endeavour, though perhaps very vaguely, to attain an approximation of the quantity of this metal consumed or made use of during the same period. Gold trinkets and ornaments, of every description, have been worn by men and women from time immemorial. The Roman Catholic churches throughout Europe were adorned with a profusion of gilding; gold watches were made in considerable numbers in Paris, Geneva, and some in London; gold snuff-boxes were also highly in vogue; and most of the courts of princes, and many of the nobility, had gold services on their tables, and gold dressing-boxes on their toilets. Still I think, that from about the year 1720 to 1780, the production of the mines was fully equal to the consumption, and

probably the quantity of this precious metal in Europe may have been on the increase; but at or about that time the thing is reversed; the quantity has been gradually decreasing, and for the last few years very rapidly indeed. It has been already shewn, that the supply from the Brazil mines has ceased altogether; and supposing that the other sources continued as they were, they cannot exceed the value of one million sterling per ann. Now an eminent and ingenious watch-maker, resident in this place, informs me, that during his apprenticeship, his master had seldom orders for more than two gold watches at a time; but that the manufacture of gold watches in this country has of late so rapidly increased, that he himself, for several years past, has seldom had less than a hundred and fifty in a progressive state towards finishing; and

that his annual consumption of standard gold for the cases only is one thousand one hundred ounces; and he thinks it may fairly be computed, that this quantity is about one-hundredth part of that used for the same purpose throughout the kingdom; thus making an aggregate, in one article only, of near the value of half a million sterling. If we consider that a manufactory of the same kind is carrying on extensively, and probably with the same increase, at Paris, at Geneva, and many other cities, and that the manufacture of trinkets, ornaments, and gilding is going forwards, in a greater or less degree, throughout Europe, however low the quantity consumed in each place may be computed, there surely cannot be a doubt upon any person's mind, that it far, very far, exceeds the quantity of late years produced

by all the mines in the world. It was, perhaps, about the year 1790, that the scarcity first began to be perceived. In 1797 it became so evident, that the government was under the necessity of restricting the Bank from paying away any more gold, the price being then about eighty-three shillings per ounce. It was called a temporary measure, and supposed to be occasioned by the circumstances of the war. This was the general opinion, and I really believe, that neither the Bank Directors, nor the government itself, knew any better. But the true and real cause was the actual scarcity of the metal, and the virtual effect of the measure was, that of changing the circulating medium of the country from gold to paper, and thus relinquishing the metallic circulation to the general market of Europe; and it has been gradually

taken away, a small part, perhaps, for the circulation of other countries, but chiefly for the use of the manufacturers throughout Europe.

Had our government not taken this step, but, in place of it, allowed the value of guineas to have followed the market price of gold, the metal must have risen much higher than it has done hitherto; a guinea at this time would probably have been worth thirty shillings or upwards of our nominal currency, and an ounce of gold upwards of £6. But this is merely a guess—the advance might have been greater, for it is not easy to imagine the extent to which people will go for a showy and fashionable trinket; and I am persuaded, there is not a man, who wears a gold watch, to whom it is not indifferent, whether the

case of it cost £5 per ounce, or £10 per ounce.

In the foregoing calculation of the quantity of gold consumed in the world, no account is taken of the wear of coins, which is not inconsiderable. Add to this, the actual loss of the metal, which could not have been trifling, in France, during the first years of the revolution, when there was really a scramble for it. Every man got possession of the largest quantity that he could, as being a material of the greatest value, and the smallest bulk. Doubtless many of those persons buried it for safety deep in the ground, and afterwards lost their lives without divulging the secret.

No small portion of the metal, also, must be for ever hidden at the bottom of

the ocean, in consequence of shipwrecks, and of vessels having foundered, or been burnt at sea, within the last fifteen years. I am sensible that on the other side, some allowance ought to be made for the quantity of old gold, re-melted and converted into new articles; but which, from what I can learn, bears a very small proportion to that made use of from bars and foreign coin: and indeed, from the enumerations of the various modes of consumption, they so vastly exceed the actual import, that no reasonable calculation of this kind can bring them to an equality.

Had our government, at the time it restricted the Bank from paying gold, been aware of the real state of the case, and at the same time had had the resolution, I may say, magnanimity, to procure the repeal of all the prohibitory

and penal laws relating to our gold coin, it would have greatly tended to shew the matter in its clear and proper light; and it might have saved all the trouble and expence of the late publications, and particularly the question, &c. stated and examined by Mr. Huskisson, whose hypothesis, as I have before intimated, seems to rest solely on this point, which ought, and, I think, must, in a very short time, be entirely taken away. He says, that the standard price of our gold coinage is fixed by law at £3. 17s. 10½d. per ounce. I would ask, where is the authority that can fix the standard value of any one thing upon the face of this earth? Things have value relative to each other, but no power can subject all the others to an arbitrary value of any one of their fellow things. What king, or what nation, it was that first

thought of fixing a standard value upon its money, it is not here necessary to inquire, but almost all the nations of the world have fallen into the same error, and it has until now been acquiesced in by the generality of mankind. The reason is plain. The supply of the two precious metals, gold and silver, having been nearly equal to the demand, the value of them continued almost stationary for a long series of years; therefore nobody doubted the propriety of thus fixing a standard, and the right was perhaps never questioned. But the principle was just as erroneous, applied to this metal, as if to any other commodity whatever. It is in reality as vain as the attempts of the French government, in the early part of the revolution, to fix a maximum and a minimum upon corn, and other articles of provision. The

difference is, that in the one case it required only the space of a market day to prove the futility of the attempt, and in the other, a series of years. But what else is this fixing of a standard, than making a law of maximum for one particular metal or commodity; for after all it is merely referred to our true and only standard, pounds, shillings, and pence. The law says, it shall be worth no more, nor no less, than £3. 17s. 10½d. per ounce; but, the people say, it shall be worth more, and they prevail: and if in place of mines being exhausted, an inexhaustible new one had been discovered, the people would have said it shall be worth less; the price would have fallen in spite of the law, and our pounds, shillings, and pence, remained in statu quo.

The present state of things removes the delusion, and proves that these two celebrated metals can have no more value, commonly called intrinsic, than a bushel of corn, or a cwt. of sugar, and that they will be sold for no less, nor fetch any more, than the market price of the day, regulated by their respective scarcity or abundance, although a hundred laws were made to prevent it.

Gold has been called the most precious of metals, and I am not disposed to dispute its pretensions: it is, however, universally admitted, not to be the most useful, and the purposes to which it is applied are chiefly for splendor and ostentation. But mankind seem to have attached to it an idea of something supernatural, and such has been the anxious

desire, the pride, amongst nations, to hold it in possession, that there is hardly one that has not freely opened its gates to the admission, and rigorously prohibited the exportation of it, by the most positive laws, and under the severest penalties. Even the Portugueze, though proprietors of the mines, and therefore obviously their interest to produce as much, and sell as much, as possible, have fallen into this error. The Spaniards too, as owners of the mines of the less valuable metal, silver, are guilty of the same egregious mistake. As well might the Emperor of Germany have prohibited the exportation of quicksilver, Sweden its metals, or our own legislature forbid us sending abroad our iron, our copper, or our tin. All the writers on political economy have likewise drawn a line of demarca-

tion between these two metals and all the other productions of the earth, and have called them distinctively the balance of trade, as if a balance paid over in these two metals was of more intrinsic value than if it had been paid in iron, in copper, or in corn. It never can be supposed, that any nation will continue long to send to another nation a larger amount of commodities than it receives, or expects to receive, within a limited time. It is said that the balance of trade is in favour of a country when the amount of commodities entered outwards at its custom-houses, is greater than those entered inwards, and a conclusion is drawn, that the balance has been received in gold and silver; but this can never be ascertained, the exportation in most countries being absolutely prohibited. It might be difficult to keep an

exact account under any circumstances, but these laws have rendered it quite impossible, and throw a mystery over a transaction that would, otherwise, be as plain as any other operation of commerce.

In our public documents a pompous statement is set forth, of the magnitude of our exports compared with the imports. If the balance had been brought into the country in gold and silver, we might have lined the inside of our palaces, perhaps shod our horses, and tired our chariot wheels, with these brilliant materials! But in those statements I have never observed any allowance for the numerous captures of our ships by the enemy, or of the losses by accidents at sea, all of which are insured in England, and consequently become an absolute annihilation.

lation of so much property belonging to the country, and should be deducted from the balance. Add to this, the immense loss upon our late exportations to the North of Europe and South America, by which so many of our merchants have lately been ruined. These, if taken together, and fairly calculated, would, I apprehend, nearly, if not totally, absorb this pompous, but delusive balance.

Nations may, and I think ought, to fix in the most permanent manner possible a standard weight, and a standard measure, and if they could communicate with each other, and make these standards universal, it would be a vast convenience to the whole of mankind; but, as I said before, they cannot fix a standard value upon any thing: the attempt is vain and foolish; it is a contradiction

in terms, and incompatible with the general order of nature. If I am right in this assertion, what then, I may be asked, are we to make use of as money? What are we to do for a circulating medium? I answer, go on as you are; your circulating medium is merely imaginary; you have no such thing as pounds in actual existence, but you have an ideal pound, with its aliquot parts, in which you keep your accounts, and which avoids the inconvenience of absolute barter, and fully answers the purpose. It would be of no consequence were we to give those pounds any other denomination, or even if we made use of figures without giving them any other name than one, two, three, &c. Let us suppose, that metal never had, and was not now, made use of as

money, and I have a pound of tea, and wish to exchange it with my next door neighbour for a pound of sugar; but according to the market price of these two articles, one pound of tea is equal to five pounds of sugar. I receive from him the pound of sugar, and a bit of paper, with the number four, and his mark upon it, and the account is settled. So long as he continues my neighbour, and is solvent, his mark is sufficient, and I can pay it to another neighbour for a commodity worth four, relation had to the other two. But men change their places of abode; in their general traffic some gain, others lose, and many become insolvent. Aware of this, I am not so well satisfied with the mark of an individual, as I should be with the stamp of a company of opulent men, whose office is fixed and permanent. Thus we may

imagine the origin of bank and bankers' notes, and if any man is doubtful of the solvency of this paper, and wishes to keep his property in as small a compass as possible, let him purchase gold; he will still find it in the market at the market price, and it appears to me a promising speculation. This is the plain ground-work of our paper circulation, and so long as the authority of government, and the solvency of the Bank, and the general credit of bankers, continue, the machine goes smoothly round. Still, however, it must be admitted, that the system is not fixed upon a basis absolutely immovable. The successful invasion of a savage enemy, the total overthrow of the government, the plunder and destruction of the Bank itself, with the dispersion of the directors and

their officers, would certainly cause a most dreadful confusion, and incalculable inconvenience, to all ranks of people, particularly amongst the middling classes. Many also would be totally ruined; but the anarchy occasioned by such a dreadful catastrophe could not, from the nature of things, be of long duration; and on the restoration of order, those persons possessed of actual property would immediately make it available for all their wants by actual barter, until some means were found of facilitating the exchange of commodities. Now it must be confessed, that if gold was in abundance, and that in place of paper it had been made use of as the circulating medium, so horrible a crisis would occasion much less individual distress and inconvenience. If, at the moment it happened a man had £50 of bank notes in his pocket, it

would be changed instantly into waste paper, and he must look about for some other species of property that he could barter for his next dinner. If, in place of bank notes, he had the value of £50 in gold and silver, the difference of his situation need not be pointed out. It might last him till the restoration of order, and he might have felt very little personal distress or inconvenience from such a subversion. But, however desirable it might be (and I do not deny that it is desirable) to bring back a part, at least, of our circulating medium to gold, we have gone so far, that it appears to me next to impracticable under our existing laws: and nothing surely can be so childish as the proposal of the bullion committee, to force the Bank to pay its notes in gold at the rate of £3. 17s. 10½d. per ounce, when the real

value and actual price is £4. 12s. per ounce. It would be the same as to say,

"This is to give notice, that we, the government of Great Britain, at the end of two years from the date hereof, will sell gold or silver at twenty per cent. less than its value, and will raise a tax upon our subjects to pay the deficiency." But the folly and absurdity of such a measure will appear more glaring by a reference to the appendix to the report itself, No. 27, page 37; by which it appears, that in the year 1794 the whole produce of the gold mines of Spanish America amounted to 40,000 marks, and of the mines of Brazil to 20,000 marks. The former may be perfectly correct for any thing I know; the latter may be correct also, excluding the contraband trade. They make together 60,000 marks as I understand, of about eight ounces

avoirdupoise each mark; this reduced into pounds troy, and calculating at our standard of $44\frac{1}{2}$ guineas per pound, would make, in round numbers, about 1,700,000 guineas. Supposing, therefore, that the produce of the mines had not diminished since that time, and that we had the power of appropriating the whole of it exclusively to our purpose, it would require full twelve years to replace by gold the bank notes in circulation. I know nothing of the Spanish mines, but I know that the mines in Brazil are very nearly, if not entirely, exhausted; and I know that the miners, unwilling, like men in every other department of life, to change their habits and occupation, went on working in this unprofitable pursuit, until they found their slaves upon an average did not earn for them more than 50 reis, or about $3\frac{1}{4}$ d. each

per day, which at length forced them to relinquish it. They now, I am informed, cultivate cotton upon the surface, and bring it down to sell at the Rio de Janeiro on the backs of mules and horses. This being the true state of things, shews the proposal of the gentlemen of the committee almost beyond imagination trifling and ridiculous.

There cannot be a doubt, but that the bowels of the earth, in that richest and finest part of it called Brazil, contain gold in abundance. It is the blind, narrow, foolish policy of the government that prevents its extraction. All the laws for the regulation of the mines are absurd and injurious. In the first place, one-fifth of the gross produce is exacted as a duty: this might be afforded, so long as the metal was found near the surface; but

when great labour has been employed in digging deep, and even turning the course of rivers, for the purpose of exploring their former beds, the tax becomes exorbitant. And of their regulations, it will be sufficient to mention one: when a gold mine is opened, although the miner be successful in discovering a rich and abundant vein of the metal, should one of the slaves by chance find a single diamond, and that comes to the knowledge of the government, the excavation is immediately filled up, the ground taken possession of by a guard of soldiers, and the labour of the miner entirely lost.

The government itself must have been sensible of the diminution of the produce of the mines for a long time past, though it never became a subject of general conversation, or even of much public

remark: But I well recollect having met with a Portugueze gentleman, in Lisbon, some fourteen or fifteen years ago, who was then just returned from a long and extensive tour through all the mining countries in Europe; it was undertaken for the express purpose of instructing himself in the different modes of procuring, smelting, and treating the metals. His journey was at the expence of the government, with the direct view of appointing him to the superintendance of one of the districts in the Brazils; and in the expectation, that by means of his knowledge and acquirements, the produce of the mines might be increased. He was so appointed, and sailed for his destination, but I never heard any thing of his endeavours or of his success. He appeared to me, as far as I could judge, to be a very able mineralogist, well

informed upon every subject connected with that science, and a very ingenious and clever man; and that it was impossible to have chosen a fitter person for such an important mission. He has probably been counteracted, and his exertions rendered fruitless, by some private interest, jealousy, or court intrigue.

As to the general assertion of the authors before alluded to, that bank notes are depreciated because bullion is at a high price, the text and title of Mr. Ricardo's pamphlet, which all his followers stick to very closely,—as well might it have been said, that bank notes bear a premium, because any other article is plentiful and cheap. The celebrated Dr. Adam Smith, whose *Wealth of Nations* I recollect reading when a very young man, lays it down as an axiom, that an

over-abundance of money causes the price of every other article to rise; but this has always appeared to me somewhat problematical. It may be true, regard had to the existing laws relative to our coin, because if by its decrees, a government can compel us to take a coinage of gold, for every thing we sell at the rate of £3. 17s. 10½d. per ounce, gold in the general market of Europe, not being worth more than £3. and could force upon us a superabundance of this over-valued coin, other things would appear cheap compared with it. But in the natural order of things the axiom is not true. Clear away from the question this rubbish of the law, and the falsity of the position stares you in the face. The gold in this case, would immediately fall to its natural market price. If in like manner a government endeavours to force upon

us a superabundance of paper, exactly the same thing will happen. It will fall to a discount, which will virtually lessen its quantity; so that there can never be any such thing as a superabundance of money in a country. If you fabricate a piece of paper, and call it 20, when 15 only was necessary, it will stand for 15, and no more. If you double the quantity that was necessary, it will count for 10, and so on. If government would but let things alone that do not naturally belong to them, it would save an immensity of trouble, both of thinking, and of writing.

Bank notes are said to be depreciated. Let us suppose a case, however ludicrous, of a person being absent from the kingdom, for the last eleven or twelve years. On landing, this is the first information he receives, and on his arrival in London,

he thinks proper to buy a quantity of gold. He applies to Mr. Goldsmid, who tells him he must pay for it in bank notes at the rate of £4. 12s. per ounce; he is immediately convinced what he had heard was true, as the same sum in bank notes, he finds, will not now buy the same quantity of gold as it would have done in 1799. He next thinks it to his advantage to buy some lead, and some tin. He is required to pay £34. per ton for the former, and £8. 14s. per cwt. for the latter. "Good God," he exclaims, "Bank notes are dreadfully depreciated indeed: when I left England, in the beginning of the year 1799, I could have bought lead for £20. per ton, and tin for less than £5 per cwt." He next thinks of making a speculation in butter, and finds the price £7. per cwt. when he had left it at £4. and he makes the same

exclamation. After this, he turns his attention to tea, and, inquiring the price at the India House, finds that of middling hysson, without the duty, to be 5s. 3d. per pound. "Come, come," says he, "I recollect when I went away, the price was 5s. 2d." Bank notes, with respect to this article, seem to have suffered very little. From tea, it is a very natural transition to sugar. Here he finds the price for middling brown Jamaica to be £3. 14s. and recollects eleven years ago, that he could not buy the same quality for £4. "This is well," says he, "my bank notes here bear a small premium." From brown sugar, it is not unnatural that his attention should be called to coffee, which he recollects to have left at the price of £8. 10s. per cwt.; and conceive his astonishment, when he is asked for it only £4. "Better and better," he exclaims,

"this is a premium, with a vengeance—my one pound notes are worth more than my two pound notes were in the year 1799." Cotton is a very important article in this town of Liverpool, so I shall venture to take my new comer into that market. He finds he can buy the best Brazil cotton at 2s. per pound; when before he left England it would have cost him 3s.; and a still greater difference in that from Georgia, which then was quoted at 2s. 8d. per pound, and now may be had for 1s. There is besides, iron, the hardest and most useful of all the metals, of which the consumption has most undoubtedly increased, and is increasing throughout the world; it is now, to speak in plain terms, cheaper than it was in the year 1799*, by £3. or £4. per ton; and the reason is, that the produce

* Prince's Prices Current, January 1799.

of the mines has not only kept pace with, but rather overtaken, this immense consumption. This list might be swelled to an indefinite length, if these examples were not sufficient. But I have often said in conversation, and now do not hesitate to repeat, that if any single article could be found, which bore the same price twenty or ten years ago that it does now, in relation to our nominal currency, this celebrated position, that a superabundance of money causes a rise in the price of all commodities, falls to the ground.

To elucidate farther the futility of attempting to fix a standard value upon any kind of metal, our own beautiful copper coinage, executed some years ago by the late celebrated Mr. Boulton of Birmingham, may be brought as an instance; the penny pieces, were ingeniously con-

trived to be exactly of the weight of an ounce, and the diameter of an inch; thus publishing to every corner of the kingdom the national standard weight, and standard measure; but what became of the standard value of a penny per ounce? The metal, called copper, soon afterwards rose in price to the value of 22d. per pound; and pence and halfpence standard weight, standard measure, unfortunately connected with standard value, vanished altogether in a moment.

What seems to me to have misled Dr. Smith, and nearly all the political economists who have followed him, is, that their attention has been almost exclusively fixed upon the price of corn and the price of labour, without attending to other articles. That these two have risen to an extraordinary height is most un-

questionable. I am old enough to recollect English wheat exportable, and actually exported, under 40s. per quarter. Soon after that time it was that our manufactures began sensibly to increase and extend, particularly those in cotton; and our exports gradually to swell to an unprecedented amount. Our population at the same time increased very fast; and in general being easy in their circumstances, called for an additional supply of fat beef and mutton. The prices of these articles naturally advanced, and our farmers soon found it to their advantage to lay down their most fertile corn-fields into grass, for the purpose of fattening cattle. This naturally brought on a scarcity of grain, which was necessarily followed by a rising price; and as the country could not supply both articles in sufficient abundance, it was very natural that of the two, corn

being the most portable, should be brought from foreign countries, and it is now more than double the price that it was forty years ago. In this situation the price of labour must unavoidably be advanced, for the man who has nothing but the work of his hands to depend upon, must receive payment sufficient to subsist himself and his family—the alternative is famine and death, or insurrection and pillage. These two great and principal articles are, therefore, considerably enhanced in price, but they are no more so in relation to gold and silver, or to our imaginary pounds sterling, than is lead or tin; and were our population to decrease, and our supply of provisions continue the same, they would fall in price like coffee or cotton, our imaginary pounds sterling continuing always the same.

What, in my opinion, puzzles every body, and renders people's ideas so very confused upon these subjects, is the multiplicity and complication of our laws upon all those matters; and I most cordially agree with Dr. Smith, in his opinion, that Great Britain has flourished not by means, but in despite, of its commercial regulations; and it is truly astonishing how it is possible that the business of the country can be carried on under such a system. The number, the incongruity, confusion, contradiction of the laws, the forms of the Custom-houses, require almost as much study and attention in a merchant's clerk, as a solicitor in the courts at Westminster-hall. The delays occasioned by the smallest informality, are almost inconceivable, and it is only by the most persevering industry, and unconquerable love of gain, that the

mercantile classes of this country are enabled to overcome the many thousand unnecessary obstacles that government has thrown in their way.

It has been already admitted, that it might be desirable to retain a given quantity of gold in this country, as a circulating medium; but the question is, how is it to be effected? If government were to insist in obliging the Bank to buy at the market price, and issue it at the rate of £3. 17s. 10½d. per ounce, the guineas would be melted as fast as they were issued; and although no more gold were to come to Europe, they would go into the crucible, and from thence to the Bullion-office several times a year; and it would require the whole amount of the war-taxes to support this quick circulation, to the enormous emolument of those

who had the courage to bid defiance to the law.

It seems the summit of vanity to intrude any speculation of mine as to a remedy for an evil of such magnitude. I do it, however, with humility, and it is the only mode that occurs to me of accomplishing this great object. Perhaps the operation might be conveniently deferred till the conclusion of a peace; but I see no objection to commence putting the plan in execution immediately.

My proposal, then, is, that the Directors of the Bank should be instructed to purchase gold at the market price, wherever it can be found, and when they have acquired what may be thought a sufficient quantity, let the government order a new coinage, which may be issued as soon as

it is ready, were it only to a small amount, premising the repeal of all the laws, of what nature soever, relating to the coin. Let the new pieces be of a certain weight, of the standard fineness, without any limit as to their value. Suppose each piece to be exactly a quarter of an ounce, and let the value fluctuate according to the market price of the metal. The gold-brokers' weekly list of the prices would be a sufficient intimation of its value to all parts of the kingdom. It is probable that the price would rise, but the advance might be very gradual, and if there is any considerable quantity floating in Europe, it might be brought back. In the end, such an operation might encourage the miners to resume their work; or some arrangement might be made with the government of Brazil to relieve and encourage them, and thus bring forwards a

supply adequate to the consumption. There might also be a penalty for counterfeiting this new species of coin, proportioned to the offence, and heavier as the counterfeit was proved of more or less weight and fineness. Let us suppose that the issue of these pieces began at the rate of £5. an ounce, and that soon afterwards the value of gold rose to such a price in France, or in Germany, as to induce the exportation of them; the natural consequence would be, as soon as ever the scarcity began to be perceived, a proportionate rise of the price here would take place, and we should have them returned to us as fast as they had gone out.

I have already alluded to the currency of Portugal, but perhaps a more particular account of it may be the best explanation of my ideas of a nominal, or ima-

ginary circulating medium. It has always appeared to me, that the Portuguese mode of managing these matters, and keeping their accounts, was by far the most rational and sensible of any nation of the world. It is all in decimals, the units being called a rei, in English, king, about fifteen of which are equal to the value of our penny, and there is no other proper denomination of money whatever. The old gold coin, it is true, bore the name of *a moeda de ouro*, which we translate *moidore*, in French *monnoi d'or*, meaning, merely a piece of gold money. But the principal, and best part of the coin, originated with John V. that of the 36s. piece, or half-joe, which is of the weight of exactly half an ounce Portuguese, and never bore any other name than the number of reis, of which by law it represented the value, as *huma peça de*

seis mil quatro centos; in English, a piece of six thousand four hundred reis, and so throughout all its aliquot parts. The standard, or fixed value of the gold, by the laws of Portugal, was 12,000 reis per ounce; the $\frac{1}{4}$ ounce, therefore, was worth 6000 reis, and the 400 reis was the king's seignorage for the expence of coining. Now the exportation of this beautiful coinage having been a regular, though a forbidden trade, from the very time of its origin, and by the diminution of the produce of the mines, the government having been deprived of its fifths, the operations of the mints, both in Brazil and in Portugal, became nearly suspended. The drain continued unceasingly, the royal coffers were consequently soon found empty, and the source of supply almost dried up. In this predicament, it looked around for ways and means, and in place

of resorting to those usual in similar cases of distress, the imposition of duties, taxes, &c. it hit upon the expedient of fabricating and issuing a paper money; and so easy did this way of coining appear to the treasurer and his officers, that they sent it forth in payment of the debts of government, not only without limit to its quantity, but without taking any account of it whatever; the consequence was, as might be expected, it soon fell to a discount, gradually increasing to between 20 and 30 per cent.

At the time of the emigration of the Prince Regent, the discount rose, I believe, to something more than 40 per cent. which, I understand, is now again reduced to about 27 per cent.

That it should still be worth any thing

at all, is truly surprising, for there does not appear a possibility of its ever being redeemed; and although it does nominally bear an interest, there is very little probability that it can ever be consolidated into any sort of stock, on which interest will actually be paid.

Since the emigration, however, the manufactory of it has stopped, the quantity does not increase; something is absolutely necessary, and this, together with a considerable amount of Portuguese silver and copper coin, a great proportion of dollars, and a trifling remainder of the small aliquot parts of the gold coin, now forms the circulating medium of the country.

The larger gold money, both moidores and the pieces of six thousand four hun-

dred reis, have totally disappeared. Notwithstanding this, the fluctuation of the paper, the introduction of foreign money, a rei is still a rei, its value has not increased, nor has it suffered diminution; it is an imaginary being, but it answers all the purposes of a medium of exchange of one commodity for another, in these brazen times, as well as it did in the golden age of John V.; and so it would be in England, were we unhappily labouring under the same calamities. A pound would still be a pound; although, from the high price of gold, a guinea was to be worth 30s. or from the low price, not more than 15s. and the same thing would happen with respect to bank notes. If they were depreciated, the depreciation would be plain and evident, and would be rated by a discount of so much per cent.; or a note of 20s. would be said to

be worth 19, 18, or 16s. still our books and accompts would be kept in pounds sterling, and by their imaginary value every thing else would be estimated.

Since writing thus far, I have seen the last number of the Monthly Review, containing the critique on the Report of the Bullion Committee, and of a pamphlet, written by the Right Hon. Sir John Sinclair, Bart. entitled, "Observations on the Report," &c. The pamphlet itself I have not seen, and it is possible it may have anticipated some of the foregoing observations. The Reviewers say, that "no actual scarcity of bullion has existed, either here or on the Continent;" but surely the high price of an article is a sufficient proof of its scarcity. I speak generally of Europe, as being the market for the article, and not of this country

only, "and that it is to be obtained by all who will pay the market price for it;" but I doubt if it could be had in abundance at any price whatever.

As a proof of the great importation lately, the Reviewers refer to an account, No. 8, in the Appendix to the Report, which, they say, shows that from the 1st January, 1809, to the 30th March, 1810, it amounts to no less than two millions and a half. Now this is the very document to which I would refer, for the proof of an extraordinary diminutive importation; for of these two millions and a half, I find only £520,000 was of gold, and the remainder £1,970,000. was of silver. I have before shown, that this whole importation of gold, during fifteen months, is not equal to our consumption in watch-cases only; and it is generally

computed, that the consumption of silver by the silversmiths of this country exceeds ten thousand ounces a-day, or upwards of a million sterling per annum; so that there remains but one million sterling for all the other silversmiths in Europe: and as to gold, after our watch-makers have taken their proportion, not a single ounce will be left, either for our own goldsmiths, or any body else.

I have purposely avoided speaking of the exchanges between the different countries of Europe, not thinking them of any importance, or at all applicable to the present discussion. I repeat, that I consider Europe as the mart for the gold produced in Asia, Africa, and America; and were the countries of which it is composed at peace with each other, there is hardly a doubt that the price of gold in

any one of them, would not exceed that in any other of them, more than the expence of conveyance, and a very small profit. The present monstrous and unnatural state of the Continent, in consequence of the war, has caused such confusion in the exchange both of monies and commodities, as to render any investigation of those subjects excessively difficult and complicated; and it is only by setting them entirely aside, and supposing a state of tranquillity, that the subject can be rendered tolerably clear.

The author of this pamphlet is sensible that it may be found very defective. Critics are unwilling to accept of apologies. They may say, before its appearance in public, it ought to be revised, corrected, better arranged, re-written; but truly he has not time for all this.

He has put down his thoughts, during a few vacant hours, as they occurred, and sends them to the press with very little alteration. They differ so much from any thing he has seen hitherto published on the same subjects, that he feels it a duty to give them to the world, crude as they are. Should they induce persons of greater ability, and who have more leisure and opportunity for research, to adopt his way of thinking; and if by following this path the real truth should at length be discovered; he will feel himself highly gratified, and amply rewarded.

LIVERPOOL,
1st December, 1810.

Faint, illegible text on the left page, possibly bleed-through from the reverse side.

POSTSCRIPT.

SINCE this little work was sent to the press, I have procured the second edition of Mr. Bosanquet's "Practical Observations," which I could not do sooner; and I have read Mr. Lyne's "Letter to Mr. Rose." Both these pamphlets contain many acute and sensible remarks, and the authors are able advocates in the same cause with myself. They both lay considerable stress upon the state of the exchanges, between the different countries of Europe, which I am persuaded hardly any man in this country can comprehend, with the exception of a few merchants in London, and three or four

Jew-brokers they employ in these operations; and I am quite convinced have no relation whatever to the matter in discussion. Mr. Lyne sums up his argument by asserting, that there is no depreciation of bank notes, and that the rise or fall in the price of gold has no reference to the comparative value between bank notes and any other article; in which I most cordially agree, however we may differ in the manner of proving it.

Mr. Bosanquet combats at great length, with much ingenuity, and I think with success, the arguments of the Bullion Committee, and also those of Mr. Ricardo; but he submits to the law that would fix a standard upon one metal, to regulate the prices of every thing else. This law I venture to set aside, as one of those, with which any legislator may

amuse himself in making, but which no power can enforce for any length of time.

It appears to me, that the authors, whose works I have yet seen, take up the question too recently, and somewhat superficially. Their reasoning is founded upon the effect of the scarcity of gold, which did not become sensible till the Bank was restricted in its payments. They do not advert to the real cause, which was more remote. I have endeavoured to point it out; it has been gradual in its operation, and perhaps very few people have had such opportunities of seeing and observing its progress as myself. So prevalent has the idea become, of our money being depreciated, that in a printed letter I have just received, from the president of an institution here, relating to the inade-

quacy of its finances, he says "This difficulty the committee has long anticipated, and has been most anxiously solicitous to have obviated; but the rapid depreciation of money, and the increase in the price of every article of consumption," &c. &c. I have little fault to find with the latter part of this sentence; the articles of common consumption are, in general, at a higher price than they were ten or fifteen years ago: the rise in many of them, however, is no more than the quantum of additional duty laid upon them by government since that time; tea, sugar, candles, soap, may all be quoted as examples; therefore money, with respect to their value, call it intrinsic, or by any other name, is not depreciated: the same sum goes out of a family now, as it did twenty years ago, for the actual purchase

of such articles; the additional price is the contribution paid to government, surcharged with the excessive expence of collection in this round-about way. But how the idea, expressed in the former part of it, could have been adopted, after reflection, by a committee of sensible men, is to me quite surprising: a moment's consideration seems sufficient to convince a person of common understanding, that there never was, nor ever can be, any such thing as a depreciation of money; that is, of the denomination of the figures in which the books and accompts of any country are kept.— "What," says a friend, "will you not allow that money is depreciated since the time of Queen Elizabeth?" I answer, "No;" for although a common fowl might then be bought for eightpence,

and a goose for 1s. 4d*, I find that a beaver hat was at the same time worth 40s.; and it only proves, that there are more eaters of geese in proportion to the number at market, and fewer wearers of beaver hats in proportion to the number in the shops, than there were then; but the pounds, shillings, and pence, are exactly the same, whether in relation to gold or to silver, to hats or to geese. What was the cost of Queen Elizabeth's pair of black silk stockings, I have not been able to ascertain; probably ten times as much as a better pair would cost towards the close of the reign of our most gracious Sovereign. There can be no doubt, that the greater number of the necessaries of life are much dearer (perhaps fourfold) now, than they were in

* Andrews' Continuation of Henry's History of England.

those times; but there are also many that are much cheaper: glass may be mentioned as one; and every species of woollen, linen, and cotton cloth, as so many others; and if there is a depreciation of money on the one side, there is an enhancement of its value on the other, which is a contradiction in terms, and clearly proves, that there is neither one nor the other; but that the money, in which our accompts are kept, is invariable in its value, and that articles of consumption, are dear or cheap, in the common acceptation of these two words, according to their scarcity or abundance.

My delay in going to press has given me time to look into a Portuguese book, which I did not before recollect was in my possession, called "The Practical Directory for Silver and Gold," by Anto-

nio da Silva, assay master of the mint,
 and silversmith in Lisbon, printed in
 1771. It principally consists of tables
 respecting the quantity of alloy necessary
 to make silver and gold of all the dif-
 ferent standard finenesses. The author
 says, that "the silver money in Portugal
 " is now, and always was, of the standard
 " of eleven penny-weights; and that al-
 " though the price of silver has varied at
 " different times, the law has been con-
 " stantly the same, at the rate of six mil-
 " reis per ounce; and that the king Don
 " Peter II. so confirmed it by a law of
 " the 4th August, 1688. In the same
 " law it is declared, that it being neces-
 " sary the intrinsic value of gold should
 " be equalized with that of silver, pro-
 " portioning the eleven penny-weights of
 " silver to the 22 carats of gold, the
 " mint in this city [Lisbon] and in

" Oporto, shall pay for the mark of gold
 " ninety-six milreis," thus making the
 proportion between the two metals six-
 teen for one. 96,000 reis, at the par of
 exchange of $67\frac{1}{2}$, make £27. and were
 coined into 16 pieces of half an ounce
 each; valued, including the seignorage,
 at 6400 reis each, making 102,400 reis;
 which at the same exchange is £28. 16s.
 and weighing 9 dwts. 6 grs. Troy weight,
 comes to exactly the same sum; so that
 our standard value of gold is fixed by
 that of the Portuguese, allowing the
 king's seignorage. It is truly surprising,
 that the real value of both the metals
 should have continued to coincide with
 that fixed by the law, during a whole
 century; for it was not till about the
 year 1790, that the scarcity of gold be-
 gan to be felt, and the price to rise.

The perusal of this book induced me to look into one of our own Encyclopædias, in which I find, under the article Money, a long dissertation, which might have been spared, had government never thought of fixing a standard value upon the coin. It is there said, that in the reign of William the Conqueror, a pound was understood to mean a pound of silver, or about three pounds of our present money of account; this may have been so, but it is involved in much obscurity. What is more to our purpose is, that it appears, that when the guinea was first struck, it was intended to be current at 20s. but was found to be worth more, and left to seek its own price in the market, and was soon rated at 21s.; but in the year 1728, the government interfered, and it was ordered to pass cur-

rent in all payments at 21s. This was a very great error, and truly unfortunate; for had guineas been left to seek their own price to the present day, they might, it is true, have been worth 30s.; but we should have had them jingling in our purses, and glittering between our fingers, instead of the ragged, greasy, offensive bank notes, now current in this part of the country.

THE END.

