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A FEW FACTS

STATED

IN ANSWER TO THE

REPORT

OF THE

Bullion-Committee.

&c. &c. &c.

BY AN ANNUITANT.

By W. Carey

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A FEW FACTS,

&c. &c.

NOTWITHSTANDING the temporary alarm and natural anxiety produced on the public mind by the Report of the Bullion-Committee, and some of the publications on that side of the question, I feel confident that the result of these discussions will ultimately prove beneficial, the credit and solidity of the Bank and of its notes being now established and confirmed by the concurring testimony of all parties, even of the bitterest enemies of the present system.*

What a contrast between this and any forced paper of which we have ever had any

* Vide the Bullion-Report, Mr. Huskisson's pamphlet, &c. &c.

knowledge! Are the assignats of France or the paper of the American revolution to be placed in competition with it? Did they exist with full credit and confidence during several years? or was their depreciation and speedy annihilation the effect of a secondary cause, or of the radical vice of an early and actual discredit? When gentlemen reason from analogy, they ought at least to attend to the resemblance of facts; for, though they admit that bank-notes are not depreciated from discredit, yet, as they pretend that they are in reality so from excess, the result is the same though the causes may differ.—To me, however, this is a material distinction, and a great point gained in the outset of the discussion; fortunately we have the experience of *fourteen years*, abounding with a variety of facts, to direct us in forming our judgement on this subject of excess.*

* It is curious to observe the difference of opinion among the friends of bullion both as to the proof of this excess, and even as to the meaning and signification of the word. In France no such difficulty existed.

Mr. Huskisson owns that to him did not belong perspicacity or foresight enough to foretel what would happen, and that it was solely by tracing up effects to their causes that he was enabled to arrive at the source of the evil. Mr. Boyd, who went over the same ground long before him or any of the other gentlemen, and from whom, to do him justice, they have deviated very little, acknowledges that there is *no* other mode of coming at the truth in this intricate subject, which according to him admits from its nature of no positive proof. His opinion appears to me so sound, so conformable to my own, and so well given, that a few words of his will, do more towards putting the question of excess in a clear point of view than pages of mine.—He says, page 32, “An unfavourable exchange and a high premium on bullion have existed and may occasionally exist from causes not altogether different from that to which I now attribute them, but of a contrary tendency;

“ yet so inseparably are they connected
 “ with an excess of paper currency, that
 “ such excess cannot possibly exist without
 “ being accompanied by them. If all the
 “ other symptoms of that supposed excess
 “ had existed, and our exchanges and bul-
 “ lion had remained unaffected for any con-
 “ siderable time, I should have doubted the
 “ truth of my theory.” This is fair, candid,
 and in my opinion unanswerable reason-
 ing; let us apply it to facts, and, if it be
 found that, during seven out of fourteen
 years of the existence of the present circu-
 lating medium, the exchanges of this coun-
 try with the continent have been consider-
 ably in our favour, (see Bullion-Report, Ap-
 pendix No. 49.) at one period of two years
 with an increase of notes of five millions,
 and at a later period of five years with an
 increase of about nine millions (nearly the
 maximum of increase) what becomes of this
 boasted excess, which, according to Mr.
 Boyd, cannot possibly exist without its con-

stant attendants of low exchange and high
 premium on bullion? At other periods, it
 is true there was a great depression, though
 unattended with an immediate increase of
 notes; I should have thought that circum-
 stance sufficient of itself to prove that excess
 was not the cause; but, if gentlemen are not
 so easily convinced, will it be any satisfaction
 to them to find that, during the most unfa-
 vourable state of our exchanges with the con-
 tinent of Europe, those with America and
 Jamaica were considerably in our favour?
 and that with the latter (owing to great im-
 portations from this country) infinitely high-
 er than at any period previous to the Re-
 striction-Act (vide Greffulhe and Hughan's
 evidence, Bullion-Report)? In Mr. Boyd's
 opinion, this is again proof positive of no ex-
 cess; it is also that of almost all the eminent
 merchants who were selected by the Commit-
 tee as the fittest persons to give their opinions
 upon this subject; but unfortunately, it

would seem that they have, by some means or other, forfeited their claim to confidence and abilities, even in those matters with which they were thought to be most conversant. The best friend of the Committee, the continental merchant, also concurs in the same opinion; but he adds, that, if the exchanges have not recovered, the cause is in our notes not being convertible into cash: if he had looked back to 1800, 1801, and 1802, he would have found the exchanges nearly at the same rate as when he gave his evidence; but he would also have found them, from 1803 to 1807, recovering gradually to par and upwards, with an increased and increasing circulation *not convertible into cash*. This looks like a case in point, and I should be glad to know what he says to it? To me these reasons appear sufficient to shew what is *not* the cause of the depression,— I shall now proceed to those causes which I think *are* satisfactory in accounting for it.

The first considerable fall of the exchange on Hamburgh, to 29s. 8d. was from 1799 to 1802, a period of large importations of corn, heavy subsidies, and great commercial distress, but without any increase of circulation;—a concurrence of such circumstances is at all times, whether the circulation be specie or paper, sufficient to produce a considerable depression, and to the full extent of that in question. It is very remarkable that, notwithstanding all these causes of depression, this loss does not much exceed that which Hamburgh has often experienced in her exchanges with us, at a time when the payments in both countries were made in specie. As lately as 1797, both before and after the Restriction-Act, the exchange here on Hamburgh was above 38, which is about 12 per cent. in our favour, and consequently so much against the place drawn upon. How will this loss in exchange agree with the axiom of the Commit-

tee, that the exchanges are invariably regulated by the intrinsic value of the coins of the two negotiating countries, with the addition of the charges and risk of transportation, although in this case these charges could certainly not amount to 5 per cent? At this moment the depression in the exchanges is nearly 20 per cent. more than the premium on bullion, and has been so for a considerable time. The price of gold at Paris is 105 francs per oz. which, at the present exchange of 17 francs, is equal to 116s. 6d. sterling. The price here being 94s. there is a difference of 24 per cent. from which deduct about 6 per cent. for charges, remains 18 per cent. clear profit.

Spanish dollars are worth at Paris 5ls. 7s. 6d. per dollar, which, at 17 francs, is equal to 7s. 4d. per oz. being a difference of 22 per cent. from which deduct 6 per cent. remains 16 per cent. clear profit.

Whence does this amazing difference arise?—from the want of confidence and the great difficulties in the means of conveyance. The almost total suspension of the export intercourse with the continent is, in short, the true and only cause (government expenditure excepted) of the present state of things.

From 1803 to 1807, the exchange continued about par. In 1808, they began to decline but as late as June last, the depression was not more considerable than had frequently happened, when specie was the medium of both countries.

Mr. H. Thornton allows in his pamphlet that there was little or no depreciation in the currency in 1802; of course he must allow the same thing as far as June last; the reasons he gave being then in full force. From this period the de-

pression has indeed been great, beyond all former example; but it has been accompanied by a concurrence of untoward events, alike unprecedented, but commensurate with it. Misfortunes from all parts have assailed our merchants at one and the same time; the exports have been very little better calculated than the imports to remedy the evil; every one knows the immense losses in the Baltic, by the seizure of our exports, while the imports from that quarter have been equally great, and ruinous to the importers, as the quantity on hand and low prices sufficiently indicate. In South America and the Brazils we have not been more fortunate; immense exports have remained there unsold, or have been disposed of at great loss; the imports from those countries have been exactly in the same situation here, from the ports of the continent being more than ever shut against us. Our exports have therefore been trifling,

and even not paid for, in a great degree, in consequence of the unusual failures on the continent, while the imports have come in a much greater proportion than usual. The expenses and disbursements of government, in Portugal and other places abroad, have, unfortunately, all this time kept pace with our commercial embarrassments, and there has been but one mode of paying for these importations and expenses, all our exports having failed, by being prohibited, by stopping short of their market, as in Heligoland, Gibraltar, Malta, Sweden, &c. by being seized, as in the Baltic, or by remaining unsold, as in South America. Whatever the Custom-house-books may represent, our exports have been trifling or *unproductive*, during this period, and have fallen very short of the sum due by us to the continent, and which must *ultimately* be paid for in specie or bullion. Are these facts not sufficient to account for an un-

favourable exchange, and a scarcity, and high price of bullion? or must we turn our eyes from this cause to look out for an ideal one, which is not, nor cannot, be made out? The constant difference in the price of gold, for home service and for exportation, and that between gold and silver, which, according to Mr. Merle, is as high as 7 per cent. in favour of the former, together with the immense difference of nearly 20 per cent. existing at this moment between the exchanges and the price of bullion, are all true and unerring indications of the nature of the disease;—the cause is *foreign*, and the effect is felt at home; it is *our debts abroad* which produce the unfavourable state of the exchange, and the scarcity and high price of bullion here. If our circulation were specie instead of paper, the remedy might, indeed, be easier, *provided we had the means of exporting the specie*; for, otherwise, the exchanges might not be

benefited by it. No one can doubt it; but, if specie had been required for home service, it could not have been spared to the same extent for the wants of trade and of government abroad. There is no alternative; the money cannot be both here and there at the same time; it has disappeared because our foreign debts have exhausted the stock at home, and not because any excess of paper circulation has driven it from us.* The difference between the exchanges and the price of bullion is, in

* The Governor of the Bank frequently told Mr. Pitt, during his administration, that, if he continued sending money out of the country, the effect would be fatal to the Bank.

Mr. Huskisson declared, before the Committee appointed for the Walcheren Expedition, that the specie required for that expedition had been obtained with great difficulty, and that our pecuniary means were not adequate to a long campaign on the continent. Can he, after this statement, and the subsequent enormous expenses of government in Spain and Portugal, be surprised at the present state of bullion and of the exchanges?

my mind, conclusive on this point. As soon as our foreign debts and expenses cease, specie will certainly remain here, or come back, as it has already done at different periods since the Restriction-Bill, particularly in 1797 and 1798, and from 1803 to 1807.

The Committee and their friends draw their proofs of excess of circulation, not only from the premium on bullion and the depression in the exchanges, but also from the high and increased prices of every description of commodity. Let us see, by an appeal to dates and facts, how these will bear them out in their conclusions.

It is admitted, on all hands, that, where there is no depression in the exchanges, there can be no excess of circulation; and I have already observed, that, from 1797 to 1799, there could be no excess, because the exchanges were in our

favour. From that period to 1803 there is no proof of excess, the rate of exchange not being lower than it has frequently been when specie was in circulation. From that time to 1807, a period of five years, the exchanges were at par, or upwards; and, in June last, they were not lower than they had been at former periods, when Mr. H. Thornton asserted in his able pamphlet, that there was little or no depreciation in the circulation. If this statement be correct, and if it be equally true that the prices of all sorts of goods rose progressively during this period, what is the natural inference to be drawn from these facts? In my opinion it is an additional proof of the rise in goods having had no connection with any excess in the circulation, which, in reality, could not exist at that time for the reasons just given. During the last twelve months the exchange has fallen beyond any known bounds or former example; but how have the prices of goods been affected by this

circumstance? Have they risen accordingly, and in proportion, or is not the reverse the case? Is it not a fact that most of our manufactures, and even many of the goods imported at a depreciated exchange, are, at this moment, much lower in price than when specie was the medium of circulation? I may be told this is the effect of our distress; but does it not prove that the prices of goods are now regulated, as they always have been, by abundance and scarcity,—by demand and no demand? Has the price of wheat, which has been so fluctuating, and has sometimes fallen or risen 50 per cent. in the course of the year, been regulated by excess of paper, or by excess and scarcity in the harvest?

I wish a periodical account could be found of the various prices of goods, since the restriction on the Bank; the result would be very instructive, and, I am persuaded, very different from what is generally ex-

pected; it would, at least, shew, if I do not much mistake, how little these high prices have been influenced by the depression in the exchanges, or the increase of circulation. The rise in the value of rents, lands, and many other articles, has a very different foundation in the great and increasing wealth of the country; a cause which has at all times produced the same effect without excess or depreciation in the circulation. At this moment the national prosperity has experienced a severe check, the effect of which is visible in the reduced and low prices of many articles.

This leads me to another part of my subject, and not the least important; I mean the situation of the public creditor; or annuitant, which has been painted in such glowing colours by the able and masterly pen of Mr. Huskisson, who recommends, as an act of national mercy and favour, not a *virtual* but an *actual depreciation*, a po-

sitive reduction in the standard weight of the coin of the realm. This he confesses to be a violent remedy, but preferable, in his mind, to the existing disease. I doubt much, however, whether the boon he offers will be accepted even by those in whose behalf it is intended. For my own part, as one of the number, I thank him for his intention but decline taking his remedy. Looking minutely into my situation, I find it not so hopeless, nor do I think myself intitled to complain. The fact is, that, during thirteen years since the change in our circulation, my claims on the nation have been paid in good and undepreciated paper, with the foreign exchanges for half of the time in my favour: but, for the last twelve months, it may be said that I have, in reality, not received twenty shillings for my nominal pound-note. Be it so; but if, during this short period, out of one of fourteen years continuance, I have been able to procure with this nominal note, owing to

the existing low prices, as great or a greater quantity of our manufactures and of other goods, even of those imported from abroad, as before the preceding period of no depreciation, what becomes of this mighty engine of general terror and panic, of this pretended breach of the national faith, of this fraudulent and national bankruptcy, and, as it is styled, of this worst of impositions upon our creditors, and compared to which a real fraud upon the public, a reduction in the coin, is thought and said to be a small evil?

There is another topic which Mr. Huskisson thinks very favourable to the side he has taken in this discussion, and on which, in his pamphlet, he dwells at considerable length, and with no less force,—I mean the state of the circulation in Ireland, in 1804. It is now allowed, on all hands, he tells us, that excess was the then cause of the depreciated state of the exchange of that country, notwithstanding it was pretended at

that time, as it is here now, that it had no connection with it. I have neither the means nor the inclination to canvass this subject, and I will readily grant what is asked: but mind what follows;—the evil was remedied by the Directors of the Bank of Ireland themselves, without having recourse to violent means, or substituting specie in the place of paper.

I am told this is not the case, and that it was the depreciation of *our* paper which produced this favourable change: but, unfortunately for this argument, the table of the Dublin exchanges (see Bullion-Report, Appendix, No. 66) shews that, at the time, when the exchange here on Dublin fell from 18 per cent. to 10 per cent. our exchanges with the continent were progressively improving, so that the improvement, in both countries, went hand-in-hand, a thing impossible if our paper had been declining in value at the same time.

These cursory remarks will, I trust, justify the conclusions I have drawn from them, viz.

1st.—That, from 1797 to June 1810, there was no excess or depreciation of our circulating medium.

2d.—That the subsequent price of bullion, and unprecedented state of the foreign exchanges, are the effects of commercial causes, and of the extraordinary expenses of government abroad, and not of any excess or depreciation in the circulation.

3d.—That the price of land, and generally of goods, has, in no instance, followed, or been affected by, the price of bullion; goods and land having, for thirteen years, progressively risen in value, during which period bullion remained nearly stationary. Again, many

articles, in the course of the last twelve-months, and even land, have considerably fallen in price, while bullion has rapidly risen.

4th.—That, therefore, the public creditor and annuitant have not been affected by the change in the medium of our circulation, notwithstanding the present high price of bullion.

5th.—That, if the depression in the Irish exchange, in 1804, arose from excess of circulation, the remedy soon followed, without recourse having been had to the means now proposed by the Bullion-Committee.

If the gentlemen of the Bullion-Committee would employ their abilities in finding out the means of reducing the national debt, the public expenditure, and the heavy burthens pressing hard upon the people,

they would indeed be entitled to our thanks; for the danger lies there, and not in the circulation of two or three millions (more or less) of notes of unimpeached credit, which are never issued without an equivalent received, and which, in the course of a few weeks, could all be withdrawn from the circulation; but this must depend upon the discretion of the Governor and Directors of the Bank. Any interference on the part of parliament in the issue or reduction of their notes would, in my opinion, be a very dangerous innovation, attended with the most serious consequences, at this moment, to commercial credit.

If it be the object of the Committee, in

* I know it is very much the fashion to find fault with the administration of the Bank, but I also know that the credit of their notes is, at this moment, admitted on all hands, and that we are yet to learn, even from their most violent enemies, *at what period*, since the Restriction-Bill, their issue has been improperly great, or attended with any of the evils complained of?

proposing a reduction in the circulating medium, to lower still more the prices of those goods which the legislature are endeavouring by every means in their power to prop and to support, they may, no doubt, succeed ; but I have no hesitation in predicting their failure as to bullion, the price of which has always *followed* the fate of the foreign exchanges, (although not in the proportion mentioned by the Committee,) and has never been affected, in the course of the last fourteen years, by the amount of notes in circulation. You must begin by improving the exchanges, which can only be done by having less to pay to the continent, for commercial purposes and government expenditure.

To conclude : any attempt, on the part of the Bank, to resume its payments in cash, under the existing circumstances of our relations with the continent, would, I fear, prove fatal to the commercial interest of

this country. Lord Sidmouth was so fully aware of this in 1802, that, under circumstances infinitely more favourable than the present, and in time of peace, he proposed in Parliament the renewal of the Restriction-Bill, which accordingly passed without opposition, and with the concurrence of Mr. Pitt. Let us learn wisdom from this example and from the experience of Ireland, in 1804, and leave the Bank to the management of its own Directors, but under the superintending eye of the public and of the legislature, without making it an instrument of supply in the hands of government. The credit and solidity of its paper will not then be doubted, and the present evil of unfavourable exchanges and high price of bullion will, I am persuaded, be only temporary, and cease with the extraordinary expenses of our government abroad, and as soon as the restrictions on our exports are removed.

THE END.

