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**BANK NOTES**

THE CAUSE OF THE

*Disappearance of Guineas,*

AND OF THE

**COURSE OF EXCHANGE**

BEING

*AGAINST US,*

WHILST THE

*Balance of Trade is in our Favour:*

WITH

PRACTICABLE MEANS SUGGESTED

TO ENABLE

*The Bank of England to resume its Payments in Specie, without sustaining any Loss.*

“ The Measures taken to keep Gold in the Country, have had the effect of giving a Premium for every Guinea that is taken out of it.”

BY T. HOPKINS.

London,  
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**PREFACE.**

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*THE* Writer of the following pages, feeling a considerable interest in the enquiry into the present state of our currency, has, for some time past, devoted a part of his leisure to an investigation of the subject; having committed his thoughts to writing, he is now induced to submit them to the public, and whatever may be the manner in which they are received, whether they remain unnoticed in the bosom of obscurity, or attract a portion of public attention, he will still retain the consolation, that his intention was good. His aim has been to exhibit the principles which govern a national circulating medium—a balance of trade—and the rate of exchange with foreign countries—in as simple and unambiguous a manner as possible. Believing that they are subjects which will increase in interest, if in the following remarks, an additional light is thrown upon them, he will be content—If they prove, in any degree, instrumental in restoring the country to that vigorous state, from which it is thought bank notes have reduced it, he will exult in the recollec-

tion, that he has not written in vain.—The mighty contest in which we are engaged, the greatness of the prize contended for, call upon us to strain every nerve to ensure success.

*As no pretensions are made to infallibility, should the writer's views be false, and his arguments erroneous, the style is not likely to dazzle or fascinate the reader, if he has succeeded in making himself understood, it is all that he aimed at—truth alone, as far as he knows his own mind, being his object—Long tables and calculations, have been avoided, that the mind may be left at liberty to examine the principles attempted to be laid down. The reasonings upon the state of our commerce, do not include the exports and imports for the year 1810, the accounts not having been completed—Indeed, in the opinion of the writer, we stand more in need of correct principles, than minute returns of exports and imports—that the latter are only essential, in our present enquiries, as means to enable us to arrive at a knowledge of the former.*

*Salford, Manchester,  
Dec. 18, 1810.*

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## BANK NOTES, &c.

ON a subject of such extensive importance as the present, it might be expected that party politics would have no effect—but experience has proved, that when men have been long attached to a party, they have not only imbibed its peculiar principles, but also, the same manner of viewing a question, the same habits of thinking and reasoning, and, by constantly defending particular maxims and measures, they at last get into such a state, that they act almost mechanically in their accustomed line.

It is only by considering the effect, which such a habit has upon the mind, that we can account for the uniformity of conduct observable in a sect or party; and it is for want of giving due weight to the operation of this principle, that we are so ready to charge those whose opinions are different to our own, with being debased by that odious vice hypocrisy.

Perhaps, there are few of us whose minds are not thus tinctured, in a greater or less degree : whatever we have an attachment to, we naturally wish to be right, and we commonly muster up all our ingenuity, to persuade ourselves that it is so ; all that the most impartial can do, is to endeavour to be upon their guard against such a bias, and rigorously to examine every argument advanced for or against the question.

With such feelings and views, a writer of inferior abilities, may be enabled to throw an additional light on an intricate question, merely from the circumstance of conducting his enquiries with caution and candour.

We shall find, that measures of national policy, are generally both spoken and written upon with an uncommon degree of partiality, and that, in proportion to the magnitude and intended permanency of the measure. This being the case generally, we need not be surprised that the bank note system has been violently attacked, nor at its having many enthusiastic admirers and defenders ; as it is universally admitted, that its consequences are of the most extensive nature, affecting materially the well-being of society at large, and that it claims and merits the attention of all in an eminent de-

gree. Many have come forward, at different periods, as its advocates and eulogists, but none with more zeal than a Right Honourable Baronet ; and, from the manner in which his pamphlet has been hailed by its admirers, it appears that he is considered its most able defender.

But, that we may have as clear a conception of this important subject as we can get, let us consider some of the different points separately, carrying with us as much impartiality as possible, and then make our comparisons and draw our conclusions ; if we can but go on coolly and deliberately, we shall, notwithstanding the intricacy of the subject, succeed in obtaining a tolerably correct view of it.

The committee appointed by the House of Commons, to enquire into the causes of the present high price of bullion, have, in their report recently published, given it as their opinion, that the high price of bullion, as well as the unfavourable rate of exchange, is to be attributed to the excessive quantity of bank notes in circulation, and that making the Bank of England liable to pay their notes in specie, would have the effect of diminishing that excess ; they therefore recommend, that

the Bank Restriction Bill should be repealed at the end of two years.

The defenders of the bank note system, contend that the bullion committee are in error—that the issue of notes has no connection whatever with the rate of exchange with other countries, and has not caused the high price of bullion, but attribute both those circumstances to the present state of trade.

According to these writers, “the balance of trade is so much against us, that it is taking away our gold to pay the difference between what we buy and what we sell; the former being so much greater than the latter, that all, or nearly all, our gold money has been sent away, for that purpose, and yet has been insufficient, as is proved by the course of exchange being against us.”—This is attributed to various causes, the extent of whose operation it is difficult correctly to ascertain; but that we may properly estimate this argument, we will proceed to enquire into the nature and operation of a Balance of Trade.

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### *Balance of Trade.*

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It is evident, that superficial and very erroneous notions have been, and are at present, entertained on this subject. To prove this, it is only necessary to state what it is, and then the fallacy of the statements received throughout Europe will be admitted. A favourable balance of trade is, when one nation sells to another more goods than it buys in return, and it is always *supposed*, that the amount of the difference is received in the precious metals; it would therefore follow, that what one nation gains another must lose.

But if we look at the accounts of the different governments on the continent, we shall find that *they* boast of a considerable gain. Indeed, this is carried so far, that it would require ten times the present annual produce of the mines, to justify their lowest estimate. It is not intended by this, to insinuate that a favourable balance does not exist, on the contrary, it may be proved, that

England has enjoyed it for a long time. But our object is, to ascertain whether we can derive any benefit from it, except under particular circumstances.

As it is at present contended, by some persons, that the balance is against us, we will trace the effects of such a circumstance upon a nation. Admitting then, for the sake of argument, that it is against us, the first effect perceived, is a rise in the price of bullion, it being wanted to pay the difference between our exports and imports; the rise in the price of bullion, causes those guineas which are under the standard weight to be melted, they bearing a higher price as bullion, than they do while they continue in circulation as coin. Suppose the balance to be against us, to the amount of a million a year, and admitting our whole circulating medium to have been, previously to such an unfavourable balance of trade, twenty millions, we shall find, that in a year we have been drained of one-twentieth of our currency. But then the nineteen millions which we have left, must be made to perform all that the twenty millions did before, every individual piece being of greater value, in exact proportion to the diminution of the quantity. Our metals being thus raised in value, the probability is, that importations would be lessened,

as the overplus quantity is to be paid for, with an article which is constantly increasing in value. Here then, even allowing that our trade is in the state described by the friends of bank notes, we see, that were it not for those notes, the evil would correct itself.

But as it is of much importance to have an accurate knowledge of this subject, more especially as it is so frequently confounded with the rate of exchange, although they are in some cases distinct from, and indeed, in direct opposition to each other, it will, perhaps, be useful to take another view of it, to examine it more in detail, and we shall find, that an unfavourable balance of trade, may even be mistaken for a benefit.

We have supposed, that England had twenty millions of gold and silver for a currency; we will imagine, bread is sold for one penny per pound, and that the average weekly wages of a labourer is eight shillings.—England, under these circumstances, acquires a taste for the produce of another country, which is indulged and carried to a great extent; for the sake of simplicity, we will say it is for wine; the balance of trade being even before, this inordinate rage for drinking wine turns it against us, so much as a million a year.

Should the same course continue ten years, in that time we should have lost one half of our circulating medium, it being now reduced to ten millions; but as no alteration is supposed to have taken place in the country, excepting that of having exchanged one half of our gold and silver for a commodity which we could very well have done without, and which we have consumed, the same course of ploughing, sowing, and reaping would go on, and the produce of the soil be brought to market; manufacturers would produce in the same way they did before, the weaver, the carpenter, and the smith would continue their useful labours; nothing has undergone the least alteration but money. They have now only one half of their former quantity, with which to make their different purchases; but, as money is a mere medium of exchange, they would now make that half which they have left, perform all that the whole twenty millions did formerly.—Our currency would now be reduced to ten millions, and consequently have so much raised the value of each piece, that two pounds of bread would be procurable for a penny, being one half the nominal price it was, prior to the reduction of the quantity of money. Now, as cheap provision is thought by some to be an unmixed good, here we have, according to the vulgar notion, cheap food as a consequence of

an unfavourable trade; this is, however, a delusion, which could not last any considerable length of time; the same cause must necessarily reduce the price of labour; the labourer, it is true, might find that the rise in the value of money, would affect provisions rather earlier than his wages, and that would be so far an advantage to him; but every thing would ultimately come down to the proper price, according to the reduced quantity of money.

It has been supposed, for the purpose of shewing that provisions may be lowered in price, without benefit accruing to any portion of the community, that the money of a nation can be reduced to one half its accustomed quantity; but we now come, to examine the improbability of such a circumstance taking place, by any state of trade, while the coin is left to find its own natural value.

We have made a supposition, for the sake of having an illustrative case, that a nation of wine growers or wine makers, has received a million a year of our gold in exchange for their wine; we will assume that they had, prior to the commencing of this trade, a currency of gold and silver to the amount of 20 millions, and as ten years of

trade has brought them an additional sum of ten millions, they now have a currency of 30 millions, and as we suppose no increase of employment for this extra sum, it must have been lowered in value, equal to the increase in quantity, or each individual piece of about two thirds its former worth; under these circumstances, the wine would cost a greater sum every successive year; say, that at the commencement of the trade, when each nation had 20 millions of specie, the wine sold for a shilling a bottle in the country which produced it; but as their money is now reduced in value one third, on account of its increased quantity, the bottle of wine will sell for one shilling and sixpence, that sum being equal at present to one shilling ten years ago.

Now, let us enquire, under what circumstances we are called upon to pay this additional quantity of the precious metals; we have already seen, that our currency has been reduced from 20 to 10 millions, and consequently, that each separate piece had become twice its former value; therefore, the one shilling and sixpence which we have now to pay for the bottle of wine, is equal to three times the price we paid for it at the commencement of the trade, then one eighth of a labourer's weekly

wages was the sum we had to pay for it, now it will require three eighths to purchase it.

Here we find a natural corrective of an unfavorable state of trade; but there are other modes in which nations are enabled, not to say invited, or impelled, to bring their trade to a state of equilibrium. In the case of the wine makers, we have seen in what manner their money became depreciated, and their wine raised in price; but the advance would not be confined to wine, every other commodity with them would be equally raised by the same cause, the necessaries of life would be as much affected as any other articles. Agreeably to these principles, corn, which with them formerly sold for 10*l.* now costs 15*l.* whilst with us it has fallen from 10*l.* to 5*l.* here a favourable opportunity presents itself to begin a new trade, by purchasing this corn and taking it to the wine makers, and it would most certainly have the effect of bringing back our money, while it continued so lucrative to the individual traders. It must be instantly seen, that this trade in corn would commence earlier than we have stated, it was only represented to have been delayed, until 200 per cent might be gained by it, (the freight, &c. being sunk in all the calculations) to exhibit



it in a clear light, all we want to establish is, that no nation can have a considerable balance of trade in its favour, for a long time; and even when the means, which we have here pointed out, fail in establishing an equilibrium, it will be shewn hereafter, that no nation can *continue* to reap a profit from a favourable trade, for an indefinite time. If we are desirous of having a continual influx of the precious metals, some means must be devised to keep them out of the home market, and to prevent them from increasing the quantity of our currency; if this is not done, a stop will soon be put to our favourable balance. The trade of England has, from time to time, brought her an immense quantity, but they were never accumulated in the country, they have been generally sent away as subsidies to some of the continental powers, from whence the favourable operation of trade drew them, to be again employed in the same manner.

There is, indeed, one way in which a nation might be enabled to accumulate more than their proportion of the precious metals, even in the shape of money. That way, however, does not depend upon themselves, but upon the surrounding nations. If their neighbours should be weak

enough to supply, or more than supply, the place of the money which had been drawn from them by trade, with something else as a substitute, instead of suffering it to be lessened in quantity, then, indeed, it might go on draining them, until they had not a piece of gold left; this, however, brings us to a consideration of the nature and effects of an issue of bank notes.



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### *Bank Notes.*

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As paper does not require a voyage to America, nor the labour and expence of working a mine to procure it, it is not very surprising that when once used as a substitute for money, it should be carried to so great an excess, as almost wholly to supplant the metals; this appears to have been its career in nearly every nation that has had recourse to it; intending only to make use of it, as a remedy for a present evil, they soon found that it was far easier to introduce, than to get rid of it, when it had been introduced: the emission of a small quantity of notes, led the way to an excessive issue, until they at last sunk under their own weight; that this has been the general fate of paper, as a substitute for money, the history of many modern states will sufficiently prove, and that it is its natural tendency, a few considerations will clearly shew.

It is not attempted to be maintained, that no circumstances will justify an issue of paper, and

even making that paper legal money; but, we may truly say, that it is a desperate expedient, requiring more fortitude to eradicate the evils it occasions, than commonly falls to the lot of governments; the necessity should be of the most imperious kind, before recourse is had to such a measure.

Such as being attacked by a powerful enemy, whom you are incapable of resisting, and therefore require the assistance of another nation—here it might and would be good policy, to send away a great part of your metallic money to purchase assistance, and you would be justified in issuing paper, to an extent that would nearly fill the vacuity, because, a great part of your specie leaving the country, would so materially affect the nature of all contracts, that much confusion and distress would ensue; whereas, by a moderate issue of paper to supply the place of the metals, you would be enabled to preserve the spirit as well as the letter of all engagements, while, by keeping the paper within a proper limit, you may gradually recover the metals which had been sent away; this, to a manufacturing and commercial nation, would be the more easy, as they have the ready means of drawing back their specie. But the great difficulty is, in regulating the issue so as to keep the

quantity of currency a little below what is required by the country, and this is what has not been sufficiently attended to, by those who have had the controul placed in their hands; the convenience of the moment generally operating stronger upon their minds, than the dread of the more distant but certain evil of an excessive issue.—Yet, it is clear, that a wise and firm government might adopt such an expedient, and gradually recover from the exhausted state, the paper being taken out of circulation as the gold flowed back into the country. But it is equally certain, that very few would have sufficient firmness to do it with a steady persevering determination; it ought never to be had recourse to but for a temporary purpose.—A paper issue is a convulsive effort, which leaves behind it a national weakness, from which, by wisdom and fortitude, it may be recovered, but it requires a great exertion of those virtues to accomplish it.

Having thus laid down the principles, upon which alone a paper money ought to be issued, let us proceed to examine, how far those principles have been adhered to, by the makers of bank notes in this country.

Bank notes were first circulated in England by

a company of merchants, who were incorporated by William III. shortly after the famous revolution, which placed that monarch on the throne, and although the amount was comparatively small at that period, and for a considerable time after, yet then, small as was their quantity, they must have had the effect of keeping gold out of the country;—for if we suppose trade to have increased, and consequently required a greater circulating medium, they did the negative injury of supplying that demand with paper, which, but for that supply, would have brought gold and silver in sufficient quantity to answer every purpose; it being the very nature of trade to supply itself with a currency, and nothing but glutting it with paper, can prevent it from drawing the precious metals to the place where it is carried on. Thus capital cities, and large commercial and manufacturing towns, will always have a greater proportion of the currency of a country, than the lesser provincial towns, and those, more than the villages, according to the relative number and amount of purchases made. So that, even at the first issue of notes by the bank of England, if trade *had* increased, gold was thereby prevented from flowing into the country; and if we suppose that it *had not* increased, then as the currency had been augmented, without there being any additional employment for it, a

part of it would leave the country, and as we know that part would not be bank notes, it follows, that a portion of our gold would be banished and its place supplied with paper. Allowing this to be true at the first emission, it will equally apply to every successive issue; and if the possession of an abundance of gold and silver is to be considered a *good*, the circulation of bank notes, though convertible into cash at the pleasure of the holder, is an *evil*.

This evil, however, although it is one of no trivial nature, was not felt by an individual in any material degree. The farmer, when he took his corn to market, received payment in bank notes, and as his landlord was content to have his rent paid in the same kind of money, a general confidence in the bank was established; they gave cash for their notes, to any person who was desirous of having it, and while things went on in this way, the *nation* might be considered weaker, (as there was less gold and silver in the country than there ought to be, its riches and its trade considered) but each felt, that as an individual, he was not particularly affected; paper was as useful to him as gold, and they were therefore taken indiscriminately; but when once a bank was established, and its notes circulated, it occurred to the merchant and

the manufacturer, that, instead of spending years of anxiety in assiduously attending to their old regular professions, in order to accumulate an independency, it would be a much readier way to become bankers, and issue their promissory notes; and when the public had accepted them as, or rather, instead of money, the accommodation which they could give the speculator, soon made banking a flourishing trade—they increased rapidly in number, and the circulation of their notes was forced by the most artificial means, adding greatly to the evil already produced by bank of England notes.

Thus we find the disease increasing in strength, and spreading far and wide;—exposing the whole of the trade of the country to a shock without any adequate necessity;—the gold driven out of circulation, and paper introduced into its place, the value of which depended entirely upon public confidence. Can this be wise? can it be prudent? confidence may be unbounded, may continue so for some time, but it is contrary to the nature of things, that it should remain long unshaken. The general effect of unbounded confidence is, to produce a relaxation of that cautious attention, which is essential to the prosperity, nay, almost to the existence of trade.—And it were surely absurd, to

contend that that which causes the trader to be less circumspect in his engagements, to be more adventurous in his speculations, should produce, at the same time, a greater degree of confidence in the minds of the community at large. Confidence, like many other things, may be carried to a great extent; but it may be laid down as a general rule, that the more absolute the confidence, the more liable is it to be suddenly destroyed,—this applies with peculiar force to that which is reposed in persons, whose claims to it there is no precise mode of examining, yet who have a general confidence reposed in them by the public. Such persons are not subjected to any scrutiny: they make use of what is called their credit, frequently to its utmost extent, imagining that their capital has increased, because they are entrusted to a great amount, they frequently embark the whole property in trade, when, any disastrous accident, any imprudent or unfortunate speculation at once dissipates the delusion, and the public awaking from their dream of confidence are inclined to rush into the opposite extreme, and are only deterred from acting up to the dictates of general suspicion, by the impossibility of taking trade immediately into new channels, they are therefore obliged to continue partly in the same track; but we find, that when public confidence is once touched, its effects are felt for a

long time afterwards; men whose property is in the hands of others, endeavour to get it back as soon as they can, and are very cautious how they again part with it.

This was the way in which credit was affected prior to the memorable stoppage of payment at the bank of England, in the year 1797. The issuing of notes had caused the gold to flow out of the country, and had collected an immense property into the hands of the persons who issued them; with this, they, or at least some of them, made very free, in speculating or trading in an adventurous manner, and an alarm prevailing at the same time, respecting invasion, a more than ordinary demand for gold took place, which proved that some of the bankers were unable to pay their notes; the moment which gave birth to suspicion laid the train for further exposure;—those who had notes endeavoured to get gold and silver for them; the country banks, in general, had but a small quantity, when compared to their notes in circulation; they, therefore, as well as the rest of the public, applied to the bank of England, and it soon became evident that *they* also were unable to answer the general and increasing demand; it was then that the effects of banishing the gold were felt— it was then the nation stood appalled at the preci-

pice, on which, apparently for the first time, it saw itself placed; it was, truly, a critical moment, requiring an uncommon display of wisdom and fortitude.—But, alas! the event proved that they were not to be found; or at least, not in those whose influence prevailed at that period. There were, indeed, many who had marked the increase of bank notes with regret, and who hailed this desire on the part of the people, to have gold in preference to paper, as an auspicious omen:—They saw that the pernicious effects of the paper system were felt, and were in hopes, that it was now dying a natural death; involving, it is true, thousands in misery at its exit. Yet a consolatory reflection arose, out of even that circumstance, as it was certain, that the longer it existed, the greater must be the misery endured, when it scattered destruction around in its last convulsive pangs.

Not so reasoned those who had the management of the important concerns of the nation;—they either had not the courage to let the paper sink to that rank from which it ought never to have risen, or they believed, that a future and better time might be selected for the purpose;—they either did not see the state into which they were plunging their country, or they affected not to see it. Views the most fallacious were taken of the sub-

ject, supported by arguments, so weak, that it is surprising they stood a moment's investigation. Mr. Pitt, however, supported by a triumphant majority, got an act of parliament to support and perpetuate the paper, in a more odious shape than it had yet appeared. Yes, it was Mr. Pitt and his associates who, at that awful period, were found wanting.—It was he who made bank notes, to all practical purposes, a paper money, by the act called the Bank Restriction Bill.

By this law, the Bank of England were protected, in their refusal to pay their promissory notes; and since that time, all the evils, which naturally belong to a paper currency, have been increasing. From that time, the bank paid one promissory note with another promissory note—the second with a third—in short, they have continued ever since, to pay with renewed promises: and what is more surprising is, that although their notes, which they cannot be compelled to pay but with other similar notes, have been made as near legal money as is possible, without being actually so; yet has the bank been left at full, compleat, and uncontrouled liberty, to issue as great a quantity as they in their discretion think fit.

Can any thing be more extraordinary than this

—except, perhaps, the principle upon which it has been lately asserted, from the best authority, that the bank regulates its issue—namely, the wants of persons possessing real bona fide property.

But let us pause for a short time, to examine the reasons, or rather the excuses, for passing the Restriction Bill, much was said at the time about the gold going out of the country—and nearly every cause, except the real one, was assigned for its disappearance.

The minister, however, asserted, and the bank agreed, that payment in gold and silver must be discontinued, or we should have no gold left.—Was any thing so preposterous as this, ever said before?—So then, to keep the gold in the country, we cease to make any use of it.—This, to be sure, was a most brilliant thought! Our gold was to be kept in the iron chests or strong cellars of the bank, while our neighbours were silly enough to suffer theirs to be in common circulation. What a profound knowledge of political economy was here displayed!! It is difficult to avoid believing, that the persons who projected this measure, must have seen its real tendency. Even Adam Smith, who is so great an advocate for banks and bank

notes, says, that the paper money sets the gold and silver at liberty to go abroad, to be used as a trading capital.—What would *he* have said to an issue of paper for the purpose of keeping gold in the country? This able economist points out in a clear manner, how a capital may be created to send to other countries, for the purpose of purchasing provisions, clothing, tools, &c. and this might be in some degree excusable in a poor nation, which had nothing else to send, and was in want of those articles;—but for a rich, manufacturing and commercial people to do this, would be, besides leaving themselves without their proper quantity of gold and silver, sending their money to rival their goods in a foreign market, and thus partially checking the sale of their own products; however, though it is evident that the Bank Restriction Bill, by encouraging the issuing of notes, must cause the precious metals to leave the country; yet this bill was in reality passed, for the ostensible purpose of keeping them in it. Well, let us see how it has answered its professed purpose.—As soon as the bank were authorised by law to refuse paying their promissory notes, a greater number were issued than before that event; the quantity being increased, they were circulated at a greater distance, which gave a prospect of success to those unfortunate beings, who have, at different times, ex-



piated the crime of forgery, with their lives : bank of England notes were forged at different times, and passed in those parts of the country distant from London ;—the persons who took them were losers to their amount, and not having any means of distinguishing a real bank note from a forged one, they were taken with hesitation and reluctance. This proved favourable to the issuers of country notes, each of these being confined to a small district, the opportunity for successfully forging them was not so great ; the consequence has been, that country bank notes were preferred to those belonging to the bank of England, throughout a considerable part of the country. Indeed, it has been lately stated, that to such an extent has the issuing of country bank notes been carried, that they at present amount to the enormous sum of thirty millions, the bank of England having only about twenty millions in circulation.

Well, then, this is what experience shews to be the result of the Bank Restriction Bill, in thirteen years after its passing, the quantity of notes in circulation amounts to fifty millions, and ministers declared, no very long time since, that they who have ninety millions passing through their hands in a year, could not get gold enough to enable them to send a small army to the north

of Germany !!! Whilst individuals feel an interest in giving a price above that fixed by law for guineas, for the purpose of sending them to our enemies on the continent—*yes : the measures taken to keep gold in the country, have had the effect of giving a premium for every guinea that is taken out of it !!!* It is notorious, that the bank have not been able to collect any great quantity of gold, and were they to be now compelled to pay their promissory notes in coin, they would do it at the loss of at least fifteen per cent. and every year appears to make the case worse—indeed, while there is such a profit to be made, by either melting or exporting it, there will always be found Christians enough to set the law at defiance, and no person will suspect a Jew of being deterred by any scruples of conscience. And yet, after all this, there are persons who say, that the Bank Restriction Bill was a wise and wholesome measure—who can see no injury resulting from it—and who wish it to continue in existence, that our gold may not be taken away !!!

Having thus seen how far the measure of 1797 has kept the gold in the country, we will proceed to examine, in a summary way, whether our currency is not lowered in value in consequence of the abundance of bank notes.



We have already clearly ascertained, that increasing the quantity of the circulating medium, diminishes its value; we have, also, had it admitted, that there are 50 millions of bank notes in circulation—yet some have pretended to maintain, that they are not depreciated. The manner in which they endeavour to prove this is singularly weak.—They say, that bank notes to the amount of 105*l.* will procure as much corn, in the market, as 100 guineas, and consequently, they are not depreciated. Now, admitting that this statement is correct—that you would not be able to get more corn for 105*l.* in guineas, than in notes—what does it prove?—but that the guineas are depreciated as well as the notes. The complaint is not *merely* that the notes are depreciated—but that the *currency—every part of the whole circulating medium*, is lowered in value; the note, the guinea, the shilling, and the penny, while they are considered a part of the currency, are *all* depreciated; therefore, this triumphant proof amounts to this, that one part of the currency is not depreciated, because—what?—why, because it *is not more so than another part!* And this is the reply to those who contend that the currency is debased, by the issue of 50 millions of paper. The fact is, the comparison which is made between the 105*l.* in notes and the 100 guineas, does not apply to the

case; the guineas, where there are any left in circulation, are linked to the notes by the strong chain of the law, and as the notes are increased in quantity, the guinea, while a part of the circulating medium, will be debased with them; this, however, will increase the inducement to melt or export them, which will certainly be done, until guineas entirely disappear from circulation; or else the practice of selling them, for more than their legal price, will become so universal, that it will be impossible to punish those who are guilty of it. Then *notes alone* will be depreciated—then it will be so evident, that every child will know it—but the depreciation of the whole currency is not less real at present. Every proof which the case admits of, can be clearly made to apply to our state—the rise of bullion—the advanced price of every article of necessity—the rate of exchange with foreign countries—and by a calculation of the necessary result of so great an issue of notes.

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*Balance of Trade in our Favour.*

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As the high price of bullion and the unfavourable course of exchange, may be produced by another cause, namely, *the balance of trade being against us*, the admirers and supporters of paper, rather than acknowledge the baneful effects of their favourite system, have not scrupled to declare, that the balance of trade is against us!—Yes, those men who have told us, that our trade was going on in so prosperous and beneficial a way, now, all at once, declare that the balance is against us! In the city of London, in that place where it has been so often boasted, that we had the trade of the world!—where it has been frequently asserted, that the extension of our trade, more than compensated us for the victories of France!—Yes, in that same place, is our boasted trade now declared to be a losing one! Is it come to this at last? We hug ourselves upon our good fortune—we exult-

ingly tell the world, that in the last thirteen years, our exports have increased from 30 to 50 millions a year—and yet, *the balance is against us!!!* Surely, the defenders of paper are much embarrassed to find arguments to support their cause, or they would never have made so humiliating a confession. What! after having for years sighed and struggled, and struggled and sighed for trade; after telling one another that all we wanted was more trade! more trade!—Must we at last acknowledge, that, now when we have more than we ever had, it is taking our money from us, and conveying it to Bonaparte, who, poor unfortunate wretch, is almost without trade of any kind?—If all this is true, who will be so great an enemy to his country, as to wish for a further extension of trade?—We send away 20 millions worth more of goods now, than we did in 1797, and yet, trade is taking our money from us!

But here let us pause and look about us, and see whether it is not possible to defend these traders, against the attack which they have made upon themselves. By the custom house returns, it appears that in 1792, previous to the commencement of the revolutionary war, our exports were nearly 25 millions, and our imports nearly 20 millions,

1797, exports 29 millions, imports 21 millions.  
1809, exports 50 millions, imports 36 millions.

Now, although these returns cannot be depended upon, as giving the exact value of the exports and imports, yet, as they have a uniform mode of making them, we may see the proportion which one bears to the other.—According to these returns, there was in 1792, a balance of about five millions in our favor ;—in 1797, it was eight millions ; and in the year 1809, it was so much as fourteen millions. I repeat, that these accounts cannot be relied upon, as giving the exact value of the articles ;—yet there are few persons who will venture to deny that we had a real balance of trade in our favour in 1792, when the custom house returns made it five millions : if that was not the case, we should have been unable to subsidize to the extent which we have, since that period ; indeed, it must be very apparent, that, had not the balance of trade been in our favor, constantly and regularly from that time, we could not have sent such immense sums to the continent.

Now, as we had a favourable trade, when our returns gave us only a balance of five millions, it would be very strange if it was in reality a losing one, when returns, made out in the same manner, say that the balance in our favour is fourteen mil-

lions. But, as the custom house returns do not serve their purpose, a variety of causes are pointed out, tending to disprove their truth, and establish the fact of the balance being against us. The principal appears to be, the decrees issued by Bonaparte, and our orders in council.—There are many subordinate ones named, but as these are the principal, we will bestow some attention upon them. But here again I repeat, why may we not appeal to the accounts of the quantity of goods sent off ? when there are such accounts regularly kept, they appear to me to be decisive of the case :—but this being felt, it is urged, that although they are shipped off, they are not sold.—Indeed ! and are we expected to believe, that our mercantile men are such blockheads, as to continue sending out immense quantities of goods, if they could not sell them ?—We have been told the same thing for many years past.—One port after another has been closed against us, and decree after decree promulgated—yet goods have been, and continue to be sent off, in as great quantities as ever they were. And are we to believe, that the merchant does this at a loss, that he sends his goods out without any rational prospect of selling them ? We may safely leave that consideration to those who are personally interested.

But, "The continent of Europe does not consume as much foreign produce now, as it formerly did."—This may be safely admitted, and yet our trade with it have increased. Until very lately, many of the powers on the continent had colonies of their own, and from those they were amply supplied: this was particularly the case with West India produce. But now, whatever portion they receive, comes from us, so that, although they may not consume so much as they were formerly accustomed to do, yet as they *supplied themselves* before, and receive their diminished supply from *us* at present, our trade with them may be, nay, it is certain, that in West India produce it is, greater now than it was in 1792—and it is notorious, that the quantity of cotton manufactured goods exported last year, was unusually great.—Why then, with these reasons for believing that our export trade is in a flourishing state, should we think, in opposition to the custom house returns, that the balance is not in our favour? Besides, the measures taken to prevent the admission of British goods to the Continent, have the effect of diminishing our importation of Continental articles; that this is the case, is clearly indicated by the price of those articles.—The price being high, causes a less quantity to be consumed, and holds out encouragement to those who may be

inclined to provide us with a substitute of our own production. It is thus, that the high price of Swedish iron, encourages a search for the best veins of our own island, and induces many to use native iron for different purposes, although it may not be quite so good.—The timber and tallow of the North of Europe becoming dear, makes us fly to Canada for timber, because we can get it cheaper; as a substitute for tallow, our fisheries supply us with oil.—Indeed, as soon as any of the articles which we get from the Continent, become dear, we can immediately supply ourselves from another source, which, of course, lessens importation from Europe. But colonial produce, although not necessary to human existence, has been so long enjoyed by the inhabitants of the European Continent, that they cannot divest themselves of their strong attachment to it, and it will be purchased, though at very high prices; sugar and coffee, in particular, must be in great request—and this has induced many to endeavour to provide substitutes for those articles, but hitherto all attempts have failed. In short, Great Britain, by having the command of the sea, by being in possession of nearly all the colonies that have belonged to Europe, and by having an enemy to contend with, whose people are willing to purchase the produce of those colonies, at almost any price—Great Bri-

tain, I say, is so favourably circumstanced to command a trade, that it would be truly astonishing if the balance were not in her favour. When, in addition to these considerations, we take into the account the ingenuity, the skill and industry of her inhabitants, and their great capital, we shall be ready to agree with our custom house returns, so far as to say, that the balance of trade must be in our favour. Indeed, that would be not only generally admitted, but loudly and exultingly asserted, by those very persons who now deny it, were it not that two facts stare them in the face, and feeling themselves obliged to assign some cause for them, and either unable or unwilling to attribute them to any other, have endeavoured to make it appear, that the balance of trade was against us. These facts, namely, the high price of bullion and the unfavourable rate of exchange, we will endeavour to trace to their source, and see if we cannot discover some other completely adequate cause.

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PRICE OF BULLION

*And course of Exchange.*

WE have already proved that increasing the quantity of money, when there was no greater number of purchases to be made, would only have the effect of diminishing its value.

We have also seen, that England has a paper circulation of fifty millions, and that land, labour, provisions, &c. have accordingly risen in price; under such circumstances, bullion being a marketable article, which when sold, is paid for in the depreciated currency, must rise in price, as well as every other commodity; or, to speak more correctly, will sell for a greater quantity of the current money, because that money is of less value. —thus, say a pound weight of sterling gold was worth 46*l.* 14*s.* 6*d.* before the excessive issue of paper, but in consequence of that issue, it requires 56*l.* of the present money to purchase the same

quantity—in this way does bullion rise in price, when the balance of trade has nothing to do with it, and were another fifty millions of paper to be thrown into circulation, while trade continued in its present state, the market price of bullion must be proportionably raised.

Having shewn the cause of the rise in bullion, let us proceed to trace the manner in which the gold coin, is driven out of the country, by bank notes, while the balance of trade is decidedly in our favor:—to do this, we will suppose that we had, a short time since, twenty millions of gold and silver for a circulating medium, and that our trade increased so much, as to require another fifteen to be added to it; but instead of leaving to the operation of trade, the task of collecting from the rest of the world this additional quantity, we issued paper to the amount of fifty millions, we should then have a mixed currency of metals and paper, to the amount of seventy millions, our wants at the same time only requiring thirty-five. Here the increase in quantity, according to the principles already laid down, would decrease the value fifty per cent—or, a guinea, while forming a part of the currency, would only procure one half the quantity of goods it formerly did.

Under these circumstances, a bill is drawn at Hamburgh, payable in London for 1000*l.* and offered for sale in the Hamburgh market:—the merchant who buys this bill, is desirous of making a purchase in London, and wants it for that purpose; we will say, that he wishes to buy bullion, he considers how much of that article the bill will procure, and gives a greater or less price accordingly. In the supposition which we have made, it will be perceived, that from the depreciation of the currency, bullion must have risen fifty per cent.; and therefore the bill will only be able to buy as much as one for 500*l.* would before the depreciation. The merchant will, therefore, only give that sum for it; the nominal amount of the bill is, comparatively, of no moment, the only point is, how much of any article it will purchase.

But if a person in England had collected 477 guineas, and smuggled them to Hamburgh, the holder of the bill would willingly exchange it for those guineas, so that, according to the case which we have here taken, by collecting 477 guineas, and conveying them to a foreign market, a bill may be purchased which will procure 1000*l.* of the current money of the country.

We will presently proceed to ascertain, why English bills are not more lowered in value, in foreign markets, when the real state of our currency is so near that which we have supposed;— but we have seen, how the metallic money may leave a nation, although the balance of trade may have nothing to do with it. We will, however, first examine the nature of bills of exchange, and the principle upon which they are drawn.

The trading part of every commercial nation, have tables, of the relative value of current money, in all the different countries to which their dealings extend, founded upon the quantity and fineness of metal in the coin, and, when a bill of exchange is drawn, the sum is generally expressed in the current coin of the place in which it is to be paid.

An American, for instance, has a claim upon a London merchant, to the amount of 1000 dollars; upon looking at his table he finds that 215*l.* 12*s.* 6*d.* in English money, is equal to 1000 dollars, and he accordingly draws a bill to that amount; this bill will sell for a greater or less quantity of dollars in the American market, according to the temporary rise or fall in the value of the currency, in which it is to be paid; should English money be

lessened in quantity and increased in value, the American bill rises in its price; but should its increase have caused it to be depreciated, the bill is thereby proportionably lowered; for, we must keep in mind, that although the amount is expressed in money, yet its real value is determined by the goods which it will purchase. Suppose the bill for 215*l.* 12*s.* 6*d.* to be offered for sale at New York, and that there is a merchant who has 1000 dollars, with which he is desirous of purchasing goods in England; if the bill will procure as many goods as the dollars would when taken there, then the exchange is said to be at par, and the 1000 dollars are the value of the bill: if it will procure more, it bears a premium, or sells for more than 1000 dollars, and then the course of exchange is said to be against America and in favour of England; but if it will not procure an equal quantity of goods, then it is at a discount, and the exchange is against us.

What is here supposed, relative to America, will equally apply to any other nation. A bill of exchange is at a greater or less price, according to the number of bills drawn, and the value of the currency in which it is to be paid.

It has been already shewn, from the official ac-

counts of the exports and imports, that we had a balance of trade in our favour of 14 millions, in the year 1809; and, it is stated in the same documents, that with Europe alone it amounted to seven millions. We have seen, that, from an examination of the peculiar state of our foreign connections, there was a great probability of the custom house returns being correct. We have, also, traced the disappearance of gold coin, and the unfavourable course of exchange to one cause, namely, the depreciated state of our currency. The readers attention is particularly requested, whilst we attempt to ascertain how the balance is disposed of, which it is contended we have in our favour.—In doing this, we shall lay down a general principle, which will, perhaps enable us to reconcile the regular returns of the custom house, with the actual state of things, and render it quite unnecessary, for the future, to have recourse to a thousand absurd conjectures and false statements; for the purpose of refuting plain facts, such as official returns of exports and imports; we shall, at the same time, see that bank notes are our only bane, that they oblige us to sacrifice the advantages arising from a most prosperous state of trade.—We must keep in mind, that a balance of trade is the result of the operation of buying and selling, and if we sell more than we buy, we may, with the strictest propriety

say, that there is a balance in our favour; and though we have other evils to contend with, which our trade cannot overcome, yet it diminishes them to a considerable extent; the inconvenience which is felt, ought to be attributed to the real cause, that we may be able to appreciate every thing correctly.

In order to shew that the balance of trade is in our favour, notwithstanding the course of exchange, with the Continent of Europe, is known to be so much against us as 15 or 16 per cent. we will take our former supposition, that we have a currency amounting to 70 millions, when 35 is our natural quantity; where it was shewn, that a bill drawn upon the Continent, payable in England, of 1000*l.* would only sell for 500*l.* and of course, the rate of exchange 50 per cent against us, and were there no *other cause* operating to alter it, 500*l.* would be the value of the bill.—But we now come, to have a view of the seven millions which trade has placed at our disposal: it is generally thought, that wherever a balance exists, it must be brought to the country in the precious metals, and indeed, that is its *first* effect, that is the first direction which it takes; but it will be perceived, from what has been said, respecting the increase of the precious metals lowering their value, that this, if continued, would reduce their price.—With double



our natural quantity of currency, we have seen that bullion must be at 7*l.* 15*s.* 9*d.* instead of 3*l.* 17*s.* 10½*d.* per ounce; but this influx from other countries making it cheaper, the merchant, instead of importing more bullion, would purchase bills upon England, until *they* were raised in price; in this manner would the seven millions be disposed of, alternately buying bills or importing bullion, until the former is raised in the foreign and the latter reduced in the home market; the price of both would be ultimately fixed at that point, where the expenditure of the whole seven millions placed them, and when once arrived at that, the whole of the sum would be regularly sunk in the purchase of bills.—If the continent was open to the admission of our goods, it is very probable that the balance in our favor would be so great, as completely to counteract the effect of the bank notes, on the course of exchange, provided the notes be not further increased.

Our exports to the continent in 1809 were nearly 27 millions, and our imports 20; the bills which would be drawn for our imports, to the amount of 20 millions, were supposed to be at a discount of fifty per cent, we have then only to calculate the effect, which the 7 millions must have, when brought into the foreign market to

purchase them; it should be recollected, in making any such calculation, that the goods exported and imported, are rated at the prices current in the *home market*; if we allow ten per cent for profit, freightage, &c. there will, in reality be only 18 millions drawn for, on account of imports; making the same allowance for the exports, we shall have to draw bills on the continent to the amount of nearly 30 millions; and supposing the foreign trader to have a share of this profit, it will remain probable, that the British merchant has two thirds at least; as we know that British capital is generally employed both in our exports and imports. Thus we see, that the balance of trade, instead of being brought into the country, is expended in correcting the rate of exchange, which is rendered unfavourable by an excess of paper,—diminish that excess sufficiently, and trade will cause gold to flow to us in abundance.

It is rather difficult, to state the exact amount of the depreciation of our currency; the issue of paper, in most of the European states, has made currency cheap and bullion dear; and even where the price of paper is not kept up by law, still, by forming a part of the currency, although at one half or a quarter of its nominal value, it increases the whole amount, and assists in the general de-

preciation of money—and when money is generally depreciated, it is difficult to find a standard whereby to compare our own currency. It is evident, from what has been said of the state of our trade, that were bank notes to be withdrawn from circulation, our currency would yet be depreciated by the influx of the metals, but the quantity of gold, thus drawn into this country, would affect, to a certain extent, the whole of the continental circulation. Admitting that our custom house returns are correct, or nearly so, it will be a moderate computation to state, that our currency is depreciated, below the rest of Europe in general, 30 per cent. ; that 15 per cent. of this, is caused by the tendency which our trade has to make the precious metals plentiful, and the depreciation of the other 15 per cent. is caused by an excess of bank notes, above what our flourishing trade requires. There are a number of facts to justify the opinion; that it is more depreciated than even 30 per cent. but as these in part apply to the rest of Europe, as well as to ourselves, we need not go into them at length; it will, however, be worth while to glance at them, as it may assist us in forming a more general view.

There is no better mode of determining the value of money, than by the quantity of land, labour

and provisions, a given quantity will purchase. When the discovery of the American mines made gold and silver more plentiful, than they had previously been, money became of less value; that is, it would not procure so great a quantity of any article, such as land or labour, and as the metals accumulated in Europe, they gradually sunk in value. If the supply from America continued greater than the consumption of Europe, there would then be no difficulty in the matter, it would be accounted for by the increase of quantity.—But, upon a little examination, we shall find, that notwithstanding the gold mines yield less now, than they did when money was more valuable, yet the fact is clear, that all over Europe the current money is depreciated, and it may be accounted for by the following considerations.

Of late, paper has been made to perform a great part of what gold and silver formerly did, so that, if the metals have not been increased, we have found a substitute, which has, and that to a great amount, not only in England, but in most other states; it is probable, that in Europe there is as much paper circulated as gold and silver, and if we suppose the amount of the precious metals to be only two thirds of what it was formerly, still,

upon that supposition, the circulating medium of Europe will be greatly increased.

The extensive establishment of banks, also tends to economise the use of money, as the trader is not under the necessity of keeping as large a stock in hand; before banks became so universal, a great part of the money of a country lay inactive, but now through their agency, it is nearly all kept in a state of active employment. These two causes operate more strongly in depreciating money, than the trifling diminution in the produce of the mines of America, does in raising its value.

We have heard much said of late, respecting the scarcity of money in Europe; it should be recollected, that the term scarcity is relative, and it may be the fact, that money is difficult to be procured, that is, such money as the inhabitants *now* wish to have, and such alone as they appear inclined to take, namely, gold and silver. This is, however, the natural result of the different issues of paper money.—The multiplying such a representative or substitute, had the effect of raising the prices of every article, and when things have thus increased in nominal value, an inconvenience is sure to be felt, when the paper is suddenly withdrawn from circulation; or, which is

nearly the same, when it is materially and suddenly depreciated: this appears to be the condition of a great part of Europe, at present, and such must be the termination of an excess in a paper circulation, when it is left to take its own course.

As for what has been said respecting armies absorbing the metals, and mankind being more inclined to hoard them than hitherto they have been, on account of the political state of Europe, it is scarcely worth while to reply to such arguments; they might have been advanced with some degree of plausibility, when the whole continent was in arms; and appeared convulsed from one end to the other; but now, when it has obtained something like repose, when not a tythe of the exertion is made, to contend that the money is taken for the use of the armies, and that individuals are more than ever inclined to hoard it, is such a line of argument, as may be left to any reader, without a single comment.

It has, also, been stated, that the difficulties which attend bill transactions on the Continent, are so great, that their circulation is much impeded, and an argument is attempted to be founded on that circumstance; which goes to this extent, that we have bills payable on the continent, but that

such bills will not be taken in payment, for any article which we have purchased, and, consequently we are under the necessity of sending out the precious metals for that purpose. This argument, when examined, will prove as weak as any other which has been brought forward, by bank note advocates: What! are we expected to believe, that our merchants send goods and draw bills for payment, and that the goods arrive at the place of destination, and the bills do not? or are we required to believe, that all mercantile transactions between the different parts of the continent are destroyed? what must we think of those, whose assertions amount to this—that if I had a bill of 5000*l.* drawn on a respectable house in Hamburg, and offered it in payment for goods at Amsterdam or Gottenburgh, this would not be taken, but that I must provide bullion to make my purchases, and this too, not arising from want of respectability, in any of the parties; but merely from the difficulty of negotiating bills!!

We have often heard of individual egotism being carried so far, as to make a man think, that what affected him, must affect all the rest of the world; but we see, that there may be national egotism, of as absurd a nature as that of the individual.—So then, because our intercourse with the conti-

ment is deranged, or partially interrupted, we are, it seems, told that there are no longer any bill transactions between Gottenburgh, Dantzic, Hamburg, Amsterdam, Leipsig, Frankfort, &c. that France, Italy, Austria, Saxony, Holland, Denmark, Sweden and Russia, cease to exchange their respective productions. If the argument does not go so far, it is worth nothing. If bills payable in those different places, are common in mercantile transactions, *we* can pay them as well as others. The fact is, that, of all the various things which are transmitted from one country to another, bills of exchange are the best capable of eluding restrictive laws; they are governed by principles peculiarly their own, in short, they simply amount to transferring a claim, from an individual residing in one country, to a person residing in another, who can more conveniently obtain payment than the first claimant; and as credit, or the reputation of discharging all just claims, is of such essential consequence in the mercantile world, that consideration supercedes the necessity of compulsory laws. Even admitting that the regular return of bills is somewhat retarded, this might account for a trifling alteration in the exchange for a short time, such as a month, but would be wholly incapable of producing the effects at present felt and complained of. There is one fact, however,

which is conclusive on this subject, namely, the price of foreign bills in the English market—if there was any considerable difficulty in getting those bills paid, they would not bear the high price which they do at present.

There is one remark, (for it cannot be called an argument) connected with the subject, which it may not be amiss to notice; it is, that the precious metals are difficult to be procured, and can only be had at a great expence: now that is the very reason why they are the fittest substances to be used as money; should gold become as plentiful as iron, it would be thereby rendered unfit for its present use; it would still be valuable as a metal, on account of its beauty, ductility, and not being liable to oxydate or rust; but it is its scarcity, which renders it the best medium of universal exchange. The power of making money to an unlimited extent, is too great to be entrusted to any human being; and wherever it has been attempted, it has, after causing much misery, recoiled upon itself.

These advocates for paper, like Goldsmith's schoolmaster, return again to the charge, and apparently forgetful that they have been contending that bank notes are preferable to guineas, and that

the French decrees and the orders in council have taken away our gold, now assert, that by the issue of paper, it has been taken out of circulation, and has materially assisted us in carrying on a prolonged and expensive war. If this was really the case, we should have sufficient reason to be alarmed at the prospect which it presented to us, of the termination of our present contest; if the last guinea is to decide the struggle, we ought to prepare our minds for submission, as it is notorious that we have very few left. Those who bring forward this argument, surely do not see its tendency; what is it but saying, that in the course of the contest in which we have been engaged, we have exhausted the necessary means of carrying it on, without having gained our object, and, of course, if we still persevere, it must be with diminished resources, and, consequently, less chance of ultimate success; while, at the same time, our enemy is amply supplied with this needful article. Bonaparte will, no doubt, cause such arguments to be reprinted, and, at the same time, assure the inhabitants of the continent, who are panting for peace, that even Englishmen acknowledge, that their means of carrying on the war are nearly exhausted, that he has only to continue his present system, which will finally oblige Great Britain to submit to a peace dictated by himself. The argu-

ment certainly leads to that conclusion, and therefore, every lover of his country must wish it to be unfounded—let those who conceive that the war has taken away our gold, account for it remaining with our enemy, who certainly had greater armies to pay in distant countries, than we either had, or at present have ; if supporting large armies in foreign parts drains a nation of its specie, why has not France been left without any remaining portion, by the long and gigantic struggle she has made ? —the reason is, she has nothing resembling our small bank notes : When specie is sent from France to pay her armies, banks do not supply its place with paper, much less do they issue it to an extent sufficient to banish the metals. That armies employed in distant parts must be supplied with gold or silver, is undoubtedly true ; but we know, that the money does not remain in the places where it has been expended, but gradually spreads itself over the surrounding countries, and the most active and industrious trading people, obtain the greatest share, except they are already stocked with a currency of some sort ; so that even if we concede that our money has been expended in carrying on the war, the objection to bank notes becomes stronger, as they prevent its return by the operation of trade.

When the French republicans issued a paper money to excess, they banished gold and silver, most effectually, but since they have been without paper, all the wars in which the republican, and imperial governments have been engaged, have not had the effect of causing gold and silver to disappear from circulation, and had *we* not permitted and encouraged the circulation of our bankers paper, instead of, and in the place of money, our wars could not have drained us of it ; therefore we come to this conclusion, that bank notes and not war has caused our gold specie to leave the country, and are the barriers which oppose and prevent its return.

We have laid down, at the commencement of our observations, what was conceived to be the only principle upon which a paper money ought to be issued, and we have seen, in opposition to this, Mr. Pitt advised bank notes to be circulated, for the purpose of keeping the gold in the country.— We have learned the success of that notable expedient, and also seen, that bank notes have depreciated our currency, and turned the course of exchange against us to a great extent ; and we have made it appear, that our trade yields us a very considerable annual balance, but that bank notes prevent us from making so profitable a use of it.

as we might otherwise do, but that it keeps bullion comparatively cheap, and prevents the course of exchange being greatly against us—in short, in all that we have seen of the effects of our bank note system, it is attended with nothing but injurious consequences;—yet the quantity is increasing, and is likely to continue so, unless strong measures be taken to prevent it; for it is the interest of those who at present possess the power, and that appears to be capable of warping the mind in a strange manner: to be assured of this, it is only necessary to look at the principle, by which it is avowed the bank regulates their issue of notes, namely, the wants of those possessing real bona fide property. Ought we to be surprised at any thing, however injurious, when our currency is regulated by such a standard? Our astonishment ceases at the accommodation afforded to individuals by country bankers, when it is asserted of the Bank of England, that they have thought themselves justified in discounting to any extent, when the parties had *real property*—and that they did not cease to accommodate bankers and others, until they suspected that they (the bankers, &c.) had no real property! truly, a very wise determination!—As mere bankers, you are prudent and cautious—you will not lend your paper, unless you have a very good prospect of being repaid.—All this is very

well, as far as regards your own private welfare—but when we look at its effects upon the nation at large, we are amazed at the ignorance displayed, of even the elementary principles of a currency.

According to this doctrine, for every man who has an acre of land, or a house, or a ship, or in short, any real property, they are to make notes and lend them to him.—It has been calculated, that there is in England, 1000 millions of real property, such as land, houses, furniture, tools, clothing, &c. now, according to this new principle, the bank of England, and their worthy assistants the country bankers, would be justified in issuing 1000 millions of paper; or, if they did not think it *prudent* to accommodate to the full extent of the property, 500 millions might be advanced, and the note makers take great credit to themselves for their moderation.—We then should, according to the modern notion of *men of mercantile experience*, be an extremely rich nation! This is to be sure a fine! a very fine! a most admirable discovery! This is the easiest way of getting rich that ever was heard of, and we may congratulate ourselves that the discovery was made in England.—Who will now despair of the discovery of the philosopher's stone, or of perpetual motion, when we have found out the way to get rich, by print-

ing a few pieces of paper and lending them to each other.

The money of a nation is not the representative of its property, but an instrument to facilitate the exchanges of that property; and even a part of those exchanges are carried on, without any real money being used; as in the case of tradesmen who have dealings with each other, and only pay the annual balance in money: thus, two tradesmen might have dealings together, to the amount of 1000*l.* a year, and the sum to be paid at the winding up the year's account, not more than 10 or 20*l.* Money, then, appears to be in its operation, confined to making those exchanges which are immediately paid for, and discharging the balances of credit accounts; and it therefore follows, that the quantity of money ought never to be increased, unless there were a greater number of sales; the money only representing the property which is sold in a given time. But say the bank, we will issue our notes to any one who has real property.—Well then, we say, that sales are not brisk, that there are not an increase of exchanges made; Mr. Merchant, senior, has goods which he cannot sell, you accommodate him with notes; Mr Merchant, junior, is in the same situation, and must also have notes; in short, the trading part

of the world do no more than they formerly did, in the way of buying and selling, and therefore you advance them more money to buy and sell with! Is it not palpably clear, that you increase the evil you intend to remedy? Adding to the quantity of a mere medium of exchange, can never beneficially increase the quantity of exchanges or purchases.—You must increase the articles necessary to make those exchanges—there are too many of some, and too few of others, and the wisest way would be, to let those who are producing any one article in too great a quantity, feel the necessity of ceasing to produce to the same extent; or, if they are accommodated with advances of money, let it be a part of that which is already in existence, and not think of creating new money, when there is no increase of employment for the old. The effects of this error, when put into practice, are more extensive than at first sight they appear; and when accompanied by others, which also have arisen from *practical men*, are sufficient to account for the inconveniences experienced by the mercantile world, without supposing, in opposition to the custom house returns, that our trade has diminished, or that the balance is against us.



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*Bank Notes and National Debt.*

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As bank notes do nothing but injury to a nation, we very naturally ask ourselves, why such a system was ever introduced? and even when it was introduced, why not forsaken as soon as its injurious effects were felt? It is probable, that when first had recourse to, it was only intended to be made use of as a temporary expedient; but when once fastened upon the nation, like a leech, it stuck, and no minister has yet had the courage to pluck it off. Even now, when its baneful consequences are so sensibly felt, we have not the fortitude to take the proper means to effect a cure; the medicines are not palatable, and the necessary regimen appears so frightful, that we endeavour to hide it from ourselves, and go on year after year, suffering the disease to increase in virulence; before we get rid of it we have much to endure, and the longer it is permitted to exist, the greater the misery it will occasion.

Some writers have contended, that promissory notes are the offspring of the nation's debt—that the latter necessarily produces the former. I rather think, that their connection will prove to be accidental. The funding, or borrowing system, might have been carried to as great an extent as it is at present in England, without the aid of a single bank note, or any other paper substitute for money. The policy of the practice of a government borrowing from a part of its subjects, or a nation from a portion of itself, is very questionable; it probably originated in timidity—in a fear of offending the great mass of the people, by laying on a tax, to enable them to make whatever exertion might be deemed requisite. That it could not arise from inability on the part of the nation, is sufficiently proved by the money being advanced in the shape of a loan;—if the war, which requires such sums, be just and expedient, the amount should be furnished at once by the people;—if it is not so, the money ought not to be procured by any means.

When William III. borrowed one million, the nation could have furnished him with the same sum in taxes; let them be laid upon property, and those who had much, would have to contribute largely, whilst those possessing less would pay their

proportion: some might be obliged to retrench their expenditure, but so long as the people could afford to part with that sum, and yet go on prosperously, it might as well be taken in one shape as another; for when furnished by way of loan, it still is taken from the community. If we say it is advanced by mercantile men,—then there is so much capital taken out of trade; if from hoarded heaps—these heaps might be reached by taxation, or at least, so much might be absorbed by a tax, as would induce the owner of the hoarded heap, to employ it in its place; in either case, the same quantity of money would remain in the hands of the public at large. If then, the principal which was furnished by loan, could have been obtained as effectually by taxation, by what mode of reasoning can it be made to appear, that it required bank notes, to enable the government to pay the interest? It is admitted, that there would be *additional employment* for the money of the country, but that, as has already been shewn, would draw a supply from surrounding nations.

Bank notes are not the natural or necessary offspring of the nation's or national debt, but of that comparatively small sum, which the Bank of England has lent to government. The indulgence extended to the Bank, in consequence of the trifling

sums with which they have, at various times, accommodated the government, has done, incomparably, more real injury to the nation, than the hundreds of millions which have been borrowed from the rest of the public.

Mr. Cobbett, (to whom the public is much indebted, for the valuable information which he has recently brought forward, as well as for the able manner in which he has generally treated the subject,) appears to have been led into the erroneous opinion, that bank notes are inseparably united with the stocks, by Mr. Paine, who certainly did not understand the subject;—he thought he saw a similarity in the paper money of France and America, and the bank notes of England, and wished to make them essentially the same; whereas, they are radically different. In England, the owners of property rather than pay taxes, consent to mortgage that property, and government are the agents, who collect and pay the interest;—and this practice of mortgaging, may possibly continue, until the whole of the property in the country, is transferred from the present possessors to the mortgagees; or, what we commonly call stockholders: in all this, there would only be a change of proprietorship of the land, &c. and the state of the currency might have nothing to do with it.

But the governments of France and America, acted as if they thought, that they could increase the amount of the currency to an unlimited extent, without diminishing its value.—Experience soon shewed their error; and as they did not attempt to withdraw their paper from circulation, it sunk until it became valueless, the holder being defrauded of the amount. Our banks are partly in the situation the governments of those two nations were, as far as respects the issue of paper.—There is, however, this important difference—the banks have a great mass of real property, wherewith to pay their notes, and are responsible to the full amount of their private property, with the exception of the Bank of England, and there is no doubt, but that with proper precaution, that establishment will be enabled to pay every note in gold and silver—whilst France and America had carried taxation to its utmost limit, before they issued their paper, and were in reality in a state of bankruptcy.

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### *Remedies Suggested.*

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WE have now had a clear view of the evil, and seen that its introduction was unnecessary; that it does not afford us the least assistance, but on the contrary, it is paralysing the energies of the country, sapping the foundation of public security, and threatens, if suffered to continue, to immerse in misery the whole mass of society, by destroying private confidence.—Much, however, as we may regret, that a remedy has not been applied before the disease attained such a height, it is more particularly our duty, to endeavour to devise means of getting rid of it, in the mildest form possible; it is not to be expected, that this can be accomplished without some individual sufferings, yet, we should recollect, that we have only a choice of evils, and when that is the case, all that human prudence can do is to select the least.

The bullion committee have recommended, that

the Bank of England should be made again liable to be compelled to pay their notes in cash, and that two years be allowed them to prepare for it. —Now, although this would ultimately correct the evil to a certain extent, yet it would not be effected so gradually, as it might by other means; there can scarcely be a doubt, that the Bank of England would make every preparation for the fixed period; but would country bankers have the same prudence, or would not many of them rather increase their issue, in proportion to the diminution of Bank of England notes? From the conduct of a great part of them, since the passing of the Restriction Act, we are not justifiable in trusting to their prudence; it is probable, that upon their being liable to arrest, for not paying gold and silver for their notes, failures would be instantaneous and extensive, as it is not in the nature of things that gold could be immediately procured to pay all the notes,—and would not this be urged at the expiration of the two years, as a sufficient reason for fixing a more distant period; and that ultimately altered for another, still more distant, ad infinitum? The original cause of that law was, the people began to suspect the bank notes, and this was greatly increased by the failure of some country bankers, and should it be repealed at the end of two years, without sufficient preparation

having been made for it, the failures of country banks must be greater than in 1797: And it is not too much to presume, that the misery which would stare the country in the face, would overcome the fortitude of government, and the Restriction Act be suffered to continue in force.

If ever that injurious law is repealed, it will behove the legislature itself to make some previous preparations, what the nature of those should be, it is not so easy to determine; there are none but what are attended with difficulties, and open to many objections; indeed, in such a case it is not to be expected, that the road will be even and pleasant.

Gold will not remain in the country in sufficient quantity, until bank notes are lessened; therefore, the first object to be attained, is a reduction of their amount, and that cannot be compleatly effected, but by a direct interference of the government; and as the importance of the subject is so generally felt, let us indulge a hope, that they will take the earliest opportunity of endeavouring to provide an adequate remedy. It will, assuredly, be a work of time, to bring the currency into a wholesome state; but it is indispensibly necessary, that the task should be speedily undertaken.

In the first place, it might be prudent to increase the stamp duty, on promissory notes payable on demand; and the longest time fixed, that an individual note should remain in circulation, on pain of forfeiture on the part of the holder; the reissuing such notes to be liable to a penalty. Having, by such means as these, diminished the profits arising from forcing paper into circulation, bankers might be compelled to take out an annual license, for issuing notes, payable on demand, and be obliged to make a monthly return, of the amount of their notes in circulation, distinguishing the small from the larger ones; this, by furnishing correct information, would shew what further steps ought to be taken, to effect a greater reduction; if necessary, the number of licenses might be limited, and the utmost amount permitted to be issued, expressed in each license.

When, by such preparatory measures, the quantity of notes in circulation was diminished, and the price of bullion sufficiently reduced, as well as the course of exchange turned in our favour, then the Bank Restriction Act might, after a short notice, be repealed.—Then might the bank purchase bullion, and have guineas coined without sustaining any loss, or being apprehensive that they would be taken out of the country;—fresh

supplies of gold and silver, (as has been shewn from the state of our trade) would flow in, from various parts of the world—the price of provisions would be lowered, with which the poorer classes would be pleased, and we should have all the advantages resulting from the possession of an abundance of the precious metals;—Our military operations would not be crippled abroad, from the want of gold; and should it be necessary to subsidize an ally, the ready means might be found to do it;—our national consequence would be increased, and the public mind relieved from the tormenting apprehension, of a general loss of private confidence;—then might we shew the world, that we were equally prepared for war or peace, and destroy at once the vague hope which our enemies are known to entertain of beating us, by deranging our finances, and destroying our credit.

And why should not all this be done? Why should we not place ourselves upon this proud and commanding eminence, from whence we might look, with conscious superiority, upon the rest of the World?

We will examine some of the objections urged against the destruction of the bank note system.—“Mercantile men,” say they, “would be exceed-

ngly embarrassed, by the want of accommodating discounts." To this I reply, that the ease with which discounts have been obtained, has induced the adventurer to plunge into trade, in a rash and inconsiderate manner; the consequence has been, that nearly every market is glutted with goods, and the competition become so great among the sellers, that the value of the articles is much reduced; and the fair and prudent trader, finding that he cannot get a moderate profit, has retired from the struggle, and left trade in the hands of speculators.

Those who have no property of their own,—those who have nothing to lose, do the most business; and as such can only exist by constant sales, the necessity of selling, whatever may be the state of the market, soon destroys every source of profit; when, no longer able to go on, a bankruptcy ensues. Ought we to regret, that trade is taken from such hands, and given to the capitalist, who will manage it with prudence and circumspection?—Until that is done, trade will partake more of the spirit of gambling, than the honourable exchange of the commodities of different climates and soils.—So far from considering the lessening of discounts an evil, it will be a great

and extensive benefit, by bringing trade into a more secure and a more profitable state.

The other objections principally relate to the altered value [of money affecting contracts; and these may be comprised in the three following, namely, the dividends to the public creditor—the fixed pay of the army and navy—and the contracts of individuals with each other, as in the case of leases, annuities, &c.

With respect to the first, the nation is, at present, bound to pay a certain sum to the owners of the property, known by the name of stock, or the public funds; this sum is of a given value—that is to say, is capable of purchasing a certain quantity of provisions, paying a certain rent, supporting a number of servants, &c., in short, the interest received for stock, enables the receivers to live in a particular style or manner.—Now, should the proposed alteration in the value of money take place, the national creditor will have no reason to complain, if he retains the means of keeping up his established mode of living. Suppose, that one creditor receives 1000*l.* per year; well, the alteration in the value of money, makes 800*l.* equal to what 1000*l.* was before, consequently, if he receives 800*l.*, it is, in reality, the same value which

he had heretofore: he ought to be the more readily reconciled to this, when he recollects, that his income is by this measure rendered more secure. In all great national objects, the interest of the few is made to give place to that of the many:—but here we have the whole benefited, and the few, who, upon the first glance, appeared to be injured, not in the smallest degree affected. It is perfectly consistent with the principles of equity, that the dividends should be lessened, in the same proportion that money is raised in value.

Some persons are apprehensive, that it would not be practicable to bring down the pay of the army and navy, so as to accommodate it to the altered value of money.—If it should be necessary to make any alteration in their pay, (which is what I am not aware of) there is no doubt, but that, forming a part of a general regulation, it would be acquiesced in—with respect to contracts between individuals, when we take into consideration the time which would be necessary to effect the proposed alteration, say two or three years, a law might be made, altering the letter of all contracts, entered into between individuals, within a certain limited time. Thus, suppose the proposed alteration to be completed in 1812, then say, that leases, annuities, &c. bearing date on or before

the year 1809, should for every 100*l.* substitute 80*l.* such a law, with proper exceptions, might be passed without more inconvenience, than attends what is commonly called an insolvent act, or an act to liberate imprisoned debtors;—it would not affect recent debts, consequently, the connexions of trade would not be materially disturbed.

After all the objections that may be advanced are duly weighed, we have to recollect, that we have arrived at a state which cannot last, and we have now only the choice of anticipating what must occur in a more unpleasant manner, at no distant period; when, by that anticipation, we may make the alteration in a mild and comparatively harmless manner;—or, we may permit the bank note system to take its own course, and effect its own cure, by a final and tremendous crash of credit of every description.

When the affairs of either nations or individuals become deranged, by accident or imprudence, the wisest and most honourable course is, at once to look the difficulty in the face—to turn aside from the view of it, to endeavour to hide it from ourselves, is at once cowardice and folly; the procrastination of a single day, makes the case so much worse; if you endeavour to fly from difficul-

ties, they will pursue you, and your sufferings will be incomparably greater, than if you had boldly encountered them. When attacked by disease, the man who should refuse to take a restoring medicine, because it was rather nauseous to the taste, would betray so much weakness, that he would perish almost without being regreted by any one. And what ought to be said of a nation, which having it in its power to infuse new vigour into itself; called upon by a thousand circumstances, in the most imperious manner, to restore itself to a state of political health, yet, clings to the disease which is sapping its very vitals; the nation so acting, would merit the contempt of the world—and would be pointed at by the future historian, as exhibiting a striking instance of that folly, which all others should avoid; would become a kind of beacon, to warn succeeding ages of the dangers resulting from national apathy, or political cowardice.

*FINIS.*

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M. Wardle, printer, Manchester.