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THE  
**REAL CAUSE**  
OF THE  
**Depreciation**  
OF THE  
**NATIONAL CURRENCY**  
*EXPLAINED;*  
AND THE  
**MEANS OF REMEDY**  
SUGGESTED.

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1810.

The Reader is requested to note, that in p. 15, a Member of the House of Commons is stated to have said that a guinea will sell on the continent for seven or eight and twenty shillings—it should be *six or seven and twenty shillings.*

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AMONG the many important objects that will come under the investigation of parliament, I know none more deserving the attention of the legislature than the present state of the currency of the kingdom. The gradual and almost insensible degradation of that currency does not strike the superficial observer so forcibly as the destruction of armies, the deposal of kings, and overthrow of empires: the object may be less stupendous, but is not less alarming: whoever considers with attention the artificial system of our finances, the danger to which the baseless fabric of public credit will be exposed, and the inevitable confusion that must ensue, if this depreciation should continue to increase, as it undoubtedly will, unless measures are adopted to check its progress, will be fully persuaded that no time ought to be lost in applying a remedy to an evil so urgent and alarming. If, while our formidable adver-

sary threatens to batter the fortress from without, this secret enemy is permitted to undermine its very foundations, what rational hopes can be entertained, that it will be able to resist the assault of the external foe, sapped and undermined by the enemy within its walls?

This is no party question: it might therefore be expected that it would meet with a serious and dispassionate discussion; but I am very apprehensive, that for that very reason, it will not be discussed with that seriousness and attention which the importance of the subject requires: for, whoever is acquainted with the state of parties and the proceedings of the legislature, has had too many occasions to observe how seldom questions, that have no relation to party, meet with that zealous support which their importance frequently demands, and which is never withheld from measures of far inferior moment, when they involve the interest of the two parties who contend for the honours and emoluments of the state.

It is not my intention to enter into a long and laboured discussion to prove the depreciation of the currency. Men, who are determined to shut their eyes to the evidence of facts, will not easily be convinced by arguments. It will, therefore, be sufficient to state a few undoubted facts to satisfy all those who will consider the subject

free from interest and prejudice, that the national currency is in a state of depreciation. I shall afterwards endeavour to state the causes of this depreciation and its consequences, and conclude by suggesting what appear to me the best remedies to this progressive evil.

One single fact, more cogent than a thousand arguments, is the present price of gold, which has risen from £3. 17s. 1d. to £4. 6s. A pound weight of gold is coined into forty-four guineas and a half, therefore worth £46. 14s. 6d. or £3. 17s. 10½d. an ounce. An ounce of bullion therefore, which cannot be obtained under £4. 6s. will be worth, when coined, no more than £3. 17s. 10½d. and therefore suffers a depreciation of eight shillings in 3l. 17s. 10½d. which is more than ten per cent.

But it is pretended that paper money is not depreciated, because a bank-note is taken on the same terms as a guinea, and will purchase an equal quantity of goods. Let the profound philosophers, the enlightened statesmen, who advance this argument, consider for a moment the state of the currency before the reformation of the gold coin about the year 1772, if either their recollection or their researches in history will reach so far back. At that period the coin was so clipped, sweated, and worn, that the greatest part of the guineas in circulation were

considerably deficient in weight: this occasioned a rise in the price of bullion, because, though originally a guinea was equal in value to the same quantity of bullion, it was no longer so, after it had lost part of its weight by clipping and other fraudulent practices: the deteriorated state of the coin, therefore, caused an alteration in the price of bullion, as well as in the rate of exchange; and there is no writer of that period who denies that the currency was depreciated. Yet there were new guineas issued out from time to time; those guineas were of full weight and value; yet, till the evil introduced the practice of weighing them, the light guinea was received on the same terms as the new, just in the same manner as bank-notes and guineas are at present. But as, at that time, the *greater part* of the coin was deficient in weight, *the whole* became depreciated, so, at the present moment, when almost the whole of our circulating medium consists of paper, the few guineas which may still linger in the market, partake of the depreciation to which our paper currency is subject, and a guinea is worth considerably less in coin than it would be in bullion. When, at the period above mentioned, bullion rose above the mint price, the new guineas being worth more than their denomination, soon disappeared from circulation, and were either

exported or melted down, till the legislature interfered, called in the light guineas, and guarded against any future deterioration of the new, by preventing the circulation of such as were under weight; and by these salutary measures restored the coin to its former integrity and value. Similar causes will produce similar effects: we ought not therefore to be surprised, if we find our coin withdrawn from circulation, when it can be otherwise employed to so much greater advantage, and when so cheap a substitute may so easily be obtained, which answers the purpose of the moment just as well.

Here I shall quote what an author of established reputation wrote on that subject very soon after the event. I always feel more confident in my own opinion, when I find it sanctioned by so great an authority as that of Adam Smith, who thus expresses himself:

“ In the English mint, a pound weight of gold is coined into forty-four guineas and a half, which is equal to 46*l.* 14*s.* 6*d.*; an ounce of such gold coin, therefore, is worth 3*l.* 17*s.* 10½*d.* In England no duty or seignorage is paid upon coinage; and he who carries a pound weight or an ounce weight of standard gold bullion to the mint, gets back a pound weight or an ounce weight of gold in coin without deduction. Before the reformation of the gold coin, the price

of standard gold bullion in the market had, for many years, been upwards of 3*l.* 18*s.* sometimes 3*l.* 19*s.* and very frequently 4*l.* an ounce: that sum, it is probable, in the worn and degraded gold coin, seldom containing more than an ounce of standard gold. Since the reformation of the gold coin, the market price of standard gold bullion seldom exceeds 3*l.* 17*s.* 7*d.* an ounce. Before the reformation of the gold coin, the market price was always more or less above the mint price; since that reformation, the market price has been constantly below the mint price."—vol. I. 62, 63.

"When the greater part of the coin was in this degenerate condition, forty-four guineas and a half, fresh from the mint, would purchase no more goods in the market than any ordinary guineas. Like other guineas, they were worth no more than 46*l.* 14*s.* 6*d.* If thrown into the melting pot, however, they produced, without any sensible loss, a pound weight of standard gold, which could be sold at any time for between 47*l.* 14*s.* and 48*l.* in gold or silver, as fit for all the purposes of coin as that which had been melted down. There was an evident profit, therefore, in melting down new coined money, and it was done so instantaneously that no precaution of government could prevent it."—vol. II. 334.

It appears incontestable from this long quotation, that the rise of bullion above the mint price of gold was universally admitted as a proof of the depreciation of the currency; that the greatest part of the coin being worn, occasioned the depreciation of those guineas that were full weight, and that no measures of government could prevent the new guineas from being melted down, though the profit arising from this dangerous and illegal operation seldom exceeded two shillings an ounce; that this depreciation, though scarcely amounting to a fourth part of that which exists at the present moment, was so sensibly felt, that it engaged the serious attention of government and the legislature, till, by the wise policy of the regulations they enforced, they applied a remedy adequate to the evil.

Why the inference, that a rise in the price of bullion was a proof of the depreciation of the specie, which was universally admitted to be conclusive in 1772, should be thought fallacious in 1810, I am at a loss to conceive. And if the new guineas which issued every year from the mint, were equally depreciated with those that were clipped and worn, it cannot be expected, that the very small quantity of coin which remains at present in circulation should preserve the paper currency from degradation; and if all the terrors

of the law couldnot prevent the melting down of the new coin, when the profit did not exceed and seldom amounted to two shillings an ounce, what rational hopes can be entertained that the utmost efforts of government will be able to put a stop to it now that the profits are not less than eight shillings an ounce? And if a depreciation, comparatively so trifling, was considered of so much importance by government at that period, what excuse will the administration of the present day allege in their behalf, if they shut their eyes to an evil of so much greater magnitude, which, in the present critical state of the country, may be attended with the most disastrous consequences?

At the time of the reformation of the gold coin, the ill effects resulting from its depreciation seem to have been confined to the price of bullion and the rate of exchange, but had no sensible influence on the price of commodities within the realm, for reasons which I shall explain presently. The case is now totally different: that a great increase has taken place of late years in the expense of living, is a truth that will not be contested; it is a fact which forces itself on the experience of the most inattentive: had an augmentation taken place in the price of bullion alone, ingenuity might have found arguments to prove that such an augmentation

was owing to the state of our trade, or to any other cause rather than the real one; but it is only the *money price* of bullion that has risen, its real value is not enhanced; the same quantity of bullion will not purchase a greater quantity of the necessaries of life than it did fifteen years ago; it is only the money price both of bullion and every other commodity that has risen: in other words, it requires a greater quantity of money to purchase an equal quantity of commodities; the relative value of money is therefore diminished, and has undergone a real depreciation. Dr. Smith acknowledges that any rise in the money price of goods, which affects all goods equally, proceeds from the degradation of the value of money; and I appeal to every man, whether a considerable rise has not taken place in the price and rent of land, the wages of labour, the price of provisions, manufactures, and all commodities in general: it is to no purpose to urge a few exceptions where particular circumstances have counteracted the general effect: it is sufficient that there is a general and progressive rise in the price of most articles of consumption; for if such a rise does exist, it cannot be attributed to any other cause than the depreciation of the value of money.

What are the causes of this depreciation, is the next object of our inquiry. The more I

consider the subject, the more fully I am convinced that it is owing solely and entirely to the suspension of payment in specie by the Bank. The depreciation of paper money, the scarcity of gold coin, and the rise in the price of bullion, are the natural consequences of that rash and ill-advised expedient. Instead of being surprized to see such effects resulting from it, we ought rather to wonder that they did not take place long before. I remember that when the one pound notes were first issued, being in the country, I had some sent me immediately on their coming out. A gentleman to whom I shewed them, desired I would give him one in change for a guinea, saying, he wished to have one as a curiosity. I readily complied with his request, observing, at the same time, that I was afraid we should see the time when his guinea would be a greater curiosity than my bank note. That time is now arrived; and though it did not take place so soon as might have been expected, it is no less the result of that measure than if it had been its immediate consequence. Many causes have contributed to keep the notes at par for some time: the general idea which prevailed, that the restriction would be only temporary, and the expectation that it would be of short duration, obliged bankers and other commercial men to keep a quantity of specie in their hands,

that they might be provided with gold when they should be under the necessity of paying their notes in cash; while the immense sums paid to Government for taxes maintained the credit of the paper currency, which was received at all the public offices. But in proportion as every appearance of resuming payment in specie vanished, the necessity of keeping gold coin to answer that emergency daily diminished, while paper money was issued with more confidence and in greater quantity.—It was natural that gold, which was current in every market in Europe, should in time grow more valuable than bank notes, which are confined to the English market; while, however, it could be easily procured, it did not immediately rise in price, and it required some time to exhaust the quantity that formerly constituted the currency of the kingdom; but, when it became scarce, and could not be obtained without difficulty, a premium would naturally be given for it, when wanted for any particular emergency; and, when once gold coin becomes less valuable than bullion, the inevitable consequence must be its being totally withdrawn from circulation; it is idle to imagine that any law will oblige a man to give his guineas for 3*l.* 17*s.* 10½*d.* an ounce, when he can get 4*l.* 6*s.* for them at another market.

There are only three ways in which coin can

be withdrawn from circulation: by hoarding, by exportation, or by melting it down, and reducing it into bullion.—The present is not an hoarding age; and I do not believe that individuals have any great hoards of gold coin; most men cannot, and others will not, lose the interest of their capital; yet I have no doubt but several prudent men are provided with a moderate sum in gold, as a fund of reserve, to be resorted to in case the present artificial system of finance should sustain a serious shock: but, I cannot think that the aggregate of all those sums is very considerable, unless the Bank should have kept a quantity of coin in reserve to enable it to resume its payment in specie. Of the mysteries of its management I am totally ignorant; but it does not appear probable that a commercial company, that can make so great a profit on their capital, should suffer any considerable sum to lie idle on their hands to provide for a contingency which is so unlikely to occur.

The exportation of gold coin which has certainly taken place must, in the space of thirteen years, have diminished its quantity in the kingdom very considerably: in the former healthy state of the circulation of the country, a supply of new coinage from the mint was necessary from time to time, to keep up the circulating medium: but, for these thirteen years, a constant drain of

gold coin has taken place, without any supply from the mint, except a few half-guineas and seven shilling pieces, to a very trifling amount. Deceived by these appearances, many have argued that the present scarcity of gold and high price of bullion are owing merely to this exportation, and not to the paper currency that inundates the country. They tell us that, in the present state of our trade, we are under the necessity of sending gold coin or bullion to the continent to pay for the commodities we import from thence. I admit that several vessels have gone in ballast under government licences, authorising them to import some particular sort of commodities into this country; and perhaps the greatest part of those goods must be paid for in coin or bullion.

Here I shall observe, that if our coin must necessarily find its way to the continent in consequence of this trade, ministers, who grant the licences, can hardly be supposed to be ignorant of this invincible necessity, and are therefore accomplices and accessory to the exportation of our coin. But to draw an inference from any one particular branch of commerce, without any consideration of the other various channels of trade, is partial and unfair: and, allowing the fact to be true, it embraces but a part, and a very small part, of our commerce. I have been assured by commercial men, whose situation gives them an op-



portunity of obtaining the most correct information, and who could have no motive to deceive me, that the exports from this country were greater the last year than ever they were known to have been. Now, admitting that on some occasions we are obliged to pay in specie or bullion for our imports, this must be more than compensated by the returns we receive from our exports, unless the balance of trade should be very much against us; and we have been assured officially by Mr. Rose, that for the three last quarters it has been sixteen millions in our favour.

I do not deny the exportation of the coin, but I contend, that if no suspension of payment in specie had taken place, it would not have been so exported; or that if it had, the necessity of procuring it, to keep up our circulating medium, would have brought it back, if not in coin, at least in bullion. We are told that the necessity of paying in specie for the commodities imported from the continent, is the cause of the exportation of our coin: but if bank notes had not been substituted for gold, a stronger necessity would have counteracted the temptation of sending it abroad, and that is, the necessity of keeping it at home to answer the indispensable purpose of circulation: being dispersed in small sums among the whole community, it could not so easily have been collected together, and bankers

would have been obliged to keep considerable sums to answer the demands which might be made upon them: and if any great quantity should at any time have been smuggled over, the absolute and inevitable necessity of maintaining a sufficient quantity of specie for circulation would have brought it back to us in some shape or other. But now that the absence of coin is so conveniently and easily supplied by paper currency, there is no check to the exportation of guineas, and no necessity to replace them when once exported, so that the present currency is almost totally confined to paper money.

Can we expect that our coin will be kept at home, or ever return there, when it has been stated by a very respectable and well informed member, from whose commercial knowledge the House of Commons has at different times derived the most useful information; that a guinea will sell on the continent for seven or eight and twenty shillings; and that a pound sterling will exchange for only nineteen livres, worth 15s. 10d. of our money?

Can there be a stronger proof, that a golden guinea is infinitely more valuable than its paper representative, whenever they come into a fair competition? And why should we seek for any other reason for their exportation, when it appears

that it yields the merchant a profit of thirty or forty per cent.?

As the exportation of gold coin was the cause of its *scarcity*, the melting of it down has probably occasioned *its almost total disappearance*. The demand of gold for exportation naturally raised the price of bullion, but when once bullion became more valuable than coin, the temptation to melt it down became irresistible: the facility of the operation increased the temptation; many, who had no opportunity to export it, could easily convert it into bullion; and it cannot be supposed that, in this speculating age, the dealers in money would exchange an ounce of gold coin for 3*l.* 17*s.* 10 $\frac{1}{2}$ *d.* when, by melting it, they could sell it for 4*l.* 6*s.* Not only guineas, but half-guineas and seven shilling pieces, which had hitherto been preserved for the convenience of change, have nearly disappeared, especially in the metropolis; and if the bank had not issued dollars, it would be almost impossible to procure change in London for a one pound note. Some have suggested paper notes of smaller value; and a more effectual mode to reduce our whole currency to the value of French assignats could not possibly be devised.

But the depreciation of our currency is not to be attributed solely to the disappearance of gold coin, but principally to the currency by

which it is replaced. I observed, that in 1772, when the degraded state of our coin raised the bullion and affected the course of exchange, it had no perceptible influence on the home market, and this can easily be accounted for; in the first place, the difference was not a fourth part of what it is at present, and could not have a very immediate sensible influence on the general market price of commodities: but there was a more powerful cause which prevented its having such an effect. When the price of bullion rose, in consequence of the degraded state of the coin, the new guineas that were issued from the bank, were, as I observed before, melted down almost as soon as they appeared, so that the quantity of specie in circulation was always rather under than above what the market required, and by being scarce, like all other commodities, it rose in value.

That the value of gold and silver, as well as that of other commodities, varies in proportion to its abundance or scarcity, is a fact that will not be disputed by any man who is in the least conversant with the subject. The discovery of the mines of America diminished their value in every country in Europe, because it supplied those metals in greater abundance: any circumstance which considerably augments or diminishes the quantity of those metals, must

lower or raise their real value, though the denomination of the coin continues the same. If no suspension of payments in specie had taken place, the exportation of our coin, by diminishing its quantity, would have enhanced its value, and the price of commodities, instead of rising, would have fallen: it is the inundation of paper money which has diminished the value of our currency, by making it over abundant, and occasioned a real depreciation, and a consequent rise in the price of every consumable article.

Here I must caution the reader to make a distinction between paper money, which may at a moment's warning be converted into specie, and bank notes, which, whatever may be their ostensible designation, are *in fact* not convertible into cash. No man perhaps ever was a greater advocate for paper money than Adam Smith; but the paper money he approves, is far different from that which forms our present currency. After combating the opinion that paper money has a tendency to diminish the value of the whole currency by augmenting the money price of commodities, he adds—

“ It would be otherwise, indeed, with a paper money consisting in promissory notes, of which the immediate payment depended in any respect either upon the good-will of those

who issued them, or upon a condition which the holder of notes might not always have it in his power to fulfil; or of which the payment was not exigible till after a certain number of years, and which in the mean time bore no interest. Such a paper money would, no doubt, fall more or less below the value of gold and silver, according as the difficulty or uncertainty of obtaining immediate payment was supposed to be greater or less, according to the greater or less distance of time at which payment was exigible.”

The great difference between the old bank notes, and our present paper money, is, that the former were representative of gold and silver, for which they might be exchanged in a moment; whereas the present currency is a real *paper money substituted* in the place of gold and silver, for which it is *not exchangeable*. Any overflow or superabundance, therefore, in this paper money, must be attended with the same consequences, which would follow from a sudden increase of gold and silver in countries where those metals are the medium of circulation.

Adam Smith, speaking of the old bank paper, says, “ The whole paper money of every kind, which can easily circulate in any country, never can exceed the value of the gold and silver of which it supplies the place, or which would circulate

there, if there was no paper money ; should the circulating paper at any time exceed that sum, as the excess could neither be sent abroad, nor employed in the circulation of the country, it must immediately return upon the banks to be exchanged for gold or silver."

But under the present system, when bankers are relieved from all apprehension of paying their notes in specie, the case is totally different : as their emoluments are in exact proportion to the notes they issue, it is their interest to force as many as they can into the market ; where, as they can neither be converted into specie, nor sent abroad, they necessarily stagnate ; and their immense quantity, a quantity daily increasing, must unavoidably depreciate their value.

The bank of England and the country bankers are, I believe, the only persons that issue notes under the value of five pounds. People residing in London are very apt to confine their attention to what passes in the metropolis, and many complaints have been made against the bank for issuing their notes with too much profusion, and different plans proposed to restrain them. Whether they have abused the trust reposed in them by a too liberal emission of their notes, I am totally incompetent to decide. I am fully sensible how necessary it is to prevent too abundant a circulation ; but I am thoroughly

convinced, that those who confine their attention to the bank of England, overlook the worst part of the evil. The bank of England is immediately under the eye of ministers, who can easily impose what regulations they may think necessary ; but the swarms of country bankers, who inundate the country with their notes, are beyond the controul of either ministers or parliament, and are at full liberty to extend their speculations to the most mischievous extent.

Fully convinced in my own mind, that the country bankers are the principal cause of the present depreciation of the currency, the friendship and esteem I entertain for several of them, shall not prevent my entering fully into the subject. I know some who are as worthy and honourable men as any upon earth ; if there are others of a different description, I am unacquainted with them : no blame can in the slightest degree attach to them for engaging in a business, strictly honourable, sanctioned by the legislature, and even thought necessary at one time to maintain the public credit and circulation of the country : but as I conceive that their being suffered to continue the issuing of small notes, as they do at present, is pregnant with the most dangerous consequences, I trust they will do justice to the motives which induce me to give my reasons for entertaining that opinion.

That there are many country bankers possessed of the most ample resources, who will be found both able and willing to discharge every obligation with the strictest honour and integrity, I have not the least reason to doubt: there are others likewise, who, though they engaged in that line of business without a great capital, are enabled, by their industry, and the great profits they derive from the present system, to do full justice to their creditors: there is at the same time cause to apprehend, that among the immense number that start up in every town and village in the kingdom, some will be found of a different description, and who will find it difficult to make up their accounts when the day of reckoning shall come.

But my object is to arraign the system itself, not to enlarge on the casual mischiefs which may arise from it. The country market is totally monopolized by the provincial banks, who supply the whole of its circulation, and where a bank of England note is as seldom seen as a guinea; should a stranger accidentally change one on the road, it never travels farther than the next bank. It may appear an object of absolute indifference whether the provincial market is supplied by the bank of England or private bankers: but on farther consideration, it will be found that the latter having the command of that market, is one

of the principal causes of the excessive augmentation of the quantity of paper in circulation. The private banker, the circulation of whose paper is confined to a narrow district, exerts himself with much greater industry to multiply its quantity within his limited circle, than the bank of England could do: if the circulation was confined to the paper of that bank, all that it could do would be to supply as much as the natural state of the market required; but the country banker, who is upon the spot, who is intimately acquainted with the whole neighbourhood, and who is personally interested in increasing the number of his notes in circulation, finds a thousand opportunities of augmenting their quantity, and by that means overstocks the market, and depreciates the value of the currency.

Another circumstance, which has a strong tendency to increase the quantity of paper and depreciate its value, is the competition of the different country banks. The great profits evidently made by banking, induce many speculators to enter into that line; but as there is hardly a town of any note in the kingdom, where the ground is not already occupied, the new banks are under the necessity of resorting to a variety of expedients to force their paper into circulation: there is scarcely a village or

hamlet in the kingdom, where they do not employ agents for that purpose; at every market these agents are in constant attendance, and no effort is omitted to circulate as much paper as possible.

But the excessive number of *small* notes, which by these means are forced into the market, is not the whole of the *evil*. The banker is thereby enabled to circulate a much greater number of notes of a higher denomination than he would otherwise venture to issue. When his notes were payable in cash, the banker was cautious not to issue a greater number than he could pay in specie; but now that they are seldom called upon to give any thing in exchange for these notes, except others of a smaller denomination, but of the same cheap and easy manufacture, they may, without risk, issue paper to almost any amount. Formerly the advances of the banker were limited by his ability to discharge his notes in specie, they are now limited only by the demand. And as his profits are in proportion to the amount of his notes in circulation, he is always ready to give credit to any one that offers tolerable security.

Thus it appears evident that the facility which the small notes give to the circulation of those of greater value, has an inevitable tendency to increase their quantity. In the natural state of

paper credit, the quantity issued beyond what the market requires returns to the banker to be converted into cash, and thus the evil cures itself: but in the present state of things, as it can neither be converted into specie nor exported abroad, it must remain in the market, where it increases the quantity of the currency, and consequently diminishes its value. The abundance of the American mines, as before observed, by making money more plentiful, lowered its value in every part of Europe; but its depreciation in consequence could neither be so sudden nor so great as that which proceeds from the excessive circulation of paper money. It required time and expense to bring the bullion from the American mines to the European market; it could not be brought in very large quantities; and was immediately dispersed through the extensive market of the whole European continent; whereas, in the present instance, the market is confined to this country, and the supply can be augmented with the greatest facility and with little or no expense.

The great rise in the money price of almost all sorts of commodities is at once a *proof* and necessary *consequence* of the depreciation of our present currency. The augmentation which has taken place in the *apparent* value of land, but which really proceeds from the depreciation of

money, has, no doubt, been often contemplated with exultation, as a sure proof and certain demonstration of the increasing prosperity of the country. But the man who doubles his former rent, and purchases every article of consumption at double the price which he used to pay for it, is not richer than he was before, though he annually receives twice as much money as he used to do; it is only the value of the circulating medium which is changed.

If a man's estate rises in its nominal price, it is because it can be let at a higher nominal rent, and the tenant is willing to pay a higher rent, because he sells the produce of it nominally dearer at market. The price of every thing is by that means kept up, except that of money, which alone is depreciated. But if the landholder is not benefited by this apparent rise in his rents, he at least keeps himself on the level, when not restrained by long leases, which, in consequence of the rapid augmentation in the money price of land, are growing very much out of fashion. If, in the progress of the depreciation of money, a nominal pound should hereafter exchange at market for the same quantity of provisions as a shilling does at present, (and such an event is by no means improbable,) he would, by letting his estate for as many pounds as he now receives shillings, find himself in the same relative situa-

tion in which he is at present, though his nominal income would be twenty times greater. The great advantage of having landed property is, that its value naturally rises with that of other commodities, and is not dependent on the fluctuation which may take place in the value of money.

If we suppose one man to have inherited an estate from his ancestors, which, an hundred years ago, was worth £100. a year, and another to be heir to the same annual sum in the funds, the estate of the former will probably be worth at this moment £300. a year, and the latter would only receive his annual £100. The former, though nominally three times as rich as his ancestor was a century ago, could not, in all probability, command more of the necessaries of life with his £300. a year, than his predecessor did with £100. and is not, therefore, in reality, richer than he was: but the stockholder, though nominally as rich as his predecessor, would, in reality, be much poorer, and could only command one third part of the commodities which his £100. could purchase at the former period.

It is not improbable, however, that land may have risen in a greater proportion than other commodities: the advantage of landed property, in the present state of the financial system of the

country, where the currency is undergoing a progressive depreciation, is obscurely discerned by the common sense even of those men who are not in the habit of entering deeply into abstract speculations of this nature: they see that the income of men of landed property is gradually and uniformly augmenting, while that of the stockholder remains stationary; and, without inquiring, whether it is the land that rises or the money that falls in value, they are satisfied that it is better to invest their money in the purchase of property, which is likely to produce an increasing rent, than to lay it out in the funds, which can never increase their dividends, and are, moreover, liable to great hazard on the event of any national calamity or political revolution.

The demand for land particularly is increased by the abundance of paper money, and a great demand necessarily enhances the price of every commodity. The banker is ambitious of realizing his profits by the purchase of land: the tenant is equally ambitious of becoming a freeholder, and of being proprietor of the land which he held on lease. If he has saved a little money, the banker will, with the utmost alacrity, advance the greatest part of the purchase money, which will be secured by a mortgage on the estate. Thus you see a great number of nominal landholders of small estates mortgaged almost

to their full value. So far as this contributes to render the yeomanry independent proprietors of small farms, I acknowledge it has a beneficial tendency; but it requires much time and industry to pay off their mortgages, and they are in the mean time as dependent on the banker as they were on their landlord; and it is to be feared that the greatest part of them ultimately become his tenants.

It appears at first sight, that as stocks consist of money, whatever cause depreciates the one, ought to depress the other: I am, nevertheless, of opinion, that the abundance of paper money has some tendency to raise the price of the funds; and as the high price of stocks has always been considered as synonymous with national prosperity, many will argue, that whatever has the effect of raising them cannot be a national evil. If it raised the funds without enhancing the price of other things, the reasoning might be at least plausible. But where every article of purchase rises in price from a degradation in the value of money, it is impossible that the funds should not in some degree partake of the general augmentation of price. Paper money, which cannot be exported, must be disposed of somewhere in the kingdom; therefore, whatever portion of it is not employed in commerce, in the purchase of lands, houses, and other real



property, must find its way to the stock exchange. The bankers themselves find it convenient to have money there, which they may command on any sudden emergency: the purchasers becoming more numerous must have some effect on the price of the funds; but they are not raised in the same proportion as land or other property; so that, though they are *positively* higher than they would have been, yet, not rising in the same proportion as other property, they are *relatively* lower. The minister may, in consequence of that rise, make his loan on terms somewhat more advantageous; but, by the enormous rise it occasions in every article of his disbursements, loans of much greater magnitude become necessary. If we are to estimate the degradation of money by the rise in the price of bullion, it amounts at least to ten per cent. which, in an annual expenditure of seventy millions, makes an excess of seven millions.

It will perhaps be objected, that the greatest part of the annual expenditure of government being paid in fixed wages and salaries, is not affected by any fluctuation in the value of the currency. But let those who urge this argument, point out in which of the great departments of the state these wages and salaries have not been augmented since 1797; and if the depreciation should continue its present rapid pro-

gress, who will presume to deny that they must undergo a farther augmentation? I must admit, however, that that part of the expenditure which is paid to the stockholder is not affected by the depreciation of the currency.

It would be absurd to expect that a depreciation, which has been constantly and gradually increasing, will cease to be progressive, while the causes which gave it birth are daily acquiring new strength and efficacy; not only the evil is constantly increasing, but increases every year with accelerated velocity. It is not easy to calculate to what extent it may spread, though it is not difficult to discern the mischiefs that will attend its future progress, if not prevented in time by the wisdom of the legislature.

The high price of the necessaries of life must ultimately raise the wages of labour so high as to exclude our manufactures from all foreign markets, while it will occasion a general subversion in the fortunes of individuals. The stockholder, and every man who lives upon a limited income payable in money, must be reduced to beggary. Without looking on the stockholder as a disinterested patriot, who, from motives of public spirit, advances his money to support the interests of his country, on the one hand, nor on the other as a caterpillar, who preys on the necessities of the state, and derives

his prosperity from the national calamities; I consider him merely as a man who, under the sanction of public faith, has vested his property in those funds which the policy of government has established as a national security to those who lend their money to the public: I admit that he is not the most useful member of society; he has no claim to favour, but he is entitled to justice. It would have been universally accounted a violation of justice to pay off the public creditor by raising the denomination of money; and is it not equally a breach of public faith to refuse him the gold coin which he has a right to demand, and pay him in a paper, which, under the same denomination, is really much inferior in value? This is indeed

“ To keep the word of promise to their ear,  
“ And break it to their hope.”

Nor is the stockholder the only description of men who suffer by this depreciation. Every one, whose subsistence depends on a fixed sum payable in money, is in the same predicament. It will afford an easy method to the insolvent debtor to discharge his debts, while it will ruin the honest creditor. In short, if it is suffered to continue increasing as it has done of late, it will occasion an universal change and confusion

through every rank in life: it becomes therefore the indispensable duty of government to check its progress in time, in order to guard against the consequences which will otherwise result from its rapid and accelerated course. As the causes which first occasioned the evil are daily increasing in power and efficacy, it may be expected to spread with greater rapidity than it has done hitherto. The banks, no longer restrained by the fear of being obliged to pay in specie, are daily extending their circulation; new banks continue to start up in every corner in the country; fresh expedients are resorted to, to force their paper to circulate in a market already overstocked.

To what degree of depreciation the currency may be ultimately reduced, if these causes are suffered to operate much longer, it is not easy to foresee; but I cannot reflect without the most dismal apprehensions on the confusion that would ensue, if, under such circumstances, the enemy were landed on our shores; the evils attending so disastrous an event are of sufficient magnitude without any aggravation; and it is surely the duty of the legislature to provide in time against the possibility of their being rendered more grievous and intolerable, by a mistaken and injudicious policy.

Before I propose a remedy to check this grow-

ing evil, let me enter my protest against any penal laws to prevent the exportation or melting of gold coin. Such laws are as useless as they are inhuman. I detest the statesman, who cannot advance a step without the gallows in his eye, and the executioner at his elbow. Such is the facility with which coin may be melted down or exported, so difficult the detection, and so great the chance of impunity, that the severity of the law can never deter any man from the commission of the act; and if one in a thousand should fall a victim to the law, what beneficial effect would result from it? I turn with abhorrence from those laws which inflict rigorous punishments on offences merely political, to which men are strongly tempted by the mistaken policy of the government; when a more judicious system would render such sanguinary statutes unnecessary by removing all temptations to commit the offence.

Before I proceed, I must confess that nothing but the resumption of payment in specie will eradicate the evil: any other expedient can be considered only as a palliative: but as I am afraid, that, under the present circumstances, an immediate resumption of such payments would be attended with insuperable difficulties; if we cannot totally remove the evil, it will be a great point gained, if we are able to check its progress.

But at the same time, the restoration of payments in specie should constantly be kept in view, and no plan is worthy the least attention, which is not calculated to facilitate that object. If what I am going to propose should be found to be practicable, it will not only guard against the mischiefs arising from an excessive circulation of paper money, but it will secure to the public those advantages, which are now engrossed by the bank of England and the country bankers.

Thirteen years have now elapsed since government thought proper to suspend payments in specie at the bank. This suspension, we were at first taught to hope, would be not only temporary, but of short duration: while this expectation prevailed, little or no inconvenience was felt from the measure; but what was held out as a temporary expedient, is now growing into a permanent system; and I fear there is little reason to flatter ourselves that the restriction will be speedily removed. If I could see the most distant prospect of so desirable an event, I should be the last man to utter a syllable that could have the remotest tendency to retard it. If, however, the evil is to continue, and any partial advantage may be derived from its existence, it is more just that the public, who submit so patiently to the inconveniences resulting from it, should enjoy that partial advantage, than that a

few individuals should be suffered to convert the public calamity to their own private emolument. The bank of England, and the numerous and still increasing tribe of country bankers, are daily deriving their opulence from this source of public misery, and aggravate the evil resulting from that calamity.

The plan which I would recommend is, that neither the bank of England, nor the country bankers, should be any longer permitted to issue notes under a certain sum, but should be placed in the same situation they were in before the suspension of payment in specie at the bank; that government should issue one and two pound notes, to be circulated exactly in the same manner as the notes of the bank of England and country bankers are circulated at present. But that the public might have a security for the paper they should receive in circulation, the money arising from the disposal of those notes should be paid into the hands of the commissioners for the reduction of the national debt, to be invested in the funds till it is thought adviseable to resume payments in specie, and to be then employed in the purchase of bullion to supply the currency; and till that happy period arrives, the interest of the funds in which it may be invested to be applied to the public service in the same manner as the war taxes. I do not

possess sufficient information on the subject to calculate, or even to form a conjecture of the probable amount of the notes which would be thrown into circulation: if we estimate it at 20 millions, it would yield a revenue of nearly a million a year; no contemptible sum, even in these times of national profusion. The people would have better security for their currency than they have at present; the same notes would be current in all parts of the kingdom: in case of an invasion, or any other national calamity, their security would remain unshaken, while there was any confidence in public credit. When the period should arrive of resuming payments in specie, as that event would, in all probability, be the consequence of the prosperous state of the country, the same cause would naturally raise the price of stocks, and by that rise the public would derive an additional advantage from the sums which would have been vested in the funds on the issuing of the notes. Neither the bank of England, nor the country bankers, would have any just cause of complaint; they would be in the same situation they were in before the restriction: that measure was not adopted for their emolument; it is the same to them, whether government issues a currency in gold or in paper, as long as it maintains its credit. They certainly would lose the advantage they have de-

rived for these thirteen years from the national difficulties; they would lose their emoluments as coiners of base money, but would not be deprived of their fair profits as bankers; speculators would, indeed, no longer have it in their power to open a bank without some capital. All that they are entitled to, and that they undoubtedly have a right to demand, is that sufficient time should be allowed them to take up their notes and wind up their accounts.

Such a measure would likewise facilitate the resumption of payment in specie. It would be expecting too much from human nature to imagine, that either the bank of England, or the country bankers, who derive such enormous profit from its suspension, will, of their own accord, endeavour to remove it; it is rather to be expected that they will use every effort to retard an event so fatal to their interests; but if government paper were substituted in the place of their notes, they would no longer have an interest in keeping gold coin out of circulation; and if ministers should use their honest endeavours to replace the currency of the country on its former stable footing, they might depend on their co-operation; at least they would have no interest to thwart and counteract their patriotic efforts to restore the circulation of gold coin.

I am not insensible of the prejudice this scheme may probably excite, by comparing the notes proposed to be issued to French assignats; and I am well aware that a term, invidiously applied, is often more detrimental to the success of a measure, than the most powerful arguments; neither am I ignorant that a great number of people would find it their interest to foster that prejudice and cry down the new currency. Yet surely a little reflection would convince every impartial man, that it would stand on the same basis as the whole funded property in the kingdom; that every man would have as good security for the loose cash in his pocket, as the man who invests his property in the funds has for his whole fortune: there would be no more compulsion to receive the new notes, than there is to receive those of the bank of England.

It is a great misfortune in this country, that when any man or body of men have been suffered for any length of time to derive undue advantage or emolument from the distresses of the country or the negligence of government; they are apt to consider those sources of profit as their freehold, and think it a hardship to be deprived of advantages they ought never to have been suffered to enjoy. Thus we see, in all the public offices, abuses of any long standing converted into freeholds. Fees, illegal in their origin,

official abuses, when long practised, plead prescription in their favour; and this abominable principle has been so far sanctioned, that, when it has been thought necessary to abolish those pernicious practices, a compensation has been made, and, in many cases, I believe, the compensation has been received and the abuses have continued to subsist.

Upon this principle, the bankers may think it a hardship to be placed in their former situation; and because the public necessities, or the ill policy of government, have permitted them, for so long a time, to derive an undue advantage from the national calamities, they may, perhaps, consider an act, which deprives them of those advantages, as an injury offered them; however beneficial to the public, and even necessary to maintain the credit of the national currency. Let them only reflect that they have enjoyed the golden harvest for thirteen years, though, when the system was introduced, they were taught to believe it would last only a few months: let them consider that those evils which necessity creates, necessity limits: if it was necessary, in order to maintain the financial system of the country at that time, to establish the system to which they are indebted for their prosperity; it is no less necessary at the present moment, to adopt some measures to prevent the total depreciation of the

present currency, of which their own immoderate speculations have been the principal cause.

It may be thought dangerous perhaps to trust ministers with the power of issuing these notes. Heaven knows I am as little disposed to place any trust in ministers as most men, and the occurrences that have of late years taken place in the political world, are far from increasing my confidence in those who arrogate to themselves the title of public men: yet, notwithstanding the well-grounded jealousy I entertain of them, I cannot perceive more danger in trusting them in this case, than in allowing them to issue exchequer bills: the sanction of parliament would be as necessary in one case as the other: they would be permitted to issue notes only to a limited amount; and if any minister should presume to exceed that amount, he ought to be subject to the same punishment as if he had counterfeited the coin of the kingdom. As the money accruing from these notes would be paid into the hands of commissioners, ministers would have little temptation to exceed the amount limited by parliament. Neither can I see any reasonable grounds of jealousy from placing this power in the hands of men who are trusted with the annual expenditure of above seventy millions, who always find the House of Commons ready to grant them all the supplies they chuse

to ask, and trust them with as extensive a vote of credit as they are pleased to demand.

If this scheme should either appear too hazardous, or militate against the interest of any description of men whom government may not find it expedient to disoblige, I shall beg leave to suggest another, less efficacious indeed, attended with fewer advantages to the public, but which would introduce less innovation, and prevent in a considerable degree the farther depreciation of paper money by limiting the number of notes in circulation. My plan is to restrain any persons except the bank of England from issuing small notes; and to limit the amount which the bank should be allowed to issue. It is in the power of the legislature to overlook and regulate the issues at the bank, and to provide that no more shall be put in circulation, than are thought necessary to supply the national currency. But while every man in the kingdom is allowed to spread his paper about the country, parliament can neither know the extent of the evil, nor adopt any means to check its progress. But it appears to me so unjust that any body of men should derive their opulence from the public misfortunes, that if the bank of England should be permitted to continue to issue their small notes, they ought not to be suffered to monopolize the immense profits resulting from it; but such an agreement

should be made between ministers and the bank, as should secure the greatest part of the emoluments to the public, leaving the bank a reasonable remuneration for their agency. It must be observed, that should the bank possess the exclusive right of issuing small notes, a much greater number will be necessary than what is at present in circulation, for a considerable quantity will be required for the circulation of the country, which at present is almost entirely monopolized by the country banks. But I must beg leave to repeat, that whether government issue the notes themselves, or permit the bank to do it under certain regulations, the restoration of payment in specie ought to be their principal object; every step they take should be with a view to the attainment of that object, which alone can establish the finances of this country on a firm basis. For that purpose three pound notes ought to be put in circulation, the number of one pound notes would be gradually diminished till they were totally withdrawn from circulation. The necessity of procuring change for the two and three pound notes would, by degrees, bring back specie into the market. The same method should afterwards be adopted with the two and three pound notes, and, by that means, gold and silver will gradually return, and restore the currency to its former stability and value.

My opinion on this subject, whether well or ill founded, is not an hasty one. I have long been fully persuaded that the enormous price of all commodities, which some people contemplate with exultation as a proof of the growing prosperity of the country, is owing to the depreciation of the value of money, which is chiefly to be ascribed to the great quantity of paper currency, and to that other source of national felicity, the excessive weight of taxes. It is by restoring the only true and legitimate currency, gold and silver, that the evil can be totally eradicated; but any measure that will diminish the quantity of paper money, by which the market is overstocked, will retard the progress of a political evil which is rapidly increasing, and which, if it is not checked by some means or other, will be attended with the greatest confusion, by effecting a total change in the fortunes of individuals, by raising the price of our manufactures so high as to exclude them from all foreign markets, and by rendering money so cheap and degraded, that it will be impossible at any future time to restore gold and silver currency without altering the denomination of the coin in some proportion to the degradation the currency shall have experienced. The measures I have suggested, appear to me the best calculated, if not to remove the evil, at least to impede

its progress; other remedies more efficacious may be proposed by men of more experience and greater abilities; and I shall think myself fully rewarded for the pains I have taken on the subject, if what I have written should be the means of drawing the attention of men of that description to a subject, which requires the most deliberate and serious investigation, and which cannot be longer neglected without the most serious and fatal consequences.

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