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OBSERVATIONS  
ON THE  
REPORT  
OF THE  
BULLION COMMITTEE.

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

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## ADVERTISEMENT.

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FOR several years past, my attention has been almost exclusively directed, to objects connected with the agricultural interests, and improvement of the country. Financial inquiries, though formerly a favourite pursuit, had been for some time laid aside, and would not probably have been resumed, at least for the present, were it not that some rumours had gone abroad, that a Select Committee, appointed "to enquire into the cause of the high price of bullion, and to take into consideration the state of the circulating medium, and of the exchanges between Great Britain and foreign parts," had resolved to recommend to Parliament, restrictions on our paper circulation; an idea which seemed to me likely to produce the most fatal consequences to the most important interests of these kingdoms. I

was thence induced to feel the utmost anxiety for the perusal of a Report, which, at the conclusion of the session, they had presented to the House. Upon examining that Report, I found it liable to various objections, to which it seemed to me essential, that the attention of the public should be called with as little delay as possible. That became the more necessary as, owing to the state to which mercantile credit had unfortunately fallen, the adoption of such measures as the Bullion Committee had proposed, would have most seriously aggravated the evil.

Convinced indeed, that the prosperity of the country, in regard both to its Agricultural and Commercial interests, nay, that the very safety and existence of the British Empire, depend on the preservation of our present system of circulation, I could not hesitate a moment, however unwilling to engage in political controversy, to enter my public protest against the doctrines promulgated by the Bullion Committee. With a zeal for enforcing certain speculative prin-

ciples, they seem to me to have incautiously recommended measures, which, for the reasons to be afterwards explained, cannot be too strongly reprobated. We have already difficulties enough to struggle with, proceeding from other causes; it would not be prudent, therefore, to add to the number, by cramping our circulation, and introducing all that train of internal misery which would inevitably follow. I trust that the wisdom of the legislature will shield us from the ruin of which such measures would be productive. When the subject is discussed in Parliament, with all that information and ability, by which the British Senate is distinguished, I am not without hopes, that the Committee themselves will see grounds to alter the opinions they have hitherto entertained regarding it. In the interim, the following Observations on their Report, are respectfully submitted to the consideration, both of the Committee, and of the Public.

*Terrace, Palace-yard,  
Westminster, 10th September, 1810.*

N. B. It is requested that the reader will not view this momentous subject, as a mere *mercantile* question, but as one of general importance, which ought to be considered on a *great scale*. What though facility in obtaining money, may have occasioned some unsuccessful commercial speculations, (and their want of success may perhaps be principally ascribed to other causes), yet is such a circumstance, however much to be regretted, to be put in competition with all the political advantages of an abundant circulation? Are not new roads, new canals, new harbours, new inclosures, and new improvements of every description, going on successfully, in the midst of this tremendous war, with a spirit hitherto unparalleled? Is not our revenue productive beyond the expectations of the most sanguine? And are not our public loans procurable on the most advantageous terms to the nation? What cause then have we to lament over public misery? That abundance

of circulation, which is the great source of our opulence and strength, may be attended with some disadvantages; but enforcing any material diminution, *of that mine of national prosperity*, would be a species of political suicide, altogether unpardonable.

OBSERVATIONS  
ON  
THE REPORT OF THE BULLION  
COMMITTEE.

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**E**VER since the commencement of the Revolution in France, it has been the darling object of those who have successively governed that country, to injure the public credit, to diminish the financial resources, and to undermine the commercial prosperity of Great Britain. The trade and wealth of these kingdoms, and the confidence so justly reposed in their permanence and solidity, were galling contrasts to the wretched state, to which, in these, as well as in other material respects, France had been reduced, by the councils of the rash, the ignorant, and the designing. The rulers of France well knew, that our naval and military power, and the influence we possessed in the councils of other nations, depended on

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our credit and opulence; and if these could be diminished or destroyed, the most efficient obstacle would then be removed, to the acquisition of that *universal dominion*, to which France, under all its successive changes, has uniformly aspired.

The steps taken by France in carrying on *its commercial warfare* against this country, have been distinguished by unbounded violence. Wherever its armies penetrated, the private property of British subjects was most anxiously searched for, and confiscated as lawful plunder. In the harbours of nations, nominally independent, French consuls and custom-house officers were stationed, to hinder the admission of British goods, or to seize them wherever they might be landed. Countries were subdued, seemingly for the sole purpose of preventing the possibility of their holding any trading intercourse with England; and for the first time in the history of mankind, armies were employed along the coasts of trembling nations, not to protect them from the ravages of con-

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tagious disease, as has sometimes been attempted, but to prevent their obtaining various articles, the acquisition of which, they deemed so essential for their comfort, that they were willing, at any price, to purchase them.

There was reason to apprehend, that measures of so unusual a nature, conducted with much energy and perseverance, and enforced over a great extent of country, would necessarily be productive of injurious consequences to the commercial interests of Great Britain. It was hardly possible to expect, that under such penal restrictions, our trade would be carried on in a regular manner, or through the accustomed channels. The very remitting of the debts due to British merchants, was attended with much difficulty and danger. Great mercantile houses, by whose means the commerce of exchange had formerly been regulated, and conducted on the fairest and most equitable principles, to the general advantage of trading nations, had been compelled to abandon that line of business; and the exchange, owing to the

want of such useful middle men, had no guide to regulate it. In consequence of these, and of other causes to be afterwards explained, the rate of exchange had become, in a considerable degree unfavourable to this country; the price of bullion rose; the value of our paper currency, it was alledged, was proportionally depreciated; and these circumstances, which, without legislative interference, would have gradually rectified themselves, were represented, as grounds of public danger, and of most serious alarm. The evil, it was indeed contended, had at last become so formidable, that a parliamentary inquiry was indispensable; and great public advantages were predicted from the proposed investigation.

Inquiries regarding points of so delicate a nature as the circulation of a country, (on which its prosperity, and indeed the comfort and happiness of every individual in it so much depend), cannot be too cautiously entered into, nor the subject too maturely considered, before any step is taken, or even remedies are suggested. Being a point of

such general and common interest, it was natural for any government to suppose, that it would be impartially investigated, whoever were appointed to examine it; and above all, that the chimeras of political speculation, would never be set up against the results of practical experience. The minister therefore consented to the motion for the appointment of a Committee, took hardly any concern in the nomination of its members, and no part in its deliberations, until unfortunately it was too late. The members of the Committee had made up their minds regarding the points under discussion; and when the principles on which the Report was to be drawn up, came to be settled, the First Lord Commissioner of His Majesty's Treasury, found himself in a small minority.

The members of the Committee thus constituted, were certainly persons of distinguished abilities, and competent to the task of conducting the proposed investigation, could they have totally divested themselves of various prejudices, by which the judgment of the best intentioned may occasionally be

\* It seems hardly possible for a Committee to report their observations on a subject submitted to them without disclosing their opinions thereupon. [6] To report their opinions, & to warped, and had they given themselves sufficient time to carry through so extensive observations an inquiry.

as instructions To their labours we are indebted for a great mass of useful information, and the Report is drawn up with as much ingenuity as the nature of the subject would admit of. But to the general form and substance of that Report there are, among many other, the following most serious objections.

1. Though authorised merely to report the result of their inquiries, and their observations thereupon, they have exceeded the bounds of their commission, by stating their opinions, and suggesting remedies; points regarding which, the House had not authorized them to inquire.\*

2. They have also reported the evidence of an anonymous witness, contrary to the usage of Parliament, unless special reasons can be, and actually are assigned, for the concealment; and they seem to have laid peculiar weight on the doctrines of this anonymous witness.

\* See Report, p. 2. the second paragraph, Sect. No. I.; his publication "Observations on the Report of the Bullion Committee."

nameless individual. Yet this unknown individual may be a foreigner, or a person usually resident abroad, who may not be so anxious, as a British merchant would necessarily be, to deliver opinions favourable to the prosperity of this country.

3. In the third place they have reported, as will afterwards be fully established, contrary to the weight and mass of evidence brought before them; and in regard to one particular point, as they themselves admit, contrary to the testimony of most of the witnesses examined by them.\* One fact, connected with misstated or neglected evidence, is particularly striking. On the 24th of February Mr. Merle, who is practically conversant with such inquiries, was examined, regarding the difference between the mint price, and the actual value of silver. He states, that a dollar is worth four shil-

also the first paragraph of Sect. III. p. 15; also p. 30, and p. 31, where the following expression is made use of: "The Committee report it to the House as their opinion."

\* Report, p. 2. line 11 from bottom.



lings and four-pence at its standard price; but at the time when he was examined, that it would fetch in reality four shillings and nine-pence, consequently the difference was rather more than five-pence per ounce, or about  $9\frac{1}{2}$  per cent. above coinage price.\* No notice is taken of so important a fact in the course of the Report. It was more consonant to the prejudices of those by whom that Report was framed, to rely on Wettenhall's tables, where the Committee found new dollars quoted at five shillings and eight-pence per ounce; and the difference between the mint and the current price, is then immediately mounted up to  $15$  instead of  $13l. 6s. 4d.$  per cent.† With the same carelessness in regard to accurate calculation, in page 1 of the Report, Spanish gold is stated to be

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\* See Appendix, p. 54. A dollar weighs 17dwts. 8grs. Since the Report was printed, a dollar has become worth  $4s. 11d.$  or about  $2\frac{1}{2}$  per cent. higher, and foreign bar gold has fallen from  $4\frac{1}{2}$  to 5 per cent. A further proof that the exchange does not govern the price of bullion.

†  $5s. 8d.$  per ounce, would only be  $13l. 6s. 4d.$ , which is nearly 2 per cent. less than the Committee have stated.

+ The Authors opinion as contained in the Appendix was published soon after the appointment of [ 9 ] the Committee about three months before the Report from  $4\frac{1}{2}$  to  $4\frac{3}{4}$  grains better, whereas it should be worse than standard.

It is much to be lamented, that the drawing up of a Report, of such vital consequence to the most essential interests of the country, should have been so hastily executed, before all the members of the Committee could possibly have had leisure thoroughly to consider such momentous questions, in all their bearings, or minutely to examine all the evidence that had been adduced on the occasion. It is also unfortunate, that such a Report should have been presented at the close of a session, and printed and dispersed during a recess, by means of which, Parliament is precluded from taking immediate steps to counteract any ruinous doctrines that might be therein circulated, under the sanction of its name. It is the more necessary, therefore, till the House is re-assembled, that the Report, should, in the interim, be examined by such private individuals, as may have directed their attention to inquiries of that nature, more especially by those, who, like

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myself, are deeply impressed with a conviction, (the grounds of which shall afterwards be explained.);

13-16<sup>x</sup>  
35-39  
41-42  
44-46  
49-51

“ That the suggestions of the Bullion Committee, if ever carried into effect, would do more mischief to the British Empire, than the fleets and armies of Napoleon will ever be able to accomplish.”

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Before we proceed, however, to examine this Report, it may be proper to state the situation of the country, in regard to its commerce and finance, as admitted by the Committee itself, and to consider whether any pregnant proofs cannot be adduced of its prosperity, at the period when the Report was drawn up, and which nothing but doctrines, in the highest degree impolitic and mischievous, circulated under the sanction of a Parliamentary Committee, could have clouded even for a moment.

In the Report, (page 28), the country is said to possess “ a high state of mercantile, and public credit.” Permit me then to ask, is it right that the state of a country thus situ-

ated, should be at all tampered with? Ought not such a statement, to have suggested some caution and prudence in pointing out remedies, where it would appear that none were necessary? “ I was well,—would be better,—took physic, and died,” is a saying applicable to nations, as well as to individuals. It furnishes a useful hint, of which politicians, and statesmen in particular, ought never to lose sight, nor blot out from their remembrance.

Let us now proceed to give some proofs of that high state of prosperity, so briefly recognised in the Report, which it were to be wished the Committee, (instead of uniformly dwelling on the dark side of the question), had more minutely, and more complacently considered. For that purpose it is proposed to compare the commercial and the financial circumstances of the country, for one year preceding the suspension of payments in cash at the Bank, and for another year preceding the appointment of the Bullion Committee.

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

Exports, An. 1809	-	£ 50,301,763
Ditto, An. 1796	-	30,518,913
		Difference, £ 19,782,850
Imports, An. 1809	-	36,255,209†
Ditto, An. 1796	-	23,187,319
		Difference, £ 13,067,890
Average price of 3 per cent. consols. An. 1809	} -	68 1 9
Ditto, An. 1796	-	58 18 7
		Difference, £ 9 3 2*
Rate of Interest on Loan, An. 1809	-	4 4 2½
Ditto, An. 1796	-	4 13 3
		Difference, £ 0 9 0¼

Provision 1796  
Demand 1809

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

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

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

This observation is offered in a manner that renders it nearly unintelligible. It discloses however that the author has forgotten the price of the capital is valued in the same Bank notes in which the Interest is paid.

† It recommends the Bank's paying in cash on demand - is by the author of the History of the Finance of Great Britain considered as a new theory!!! [ 13 ]

Public Revenue, An. 1809	-	£ 59,031,348*
Ditto, An. 1796	-	19,951,589
		Difference, £ 39,079,759

!!! This is a kind of Prosperity

Compared to our situation in 1796, such was the state of this country immediately prior to the year 1810, when we are told, "that the opinions of persons of practical detail, are vague and unsatisfactory;" † a new theory, unsanctioned by recent experience, is recommended to our adoption, and we are seriously called upon to overturn a system, on which our power and prosperity have arisen to a height altogether unexampled.

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16-35-30  
41-42-  
46-47  
49-51

We shall now proceed more minutely to consider this inauspicious Report, adopting, with some alteration in point of arrangement, the four heads dwelt on by the Committee, namely, 1. the state of our exchanges; 2. the high price of Bullion; 3. the conduct

we have seen that our power & prosperity have arisen from the Bank's being restrained from paying in

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

cash on demand; and the other enlarged in the Bank's being

† Report, p. 9, at bottom. consequences that would result from the Bank of England's resuming a practice, which every man of common sense must regret was abandoned.

\* The opinion that the unfavourable rate of exchange we have for some time experienced has occasioned the high price of Bullion, the depreciation of our currency belongs solely to the Bank of England, in the regulation of its paper currency; and, 4, the amount of our paper circulation, and whether it ought to be restricted. It will then be proper to examine the plans suggested by the Committee, for the amelioration of our unfortunate condition at the period when their labours commenced, of which miserable state, the reader, from the preceding accounts will be enabled to form some idea; a state which, it would appear, required none of those remedies, which the Committee have so incautiously, and so hastily recommended.

distinctly the proposition is announced the Author himself must have maintained doubts of its accuracy (as he has written) for in the next page he states one of the principal objects of his Enquiries to be whether the present state of our currency has any connexion whatever with the unfavourable rate of exchange which he afterwards decides in the negative. Now it is impossible

impossible he can seriously maintain that the depreciation of our Paper has no connexion with what he states to have occasioned it. [ 15 ]

to advert to the following particulars; 1. The causes of the rate of exchange being against this country; 2. whether the present state of our currency has any connexion whatever with that circumstance; and, 3. what are the most likely means of restoring the exchange to its former favourable rate.

1. CAUSES OF THE UNFAVOURABLE RATE OF THE EXCHANGE.

It were much to be wished that the Committee, instead of making a parade of the superiority of speculative politicians, over persons of practical detail,\* had favoured us with a distinct statement of the various circumstances, which, in the opinion of the intelligent individuals who appeared before them, had occasioned that unfavourable rate, and not contented themselves with a few extracts from the evidence given by some of the witnesses. Nothing but the hurry with which the Report seems evidently to have been drawn up, can justify the neg-

\* See Report, p. 10.

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20

lecting so important a part of the duties of the Committee. It is not incumbent upon any other individual to supply the defect. At the same time, it may be satisfactory to the reader, to have the circumstances detailed, which are supposed to have contributed to an event, which the fertile imaginations of the Committee have magnified into such transcendant importance, that we are bound, in consequence thereof, to overthrow a system, under which this country has so eminently prospered.

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39-35/3  
41-42  
46-47  
49-51

The causes of the unfavourable rate of exchange are in a great measure *purely commercial*; though some of them are of a *mixed*, and some of a *political* nature, and some may be arranged under the general head of *miscellaneous*.

3 The *purely commercial* are, 1. a greater amount of import than usual, principally from the Baltic, from France, and from Holland.\* 2. The trade having been carried

\* Mr. Lyne's evidence, p. 60.

on in foreign ships, and at a very heavy expence of freight, sometimes to the amount of fifty per cent. on the original cost of the goods.\* 3. The manner in which the price of the goods imported from the Baltic were drawn for; the bills being negociated immediately on the shipments taking place, without consulting much the interest of the proprietors in this country, who would naturally have wished to defer the negociation till a demand for such bills had taken place.†

4. The greater difficulty and hazard in carrying on bill and bullion operations between this country and the Continent, and also between some parts of the Continent and others, which consequently require greater profit, to cover those risks, and occasioned thereby an augmented depression in the exchange.‡ 5. The want of middle men, who formerly were accustomed to employ great capitals in exchange operations, but who, from the increased difficulties and dangers

\* Mr. Greffulhe's evidence, p. 66.

† Evidence of Mr. \_\_\_\_\_

‡ Mr. Lyne, p. 60.

*All these circumstances, Commercial, Political & mixed combined, could never alter the exchange [ 18 ] to a quarter of what it was the amount of the expense of carrying are at present rarely to be met with: such middle men were accustomed to make the Continent combined exchange operations, which tended to anticipate probable ultimate results;\* and the rates of Exchange were thus kept more steady, than could have been the case without such aid. 6. The small amount of exports compared to imports in our trade with France and the Baltic.† 7. The long credit given to foreign merchants for goods exported, the price of which, particularly those sent to South America, has not yet come back.‡ and, 8. The lower prices at which foreigners obtained their supplies.§*

0 The mixed causes, or those partly commercial, and partly political, are, the system of commercial warfare carried on against this country, by which the admission of British goods into the Continent was checked; communication even by letters became difficult and uncertain; whilst no suit at law could be

\* Mr. ———, p. 82. Mr. Abraham Goldsmid, p. 94.  
 † Mr. Greffulhe, p. 66. Mr. Whitmore, p. 90.  
 ‡ Mr. Lyne, p. 60. § Mr. Greffulhe, p. 68.

instituted in the Courts of Justice there, against any person who chose to resist the payment of a returned bill, or to dispute the charges of re-exchange.\* 2. The decrease of foreign export, and consequently an unfavourable state of exchange, was also owing, not only to the decrees in France, but to the orders of council in England, and to the American embargo; the last in particular, by which the Americans were prevented from carrying their own produce, and the produce of the enemies colonies, to the Continent of Europe, which would have operated upon the exchange in a great measure, as an export from this country.†

The causes purely political, are, the payment of foreign subsidies, the maintenance of our troops abroad, and the bills drawn on our Government for naval and other expences in foreign countries ‡

The rate of exchange must also be affected

\* Mr. ——— evidence, p. 78.  
 † Mr. Cunningham's evidence, p. 130.  
 ‡ Mr. Greffulhe, p. 68. Mr. ——— p. 78.

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by various circumstances of a *miscellaneous* nature, as the interest on capital in England possessed by foreigners, as well as on capital abroad belonging to inhabitants of Great Britain; the contraband trade between Great Britain and other countries, and the amount of bullion exported or imported.\* These political and miscellaneous causes, not being included in those official documents, by which the *balance of trade* is commonly estimated, hence the rate of exchange must depend, not on that balance, *but on the balance of payments.*

14-15  
2. WHETHER THE PRESENT STATE OF OUR CURRENCY HAS ANY CONNEXION WHATSOEVER WITH THE STATE OF THE EXCHANGE.

IN addition to these causes, some have contended, and it is the great object of the Report to establish that point, that the unfavourable rate of the exchange, is owing to the state of our currency, and that if we were once more to revert to our old system, and to remove all restrictions on the payment of cash at the

\* Report, p. 12.

[ 21 ]

Bank, a favourable state of exchange would be the necessary consequence.

No doctrine can possibly be more adverse to the evidence annexed to the Report, whether as containing matter of opinion, or matter of fact. Let the reader consider what follows: "I do not agree in opinion with those who conceive that the depression in our exchanges, and the consequent export of our specie are occasioned by our circulating medium being confined to Bank notes; inasmuch as bills on foreign countries are here attainable, precisely at the same rates of exchange, whether they be paid for in Bank notes, or in guineas." (Mr. Lyne's evidence, Report, p. 61.) "I conceive the state of the paper currency of this kingdom, and the state of the exchanges upon foreign parts, are subjects almost unconnected, and that have but little influence on each other. In proof I beg leave to adduce two facts, from which it appears, that at two several periods, the exchange, for a length of time, improved in favour of this country, whilst the amount of Bank notes was gradually increasing."

+ These accounts are in no respect decisive in support of the absurd doctrine that the amount of Bank Notes has no effect on the exchange. The increase [ 22 ] of Bank Notes is an effort to occasion a depreciation of their value - (Mr. Greffulhe's evidence, p. 70.) "I do not conceive that the diminution of the paper of the Bank, would, either immediately or remotely, tend, in any shape whatever, to an improvement of the exchange." (Mr. Harman's evidence, p. 143.) "The man who takes a bill at Hamburg on London, purchases it for purposes of his own, either to purchase a commodity, or to pay a debt." [Mr. Goldsmid's evidence, p. 43.] In either case it is evident the established currency of England will answer his purpose. Two accounts were also produced, one by Mr. Whitmore, intitled, "The amount of Bank notes in circulation on Saturday night in each week of the year 1797, and the course of exchange on Hamburg on the following Tuesday; and the other by Mr. Pearse, intitled, a comparison of the amount of Bank notes, and rates of the Hamburg exchange at various periods. (See Appendix to the Minutes of Evidence, Nos. 47 and 49), both proving in the most satisfactory manner, as a matter of fact, that there is no connexion whatever between the amount of paper currency issued and the rise or fall of the exchange. It is much intimated that the rise of the exchange in our favor from the state of the balance of payments may overcome the fall that would

would take place from the depreciation of our notes, so as to give the appearance of a rise in the exchange at a moment when notes are losing value. [ 23 ] But this will not prove that the depreciation of notes has no effect on the exchange by the Bank of England, and the rate of exchange.\*†

Sir Francis Baring indeed states, (and much weight is certainly due to the sentiments of so respectable a character), that the two great circumstances which affect the exchange, in its present unfavourable state, are, the restrictions upon trade with the Continent, and the increased circulation of this country in paper, as productive of the scarcity of bullion;† but he does not seem to have considered the various other causes enumerated in the preceding section. By another evidence, the whole depreciation of the exchange is ascribed originally to

\* Nothing can be more decisive in support of the doctrine, that the amount of Bank Notes has no effect upon the exchange, than the paper given in by Mr. Pearse, No. 49, p. 199. From January 1803 to the end of the year 1807, a period of not less than about 4 years, the amount of Bank Notes fluctuated from 16½ to 18 millions, and the exchange on Hamburg varied from 32s. 10d. to 35s. 6d. becoming more favourable as the amount of Bank Notes increased. †

† Sir Francis Baring, in his evidence, alludes to the seven years war, and to the American; but how different the scales, either in regard to extent or duration, compared to the present?



\* If the unfavourable state of the Exchange arises from the depreciation of our circulating Medium, it is not in the nature of things that it should be remedied by [ 24 ] the export of silver.

the measures of the enemy, and its not having recovered itself, is attributed to the circumstance, of the paper of England not being exchangeable for cash.\* But this doctrine is ably refuted by Mr. Lyne, who contends, that though gold, being of a more portable nature, would sooner find its way to the Continent, and consequently would produce the speediest effect, yet that merchandize of lawful export, would produce a greater effect in reducing the difference of exchange;† for guineas, colonial produce, manufacture, or any other article of commerce, are all changeable or saleable on the Continent for the same article, namely, the circulating medium there, whatever that may be. The effect on the Continent, therefore, would be the same, whether goods or gold were made use of. Whereas, on this side, it would be infinitely better, instead of sending gold, (which would be confined to a few), to export goods, which would produce a competition, and a conse-

\* Minutes, p. 79.

\* In the opinion of the Committee, the mode of remedying the present state of Exchange, is to place Bank notes for amount on a par with Gold [ 25 ] in point of value, by inducing the quantity in circulation.

quent advance of exchange in favour of England.\* best be effected by the repeal of the Law which suspends the cash payments of the Bank of England. †

3. WHAT ARE THE MOST LIKELY MEANS OF RESTORING THE EXCHANGE TO ITS FORMER FAVOURABLE STATE ?

THE great corrective of any mischief, arising from an unfavourable state of exchange, in the judgment of the Committee is, the repeal of the law which suspends the cash payments of the Bank of England.† ×

I wish most sincerely that the Committee had examined the subject more minutely, before they had hazarded such an opinion. A favourite evidence had declared, " that a free circulation, and liberty to export the coin of the country, in his opinion was the only effectual remedy;" but he adds, " if that is not deemed practicable, I conceive that many palliatives may be applied." † Yet the nature of those palliatives, the Committee never gave themselves any trouble to ascertain.

\* See Mr. Lyne's valuable Communication. Report of the Committee, Appendix p. 60 and 61.

† Report, p. 31. ‡ See Appendix to the Report, p. 87.

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Mr. Greffulhe, a most intelligent witness, states, "that at this moment the Board of Trade might promote an increase of the exports to France;"\* but though such an exportation would have in some degree contributed to render the exchange more favourable, not the least inquiry is made into the grounds of so important an assertion. In short, it looks as if there were a fixed determination, neither to recommend, nor to make any minute inquiry, regarding any other remedy, but the opening of the Bank. That is the more to be lamented, as the Committee might easily have ascertained, that there was no difficulty in raising at home, or procuring from our colonies in America, or our possessions in the East Indies, a variety of articles, by means of which our imports would have been materially diminished, and by that alone an end put to that mighty bugbear, the unfavourable state of the exchange, the importance of which has been so greatly exaggerated. I have not the least doubt that our export trade also, might be greatly improved; but if we could only reduce our imports from hostile nations, the business would be accomplished. The

\* Appendix to the Report, p. 68.

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practicability of a very considerable diminution in that respect, I pledge myself, in the course of the ensuing session, to prove in Parliament.

## SECTION II.

## ON THE HIGH PRICE OF BULLION.

THE necessary consequence of an unfavourable rate of exchange is, an increased demand for coin or bullion, as being the readiest remittance, where bills, on moderate terms cannot be procured; in consequence of that demand the value of the precious metals must rise, as was experienced in the reign of King William, when guineas were as high as thirty shillings each.\* Nothing however can be more absurd, than to make any rise in the price of bullion, the ground of serious alarm, more especially at a period like the present, when the nature and principles of circulation, are so much better understood than formerly was the case. To explain the grounds of this assertion, I shall submit to the reader's consideration, some political axioms regarding coin and bullion, which, however, unworthy they might be deemed the attention of

\* Report, p. 17.

speculative politicians, yet I am glad to find are sanctioned by the authority of persons of practical detail.

GENERAL PRINCIPLES REGARDING COIN OR BULLION.

THE wealth of a nation properly consists in the goods or merchandize it possesses, whether arising from the produce of the soil, —from internal industry,—or from foreign commerce.

The precious metals, in which a part of that wealth consists, may be described as a species of merchandize, which, by common consent, answers three important purposes.

1. That of enabling individuals to receive the value of their labour, for an article universally exchangeable.
2. That of transferring property in goods, from one individual to another, or from one nation to another, without the trouble of actual barter; and,
3. That of enabling the government of a country to obtain a revenue, and to defray the public expences; for if the Exchequer were under the necessity of taking goods in kind, in what manner could the various arti-

cles it required, be either collected, or secured till wanted; or how could a nation fit out a fleet, or maintain an army, or defray the various other expences to which it is liable?

It is however, in early ages of society alone, before the credit of a government is established, and property, (whence the credit of the individual arises), is secured, that the precious metals exclusively answer these important purposes.—In ages of civilization and refinement, a well regulated paper currency, with a small proportion of these metals in a state of coinage, to which united, the general appellations of *circulation* or of *money* may be given, is equally useful, indeed on many accounts, to be afterwards explained,\* even more advantageous; and the precious metals ought, in commercial periods of society, to be accounted merely as a species of merchandize, the increase or diminution of which, has no decisive influence on the wealth or prosperity of a country, and which, if left to itself, soon finds its just level.

\* See the Appendix.

Each of the five circumstances here stated might contribute to enhance the value of Bullion generally all [ 30 ] over the world but none of them could have the smallest tendency to give it an additional value in this country.

It was with much satisfaction, I found the idea, that coin or bullion ought to be considered merely as merchandize, sanctioned by the authority of some of the most respectable witnesses, examined before the Bullion Committee.\*

But the rate of exchange is not the sole cause of the high price of bullion at present.

It appears from the Appendix to the Report, that the following circumstances have contributed to that event. 1. The French when they were in Portugal, so drained that country of gold, that none could since be procured from that quarter.† 2. There is a great demand for bullion from jewellers, in consequence of their trade increasing,‡ and much gold is purchased for various branches of manufacture.§ 3. From the apprehension of a rupture between Great Britain and North America, a great desire was necessarily created on the part of our manufacturers, and dealers in cotton, to import that article from the Brazils, and in

\* See Mr. Hughan's evidence, p. 62; Mr. Greffulhe's, p. 70; and Mr. Chambers's, p. 102.  
† Mr. Lyne's evidence, p. 60.  
‡ Mr. Merle's evidence, p. 50.  
§ Mr. Binn's evidence, p. 44.

order to procure it, gold and silver were exported to that country, both because in the Brazils there were no takers of bills on England, and as the importer could make his purchases more rapidly by sending cash.\* 4. It is also stated, that there has been an unusual demand for gold, for the use of the French armies.† 5. But above all, the state of the times, the failure of confidence, and the apprehension of future revolutions, have led to the practice of *boarding*, and consequently the withdrawing of gold altogether from circulation, and that to a considerable extent.‡ Whilst matters therefore continue as they are, it is in vain to expect that gold can become abundant, however much it might be given out. When a person is resolved to board, he does not consider the price he pays for the article he is in search of. A few shillings more or less, which would alarm a Bullion Committee, would be considered of little moment, if he could thereby obtain his object, that of securing a hidden store for times of difficulty and danger.

Who ever takes the trouble of considering

\* Evidence of Mr. Lyne. This gold and silver, I understand, is now returning fast.  
† Mr. Goldsmith's evidence, p. 56.  
‡ Mr. Greffulhe's evidence, p. 101.

\* How could the Committee state in precise terms rules which in their opinion (as appears from the passage just quoted) did not exist.

these observations, will probably be of opinion, that bullion is merely merchandize; that we might as well institute an inquiry into the price of diamonds, of cochineal, or of sugar, as of gold; and that compelling the Bank of England to pay in cash, were it a practicable measure, could be of no service whatever in the present state of Europe, exposed as it is to endless calamities, and liable to every species of plunder and oppression.

SECTION III.

ON THE CONDUCT OF THE BANK OF ENGLAND IN REGARD TO ITS CIRCULATION.

THE lofty manner in which the Directors of the Bank of England are told, "that they possess no distinct and certain rule to guide their discretion in controlling the amount of their circulation, and that their recent policy involves *great practical errors*, which, it is of the utmost public importance to correct,"\* comes with peculiar grace from a Committee, who have not stated, *in precise terms*,<sup>x</sup> the rules which the Directors have actually laid down, and examined their efficiency.

\* Report, p. 24.

\* None of these six rules on which the conduct of the Bank is said to be regulated in regard to issuing its notes can have the smallest efficacy in containing the [ 33 ] amount of its circulation.

The rules on which the conduct of the Bank is regulated, in regard to the issuing of its notes, may thus be shortly stated. \*1. To advance to Government on the security of Exchequer Bills, issued on the credit of taxes, the produce of which is constantly coming in. \*2. To advance on Exchequer Bills, issued under the authority of Parliament for various purposes, if other purchasers do not offer, when it is necessary to relieve the market for the accommodation of the public.\* \*3. To advance on the loans of the year, the repayment of which can be depended on, as the fund is pledged for the advance, and can be sold if necessary. \*4. To advance on legitimate mercantile paper, payable within two months, or at any shorter period, and having three names on it. \*5. Never to advance at less interest than 5 per cent.; and \*6. To consider not only the solidity of the paper, but also the amount of the accommodation the individual applying for it already has. †

It is owing to the Committee having kept this last rule entirely out of their view, that they triumphantly exclaim, " though the

\* See Mr. Pearse's evidence, p. 118.  
† See Mr. Whitmore's evidence, p. 89.

*It is true that no individual will keep the paper of the Bank of England by him, for which he pays five per cent, if he has no occasion for it. But how is he to get rid of it whilst the Bank is under the restriction; if it should happen that others have as little occasion for it as himself. Is it not obvious that he must in this case do with his paper as he would do with any other commodity for which there existed no demand? That is must he not force a market by reducing the price. Will he be treated a demand?*

*\* Report, p. 24.*

*This is the true account of the progressive depreciation of Bank notes.*

Directors state the broad principle that there can be no excess of their circulation, if issued according to the rules of discount, yet they disclaim the idea of acting up to it in its whole extent.\* They cannot act up to it in its whole extent, because they must restrict their advances to individual applicants, and must not risk too much property on the same security. Besides, the instant any superfluous issue is made, it reverts upon the Bank; for no individual, particularly any person conversant in business, will ever think of keeping in his possession any paper for which he has no occasion, and for which he must pay an interest of 5 per cent. Bankers, therefore, contrive every possible means, to diminish the amount of notes in their possession, in which, if they had not been successful, even the present amount of notes would have been too much restricted for the circulation and increasing demands of the country.

But the best answer to any charge of over-issuing on the part of the Bank, is this,—that if the large notes of the Bank were to be diminished, in the proportion of one half, it

would be impossible to conduct the affairs of the metropolis;\* and as it is, with all the paper now in circulation, "There is a period prior to the payment of the dividends, in which large sums of money are paid to the Bank from tax gatherers, which, at such times occasions great scarcity, and is an inconvenience to trade." †

If that is the case at present, to what a state of ACTUAL MISERY would not the mercantile interest be reduced, if there were to be any material reduction in the accommodation they now receive, or if the amount of our paper circulation were to be materially diminished?

SECTION IV.

ON THE AMOUNT OF OUR PAPER CIRCULATION, AND WHETHER IT OUGHT TO BE DIMINISHED.

IN a paper printed by way of Appendix, I have endeavoured briefly to explain, the general nature of coin, or money, the advantages of paper currency, and the necessity of preserving the circulating medium, in propor-

\* See Mr. Tritton's evidence, p. 142.  
 † Mr. Richardson's evidence, p. 149.

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X No Country Bank can commit a fraud so generally injurious to the Community as that which the Bank of England has committed since the

restriction, by neglecting to regulate its issues, (as was the invariable practice) according to the state of exchange and the value of Bullion. It is there observed, that Money, (by which is meant a well regulated paper currency, with a certain proportion of coin) becomes, in a civilized state of society, the medium of barter both for labour and goods, and in a manner the source or basis of Public Revenue. It is necessary therefore to preserve a due proportion between its amount, and 1. The quantity of labour that must be paid for; 2. The quantity of goods or merchandize, the property of which must be transferred; and 3. The total amount of the demands and expences of the Exchequer, whether arising from taxes, public loans, or any extraordinary species of contribution.

In consequence of this change of system the demands have nearly doubled their circulation and by that means have annually risen from seven per cent in the Island to fifteen per cent.

1. To promote a greater quantum of labour, on the increase of which the wealth and prosperity of a country so much depend, and which is always increasing where a circulating medium abounds.

2. To facilitate the transfer of a greater quantity of goods, among a greater body of greater or smaller in proportion to the depreciation it has effected on the value of the paper in which he is paid.

Whilst by pursuing this practice

they have been enabled since the restriction to raise their dividend from seven to ten per cent - to give to the Proprietors Bounties amounting to thirty

people, as the commerce and population of a prosperous country are always augmenting; and, <sup>two and a half per cent on their Capital and Loans = amount the value of their Stock from one hundred and twenty seven, to two hundred and eighty.</sup>

3. To enable the people, should it be necessary, to furnish, without inconvenience, greater supplies to the Exchequer.

These general principles are then applied: 1. To the case of an increased quantum of labour or industry; 2. To an increased commerce in, or transfer of goods; and 3. To an increased revenue: and the deduction from the whole is this, "that an increase of labour or industry, a more extended commerce, and an encreased revenue, require perpetual additions to the circulating medium of a country."

Being deeply impressed with the incontrovertible solidity of these doctrines, I cannot possibly concur in any measures for reducing our circulating medium, and thereby cramping all our exertions, and materially endangering our security. Whether any regulations are necessary regarding Country Bankers, for the protection of the public against fraud, is an important subject, different from the question regarding the quantum of circulation; but in regard to the Bank

He seems to have forgot the Act  
restricting the payments in cash, for  
it is difficult to say [ 38 ] what further  
means could be devised with the utmost  
safety to  
retain Bank  
notes in  
circulation

of England, as it is proved that no pains are  
taken to force Bank notes into circulation, or  
to retain them in it, no material excess, in  
the opinions of the most respectable practical  
authorities, can therefore take place. No  
circulation, unless forced, can go beyond  
what the immediate wants of the public re-  
quire, for if there is any redundancy, it imme-  
diately reverts on the Bank that issues it.\*  
The Committee do not concur in these opi-  
nions. Unfortunately they seem extremely  
unwilling to give much weight to the doc-  
trines of persons, who have nothing but ex-  
perience, and practical detail, to recommend  
them to attention.

SECTION V.

ON THE MEASURES RECOMMENDED BY THE  
COMMITTEE.

WE shall now proceed to consider the plan  
recommended by the Committee, that of  
repealing the law which suspends the cash  
payments of the Bank of England, and remov-  
ing any restriction on such payments, at the  
period of two years from the present time,  
(Report, p. 31,) previously making some ob-

\* Mr. Whitmore's evidence, p. 79, and 97.

servations on the grounds on which that  
system is founded.

We are told in the (Report, p. 31,) that  
any such general excess of currency as lowers  
its relative value, is attended with disadvan-  
tages to the country. If it were granted, that  
to a certain extent, such was the case, the  
question is, whether the advantages do not  
preponderate? If the new system we have  
adopted, contributes to the public safety, ena-  
bles us to carry on the most momentous war  
in which we ever were engaged, increases our  
agriculture, our commerce and revenue, places  
us, as admitted by the Committee, (Report,  
p. 28), in a high state of mercantile and public  
credit, and makes us, as I trust will continue  
to be the case, the admiration of the uni-  
verse; what matters it then, whether the cir-  
culation of gold or of paper is the instrument  
of our prosperity? But above all, the ap-  
prehensions entertained by the Committee,  
that the situation of the country labourer  
is thereby deteriorated, has no foundation  
whatever. Their comfort depends, not on  
having occasionally high wages, but on their  
having a regular and constant demand for  
their labour. That can only be the case where

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a circulating medium abounds. Where that circumstance takes place, no man need to remain idle; and where the demand is great, wages will rise more rapidly, than where persons are deterred from employing labourers, by the difficulty they find in paying them. Besides, in England, the country labourer and his family are secured by law in their subsistence; and in Scotland, servants in husbandry, are chiefly paid in kind, and consequently their income increases, with the price of those commodities in which the greater part of their wages is advanced.

As to the idea entertained by the Committee, that our paper currency is depreciated, a number of the most intelligent witnesses brought before it, have proved the reverse.\* It may sometimes be difficult to

\* "I do not believe that there has been any difference in paying in specie, or Bank paper." [Mr. Merle's evidence, Report p. 52.] "The dearness of gold and silver cannot be called a discount on Bank notes." [Mr. Greffulhe's evidence, p. 71.] "I never considered Bank notes to be depreciated." [Mr. Abraham Goldsmid's evidence, p. 93.] Mr. Chambers is asked, "Is it your opinion that the currency of England is depreciated." Answer—"Certainly not." [Report, p. 102.] Mr. Canningham is asked, "Do you consider the paper currency

obtain silver for a note, but it would be equally so to get change for a guinea; and the scarcity of silver money will never be got rid of, until we put a proper seignorage on the coinage of that species of metal. Not knowing what effects might result from the doctrines of so respectable a Committee, I had provided myself, when lately coming from Edinburgh to London, with some gold, in addition to the notes of the Bank of England. I found, however, the coin quite useless, and in a journey of about four hundred miles, not the least hesitation was expressed, to receive, and, when necessary, to change into silver, the depreciated currency of the country.

But we are told, that a reduction of paper circulation, would diminish the price of provisions. Would it not, however, in a still greater proportion, disable the great body of the people from having the means of purchasing them? Would not lower prices also, have a tendency to discourage the growth of grain, and to damp the exertions of the farmer? The wonder is, not that of this country as depreciated." Answer—"Certainly not." Report, p. 128.

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provisions are high, but that with such a war, against such an enemy, with armies in every quarter of the globe, and fleets commanding every ocean in it, we should be able at the same time, to carry on our agriculture, manufactures, and commerce, in the manner, and to the extent we are doing. *Nothing else gives us ability to go on, but the abundance of our circulating medium, which operates like blood in the human frame, nourishing every part of the system, and enabling it to perform its functions:*

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In regard to the plan of opening the Bank for payment in cash in two years, there are three points to be considered. 1. Is it practicable? 2. Would it be of any use? and, 3. Would it not be, instead of an advantage, a material detriment to the public?

I. IS IT PRACTICABLE TO OPEN THE BANK IN TWO YEARS.

SINCE it was found necessary to prevent the payment of cash at the Bank of England, when the exchange was in our favour, and when the Notes in circulation, including Bank Post Bills, amounted to the sum of

only 8,640,250l. (which was the case on the 27th Feb. 1797); how is it possible then to remove the restriction, when the amount of the Bank circulation, is now stated by the Committee, (Report, p. 25.), at 21,249,980l., making a difference of 12,609,730l., besides an addition of at least 10,000,000l. by the paper of Country Banks? It would be necessary, in order to carry on this great operation, to export goods, to the amount of at least 20,000,000l., without knowing where to find markets that would take such a quantity, and give us bullion in return; and if we could import bullion to that amount, the present unfavourable rate of exchange, would be constantly draining it away, in addition to all the diminution that would arise from hoarding. The idea of sending out 20,000,000l. of the property of this country, for the sole purpose of obtaining a medium of circulation, when we can do without it, is so absurd, and the impracticability of acquiring, and still more of the retaining the gold or silver we could obtain, after it came, is so self-evident, that it is astonishing how such a measure could possibly be recommended by any respectable authority. The Com-

\* The Bank of England cannot with safety  
 commence payments of its notes in gold  
 on demand & within two or three years hence if  
 the same principles are pursued in the  
 conduct of mittee itself, (Report p. 32.), admit, that in  
the present state of our circulation, it would  
be hazardous to compel the Bank to pay cash  
in six months; and indeed they acknow-  
 ledge, that in so short a period it would be  
 found wholly impracticable. They there-  
 fore recommend that the space of two years  
 should elapse before the restriction is re-  
 moved. But what reason have we to expect,  
 that the measure would be more practicable  
 two years hence, than at present? The real  
 cause why the payments in cash at the Bank  
 are suspended, is the unprecedented state of  
 the Continent of Europe. Whilst it remains  
 subjected to the power of one individual, the  
 determined enemy of this country, it is hardly  
 to be expected, that the Bank of England  
 can be opened. The attempt would be in  
 vain, and were it tried, we should once more  
 be reduced to the necessity, with increased  
disadvantages, of shutting up the Bank.

*But if it  
 is reduced  
 to the point  
 price, and  
 the exchange  
 becomes  
 favourable  
 it may  
 then without  
 the least  
 danger  
 immediately  
 adopt the  
 salutary course of so long pursued of paying  
 in cash on demand. It is not however  
 to be expected that the Directors will pursue  
 this conduct, because in returning to  
 their old habits of business they must  
 lay their account with enjoying only  
 the small profits they have acquired  
 before the Legislature by the restriction  
 conveyed to them the unconstitutional  
 Power*

2. WOULD IT BE OF ANY USE TO OPEN THE BANK FOR PAYMENT IN CASH?

BUT were the measure practicable, I do not see any possible advantage that could be derived from it. The value of gold, instead of falling, must rise, in consequence of the greater demand for it. The exchange could only be affected by it, in so far as the bullion that was exported could go, and not a step farther. Besides, there is a great fallacy in the argument, that opening the Bank would improve the exchange, by the exportation of bullion. By the existing laws, no gold can be exported but in the shape of foreign coinage, or of bullion, not melted into bars from the Coin of this country. It would be of little consequence, therefore, if that law continued in force, whether the Bank issued guineas, or not, provided those guineas could not be exported. The possibility of such a measure having any effect upon the exchange, must therefore entirely depend on the supposition, that guineas might be exported in payment of our foreign debts,

*power of indefinitely raising the currency.*

which cannot be done, without either smuggling, or a total alteration of the law with regard to that important branch of our policy.

Indeed compelling the Bank to give gold and silver in exchange for notes, would induce the nation in general to believe, that there must be some considerable advantage in possessing coin instead of paper. Every individual would thence be anxious to secure as much specie as possible, and the system of private accumulation, however unnecessary, would increase, and thus the credit of our paper circulation would inevitably be shaken.

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3. WOULD IT NOT BE, INSTEAD OF AN ADVANTAGE, A MATERIAL DETRIMENT TO THE PUBLIC, TO OPEN THE BANK?

WHEN Mr. Whitmore, Governor of the Bank of England at the time, was asked, "Whether opening the Bank would be likely to produce any derangement of our commerce; and whether, if the measure were determined on by Parliament, some restrictions of the Bank issues ought not to take place, with a view to prepare for the opening?" his answer was—"Provided it was imperative on the Bank to open, I should think a restriction of the Bank issues would be necessary, notwithstanding the fatal consequences that might arise from it to the commerce and revenue of the country."\*

With this declaration from the greatest practical authority staring them in the face, the Committee do not scruple to recommend a measure, "that would be attended with "fatal consequences to the commerce and "revenue of the country."

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\* Appendix to the Report, p. 126.

There is nothing, indeed, that speculative politicians, who entertain a peculiar prejudice in favour of any particular doctrine, will not approve of, if it has the effect of establishing the system they wish to recommend. All the immediate mischief is overlooked, from the expectation of future advantages which may never be realized. There cannot be a stronger proof of this assertion, than the opinion declared to this Committee by one of the witnesses brought before it. He broadly states " that however great the *inconvenience* to individuals, he conceives that a very material reduction of the circulating medium in this country, (by which he does not mean to make any distinction between coin and paper), would have the immediate effect of raising the exchange so far above par, as to enable foreigners to send bullion to this country for the liquidation of their debt, provided this principle were carried to such an extremity."\* Is it not astonishing the coolness with which this witness talks of individuals being put to an *inconvenience* by the want of the circulating medium; in other

\* Appendix, p. 85.

words, of money to carry on their business? Is it nothing but *inconvenience* to a merchant, to be unable to pay the demands upon him; to be obliged to call his creditors together; to appear as a bankrupt in the Gazette; and to see his wife and family, and perhaps a number of his dearest connexions, reduced to beggary and ruin? Yet thousands of respectable individuals, now carrying on a flourishing commerce, might be reduced to such *inconveniencies*, if the wild and impracticable chimera, of compelling the Bank to pay in cash, were attempted to be carried into effect.

Nor would these *inconveniencies* be restricted to commercial men: the landed and farming interests would suffer perhaps in a still greater degree. They are at present enabled to go on, notwithstanding the increased expence of cultivation, and the pressure of heavy taxes, in consequence of the additional prices which their commodities fetch, and the facility with which they obtain payment, owing to the abundance of a circulating medium; but if the taxes remain as they are, and if, in con-

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sequence of the diminution of the circulating medium, their commodities should become unsaleable, except at low prices, and with payments either distant or uncertain, *the agricultural interest would be undone.* To this important subject, I earnestly request their particular attention before it is too late. Let them recollect, that they are fully as much interested, as any other class of the community, in keeping up an abundant, rather than a diminished medium of circulation.

But the most alarming circumstance is, the mischievous effect that it would have on the public revenue and credit of the country. If our circulating medium were reduced one half, (which must be the case if the Bank were opened), the revenue would fall in proportion. It would then be necessary, either to diminish the interests of the public funds, to one half, or to dismiss one half of our fleets and armies.—That is the dilemma to which Napoleon would wish to reduce us. Little did he imagine, that so favourite an object, would be promoted by British politicians, who, in their rage for establishing speculative doctrines consider the opinions of persons of practical detail, “*as vague and unsatisfactory.*”

Nor is this all. It is stated in the Report, (p. 20), *that prior to the restriction of payments in cash, when the Bank experienced a drain of cash, which alarmed them, the Directors refused to make advances on the loan of that year.*—Is that really a state to which any patriotic Committee would wish to see their country reduced? If the restriction were removed, can any individual expect, that the Bank could ever be enabled to advance any money on the loan of the year? Can public loans at all, or at least on advantageous terms, be expected, without the prospect of such aid? Or can the advances now made by the Bank to the Government, and which are found so essential for the public interest, be continued? Is it then too much to assert, when the decrease in the revenue, which a diminution of the circulating medium would occasion, and the risk of annihilating, or greatly injuring the system of our public loans, and the means of providing for our public expenditure, are considered, “That the suggestions of the Bullion Committee, if ever carried into effect, would do more mischief to the British empire, than the fleets and armies of Napoleon will ever be able to accomplish?”

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CONCLUSION.

I SHALL conclude with stating my full conviction, that if Parliament will consider the measures proposed by the Bullion Committee, as perfectly unnecessary, and will resolve to maintain the present system of circulation unimpaired, there will be no difficulty in finding pecuniary resources, for carrying on the war in which we are at present engaged, for as many years as may be essential for our safety.

On the other hand, I am equally convinced, that if we attempt to overturn our present system of circulation, and to try any new experiments with our paper currency, it would occasion such mutual distrust, and would hence be productive of such scenes, both of internal misery, and of external weakness, as would terminate in general anarchy, and total ruin.

JOHN SINCLAIR.

APPENDIX.

ON THE GENERAL NATURE OF COIN OR MONEY, AND THE ADVANTAGES OF PAPER CIRCULATION.

GENERAL PRINCIPLES.

THE wealth of a nation properly consists in the goods or merchandize it possesses, whether arising from the produce of the soil,—from internal industry,—or from foreign commerce.

The precious metals, in which a part of that wealth consists, may be described as a species of merchandize, which, by common consent, answers three important purposes.

1. That of enabling individuals to receive the value of their labour, in an article universally exchangeable.
2. That of transferring property in goods, from one individual to another, or from one nation to another, without the trouble of actual barter; and,
3. That of enabling the Government of a country to obtain a revenue, and to defray the public expences; for if the Exchequer were under the necessity of taking goods in kind, in what manner could the various articles it required, be either collected, or secured till wanted; or how could a nation fit out a fleet, or maintain an army, or defray the various other expences to which it is liable?

It is however in early ages of society alone, before the credit of a Government is established, and property, (whence the credit of the individual arises), is secured, that the precious metals exclusively answer these important purposes.—In ages of civilization and refinement, a well regulated Paper Currency, with a small proportion of these metals in a state of coinage, to which united, the general appellations of *Circulation*, or of *Money* may be given, is equally useful, indeed on many accounts, to be afterwards explained, even more advantageous; and the precious metals ought, in commercial periods of society, to be accounted merely as a species of merchandize, the increase or diminution of which, has no decisive influence on the wealth or prosperity of a country, and which, if left to itself, soon finds its just level.

*Money*, (by which is meant a well regulated paper currency, with a small proportion of coin), becomes in a civilized state of society, the medium of barter both for labour and goods, and in a manner the source or basis of Public Revenue. It is necessary therefore to preserve a due proportion between its amount; and 1. The quantity of labour that must be paid for; 2. The quantity of goods, or merchandize, the property of which must be transferred; and 3. The total amount of the demands and expences of the Exchequer, whether arising from taxes, public loans, or any extraordinary species of contribution.

The quantity of the medium of circulation, however, instead of being stationary, ought to be increasing.

1. To promote a greater quantum of labour, on the increase of which the wealth and prosperity of a country so much depend, and which is always increasing where a circulating medium abounds.

2. To facilitate the transfer of a greater quantity of goods, among a greater body of people, as the commerce and population of a prosperous country are always augmenting; and,

3. To enable the people, should it be necessary, to furnish, without inconvenience, greater supplies to the Exchequer.

We shall proceed to apply these general principles:

1. To the case of an increased quantum of labour or industry; 2. To an increased commerce in, or transfer of, goods; 3. To an increased revenue; concluding with some observations on circulation and paper currency.

I. INCREASED QUANTUM OF LABOUR.

AN increased medium of circulation, is of more consequence, with a view of facilitating the convenient payment of labour, and furnishing the credit or capital necessary for that purpose, than perhaps in any other respect. It is certain that labour, properly applied, is the basis of national prosperity; but who will labour, unless by his exertions he can be furnished with the necessaries he may require, which can only be effected through the medium of abundant circulation. The wants of every individual, more especially if incumbered with a large family, are, in civilized periods of society, extremely numerous. They cannot therefore be supplied, without being paid, at least partly, in coin, or in some other article equally transferable, with which goods can be purchased. If the industry of a nation therefore is on the increase, how can it be carried on, without a proportional increase of that medium of circulation, on the quantum of which it necessarily depends?



Nor is this all: industry must often require the borrowing of capital; and if the medium of circulation be limited, or less than the demand, the interest paid for the use of it, must be extremely high, which damps the spirit of exertion. But if, by prudent measures, what passes for money becomes abundant, the interest of money diminishes; and many branches of industry, yielding perhaps but moderate profit, may then be carried on with advantage, and the prosperity of a nation increases with almost incredible rapidity.

It must also be considered, that the improvement of a country, by the labour of its industrious inhabitants, can never reach its utmost extent, unless money can be procured, not only at a low interest, but even sinking the capital. A temporary command of money may answer for common commercial purposes, but with a view of effecting lasting improvements, such as Roads, Bridges, Canals, Harbours, Mines, Buildings, together with all the various branches of Agricultural improvements, as Draining, Watering, Enclosing, &c. money ought to be procurable, for a long period of time, or even sinking the capital, on the payment of a moderate interest, otherwise such improvements will not be carried on to the extent that might otherwise be expected.

There cannot, therefore, be a more mistaken opinion than this,—that the prosperity of a country depends but little on the quantum of its medium of circulation. In fact an industrious nation must prosper, in proportion to the quantity it possesses, or circulates. Let us suppose the total circulation of Great Britain to be 40 millions sterling, in coin and in paper, bearing an interest of 5 per cent.; if it were reduced to 30 millions, bearing an

interest of 6 per cent. how much would not the industry of the nation be cramped? whereas, were it raised to 50 millions, bearing an interest of 4 per cent., and the whole of it actively employed in various industrious pursuits, it cannot be doubted, that the prosperity of the country would increase with a celerity, and be carried to a height, which would not otherwise have been attainable.

2. INCREASE OF COMMERCE.

NOTHING can be more evident than this, that an increased commerce, or the transfer of an increased quantity of goods, cannot be carried on to advantage, without an increased medium of barter. This, to a certain extent, commerce itself furnishes, by means of bills of exchange, and the rapid circulation of money which they occasion, more especially where it is the usual practice to discount such bills for only two, or three months. But still that accommodation is not sufficient, and cannot always be obtained; and commerce has experienced, and must experience, frequent checks, unless there is at all times plenty of money in circulation, in proportion to its increase or extent.

But we are told, that no increase of circulation is necessary for the merchant: let him sell his goods cheaper, and he will always find a market. Unless the sale however is attended, not only with indemnification, but with profit, there must be an end to commerce; and unless the merchant can procure money on loan, until a sale can be made on fair and adequate terms, he may be ruined. Nor is this observation confined to one article of commerce only, it is applicable to all. There is no branch carried on to any extent, or pushed with any spirit, where those who are engaged in it do not occasionally feel the inconveniences arising from a scarcity of money.

In regard to the question, why should the public encourage speculation, or take any concern in its behalf? the answer is obvious. All trade is, properly speaking, speculation; and all the encouragement wished for is, that merchants may have the command of money, at the legal interest of 5 per cent. when they have occasion for it, and can produce good security. This however they cannot always obtain, unless money, the medium of barter or circulation, is increased, with the increase of their goods or merchandize.

III. INCREASED REVENUE.

THE Public Revenue of a country, unless derived from property in land, evidently arises from the goods or merchandize, or the value thereof, which the individuals of a nation can furnish, after supplying themselves with the necessaries and conveniencies, and what some would call, even the luxuries of life.

But after a Public Revenue has reached a certain standard, let us suppose that ten millions of additional income is necessary for the public exigencies: How is that sum to be raised, without, 1. More goods or wealth; or, 2. A higher price for them; or, 3. A greater facility of barter, by means of an increased medium of circulation?

1. An additional quantity of goods, to a certain extent, may be obtained, by greater industry, and by improvements in agriculture, and other arts: but unless there is a more extended market for them, the price diminishes, and the result proves, on the whole, rather a loss than an advantage to the community.

To explain this doctrine, let us suppose, that the goods annually produced in the United Kingdom, are worth 100 millions sterling *per annum*; if the quantity were increased one-fifth, and if the price were lowered in pro-

portion, we should not, *in a pecuniary point of view*, be one farthing richer; and in regard to finance, the people at large, would in fact be less able than before, to furnish supplies to the Exchequer. Those who purchased goods cheaper, and consumed them, might, to a certain extent, be benefited, and be enabled of course to pay more to the public; but all the various classes of the community, by whose industry the goods were made, and brought to market, would not be able to pay near so much as they did before, and would necessarily be impoverished.

2. Let us next suppose, that the quantity of goods remains the same, but that the price increases one-fifth. The amount of the annual income of the nation, would then rise from 100 to 120 millions in value, and there would be a much larger fund for paying the demands of the public.

3. Let us, in the last place, suppose, that the price not only increases, but there is also an additional quantity of the medium of transfer, by which a good market, or rapid sale, is secured. The country is then in the highest possible state of prosperity. *Abundance of merchandize, at a high price, and a rapid sale, constitutes the summit of national felicity, in so far as regards income or revenue; and a nation enjoying such advantages, can pay, without difficulty, taxes, to an amount, that seems hardly credible to nations which have not been placed in the same situation.* Those with fixed incomes, may, in some respects suffer, but they are sufficiently indemnified, by the certainty and the regularity with which those incomes are paid, the high price which their capitals, either in the funds, or in land fetches, and the easiness with which they can obtain credit, or capital, to increase their wealth by industry.

Three things then are essential for public prosperity; namely:

1. An additional quantity of labour or goods, in so far as may be necessary for internal consumption, or foreign export.

2. An adequate price for goods, provided it does not rise to such a height as to hinder consumption at home, or exportation abroad. And,

3. An increased medium of barter, so as to secure a rapid sale, and a certain market.

Let us consider therefore, how the last, which is by far the most material, can be obtained; for the greater the quantity of circulating medium, the better the price of goods will necessarily become, and the better the price of goods, the more they are likely to become abundant; for good prices necessarily promotes the raising a greater quantity of goods, whilst by improvements in machinery, they can often be manufactured cheaper.

IV. ON A MEDIUM OF BARTER, OR CIRCULATION AND PAPER CURRENCY.

In countries where mines do not exist, if the precious metals alone are the medium of circulation, an increase of coin or specie cannot be obtained, except by means of Commerce; but, in that case, goods must be exported to purchase bullion, for the purposes of coinage, and the Nation is, to that extent, impoverished, merely to procure a medium of barter.

For instance, if in consequence of additional taxes, ten millions of money should be wanted for additional circulation, were gold and silver necessary for that purpose, ten millions worth of goods must be exported, merely to procure the representative of circulating wealth.

Hence the advantages of paper money. Gold and silver represent property actually sent abroad, and in the possession of foreign nations; whereas paper money, when issued on proper principles, represents property at home, and in our own

possession. Can anything then be more absurd, than to send goods to other nations, for procuring an article which is only necessary to a moderate extent? Our circulation at present is at least fifty millions. Instead of impoverishing ourselves by purchasing what are called the precious metals, every object we could wish for is much better obtained, by forty-five millions of paper, and perhaps only five millions in coin.

Paper currency, which, strictly speaking, may be defined any security payable to the bearer on demand, is of three sorts. The first, issued by the Government of a country: the second, by private individuals; and the third, by corporations erected for that special purpose.

1. To a certain extent, paper money might be issued by the Government, without inconvenience; but such a plan is liable to much abuse. When issued like an Exchequer Bill in England, bearing interest, it does not answer the purposes of money, from the uncertainty of its value, varying according to the amount of the interest due. If issued, not as a loan bearing interest, but as actual coin, like the assignats of France, the Government, from the facility of fabricating them, soon exceeds all bounds: their value rapidly decreases, and ultimately is reduced to nothing.

2. It has hitherto been the policy of this country, to permit individuals to issue paper money, without any restriction; and it cannot be denied, that this liberty, immediately previous to the commencement of the late war, was attended with useful consequences. Every town in the kingdom became the centre of a paper mint, and what passed currently for money abounded. The result was highly satisfactory. Improvements of every kind were rapidly carried on. The cultivation

of a common, the formation of a new canal, the construction of a new harbour, the establishment of a new manufacture, or of a new branch of foreign trade, never stopped for want of capital. The prices of every species of agricultural produce increased, by which the industry and exertions of the farmer were encouraged. The revenue increased to an amount, which equalled the expectations of the most sanguine, and the country exhibited the delightful spectacle of comfort, industry, and wealth.

But this pleasing, though baseless fabric, being built on false credit, or defective principles, received suddenly a severe shock. No sooner was the credit which the public had given to private banks, destroyed, than the impolicy of giving to every individual who chose to assume it, the privilege of coining paper money, was generally acknowledged. At first private banks alone were obliged to give way, and 71 private Bankers, in the course of one year stopped payment;\* but the storm at last affected the Bank of England itself, in a manner too recent, and too well known, to render any account of it here necessary.

That Paper Money might be issued by country banks, with much national advantage, if they were put under proper restrictions, in regard to their furnishing security to the public for the paper they issue, cannot be questioned; but that, without giving any security, or obtaining any license for that purpose, any individual, or any set of men, should be permitted to coin paper, and issue it as money, is a point, the policy of which requires more consideration than has hitherto been paid to it.

3. The issuing of Paper by Corporations, erected for that special purpose, is therefore by far the most eligible plan. Any abuse of this privilege will be checked by

\* See Chalmers' Estimate, edit. 1794. Dedication, p. 67.

Government, whereas no government will check any enormity in its own issuing. Want of credit, which must frequently overturn private banks, is not likely to affect a public establishment, investing a large capital in a great undertaking. A corporation is more likely to detect forgeries, than the managers of any national concern; and less specie is necessary to circulate a million of paper belonging to one great body, than to a number of private bankers, separated from each other, and each of whom must have a separate hoard.

On the whole, there is no means by which a nation can be rendered more prosperous, or can be better enabled to bear up under any pressure of taxation, than by such additions to the circulating medium of the country, as can be admitted without inconvenience. What is the foundation of the taxable income of the Nation, but the annual sale of goods; and if, by increasing the circulating medium, you facilitate the sale of goods, or increase their price, do you not augment the income of the people, and consequently enable them, with infinitely more ease than otherwise could be the case, both to pay their taxes, and to carry on their industry? Let us take, for instance, the case of a landed proprietor of 5000l. a year. His tenants, from a scarcity of money, may not be able to sell their produce, or may be obliged to take an inferior price, or to agree to a distant payment. In that case, how can he receive his rents punctually, or pay regularly the demands of the Exchequer? Increase the circulating medium, and these difficulties will vanish. By an increased price, and greater demand, he may be enabled even to raise his rents, and to pay any additional demands from the Exchequer, without materially diminishing his own expenditure, and consequently without much inconvenience. Let us next take persons connected

with trade, whose success entirely depends on a command of capital, or on credit. Open a bank, where the manufacturer, or the merchant, can discount their bills with certainty, when the security is good, and they will find no difficulty in paying the taxes to which they are subjected, and extending their commercial concerns. The same observations are applicable to almost all the various other classes of society.

I shall now briefly state the general results to be deduced from the preceding Observations :

- 1. That an increase of labour or industry, a more extended commerce, and an increased revenue, require perpetual additions to the circulating medium of a country.
- 2. That such additions cannot possibly be obtained, to the extent that may be necessary, but by means of a well regulated paper circulation.
- 3. That if such a paper circulation is properly regulated, the periodical returns of commercial distresses will, in a great measure, be prevented, and the demands of the Exchequer, however great, will be paid without any material difficulty.