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A  
LETTER  
TO  
DAVIES GIDDY, ESQ. M.P.  
IN ANSWER  
TO HIS  
PLAIN STATEMENT  
OF THE  
*Bullion-Question.*  
BY SAMUEL BANFILL.  
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THE BULLION QUESTION  
BY  
DAVID GIDDEY, ESQ., M.P.

IN TWO VOLUMES.  
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...of the bullion question  
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**LETTER,**  
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**&c. &c.**  
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**SIR,**

A "plain statement of  
"the bullion question" from a person  
of your parliamentary distinction nat-  
urally attracts notice; and the avow-  
ed object of your publication being  
to invite inquiry into the subject by  
"a plain and simple exposition" of its  
principles, no apology I conceive is

necessary for an attempt to develop the impressions produced by your statement on a mind imperfectly indeed prepared for the discussion, but sincerely desirous of judging rightly on a question which deeply affects the interests of the whole community. Truth, wherever it lies, is our object; and if, in the course of the pursuit, any light should arise to guide us in the research, I shall equally hail it whether elicited by your statement or my remarks.

The inquiry, on this principle, will, I conceive, be most fairly pursued by taking the argument in the order of your exposition. Any inconvenience that may attend this arrangement will be more than compensated by the facility it affords of tracing, at once, the

sources of any variance in our conclusions; and I shall accordingly notice "your statement" in the order of the sections into which it is divided.

In your *first* section the circumstances which induced the adoption of a common measure for the barter of property are very clearly stated; indeed the operation of that principle has been so universally acknowledged, that, I scarcely think a better explanation of it can be found than in the following quotation, from one of the earliest writers on political economy.\* "The comfort of life requires an interchange of different works and exertions." —

\* Aristotle in the 5th Chapter of his 5th Book on Ethics.

All arts “ derive their whole uti-  
 “ lity from the mutual exchange  
 “ of different sorts of labour, and  
 “ which could not long be main-  
 “ tained unless the exertions of one  
 “ artisan in one way were nearly ba-  
 “ lanced and compensated by those of  
 “ another artisan in another. A com-  
 “ munity could not subsist, composed  
 “ wholly of physicians, or wholly of  
 “ husbandmen; it must consist of phy-  
 “ sicians and husbandmen, and other  
 “ classes of individuals employed in  
 “ different trades and different profes-  
 “ sions. But, that operations and  
 “ works of such different kinds should  
 “ be fairly exchanged for each other,  
 “ it is necessary that they should be  
 “ nearly commensurate; that is, that  
 “ all of them should be capable of  
 “ being estimated with tolerable accu-

“ racy by comparison with one com-  
 “ mon measure. Hence the introduc-  
 “ tion of money; by means of which  
 “ all those operations and works are  
 “ compared in value with each other,  
 “ and their relative excesses or defici-  
 “ encies ascertained with sufficient  
 “ correctness for all practical pur-  
 “ poses. In reality, value depends on  
 “ the mutual wants of men, which form  
 “ the great bond of society; for, unless  
 “ their wants were mutual, exchange  
 “ could not be effected; but money  
 “ is used by convention as the represen-  
 “ tative of all things wanted; since it  
 “ serves as a pledge and surety, that,  
 “ whenever those wants occur, they will  
 “ be speedily gratified; and its name  
 “ is derived from the word signifying  
 “ law, which indicates that it is found-  
 “ ed, not on nature, but on conven-

" tion; and that human laws, which  
 " have thought fit to employ it as a  
 " measure of value, may, at pleasure,  
 " set this use of it aside, and employ  
 " some other measure in its stead.  
 " Money, which represents the value  
 " of all other things, varies in its  
 " own; but its variations are less  
 " considerable than those of most o-  
 " ther substances. It serves therefore  
 " to fix their price, and to render them  
 " commensurate with each other, thus  
 " performing a function essential to  
 " the existence of civil society; for  
 " communities could not subsist with-  
 " out exchange; nor exchange with-  
 " out equality; nor equality with-  
 " out a common measure. The va-  
 " rious kinds of labour, and the works  
 " thereby effected, cannot indeed be  
 " accurately compared, and exactly

" measured, either by each other or  
 " even by money; but they may, by  
 " means of the latter, be estimated  
 " with sufficient correctness for main-  
 " taining that commercial intercourse  
 " which is essential to the supply of  
 " our numerous exigencies." *And*  
 " *Your second* section claims particular  
 notice. It states, that the material  
 being selected, of which the measure or  
 standard of the value of property is to  
 consist, " the next care is to ascertain  
 " the exact quantity and quality of the  
 " portions that are to circulate as the  
 measure;" and that, though the stamp  
 of value, where metals have been used,  
 has been given by coinage, yet that any  
 other material, corn for instance, of a  
 given fineness, divided into known por-  
 tions and sealed, might equally serve

the purpose. Pursuing this idea, you then state that a pound of gold of  $\frac{22}{24}$  fine being coined into forty-four guineas and a half, the pound of gold is always "identical with," that is "exactly worth," 44 guineas and a half; and that a quarter of wheat, being divided into 64 parts, and each part secured in a bag of a gallon each, which may be called a seal, the quarter of wheat will then be worth 64 seals, whatever may be the scarcity or plenty of the grain or metal.

This position, which assumes quantity and quality as the sole criterion, is in that sense undeniable; and seems only to import that a whole is equal to all its parts: but, when you add that, "*substituting for the guinea its other denomination of one pound one shilling,*

"*the pound of gold is always worth £46 : 14 : 6,*" it appears to me, Sir, that the inference is unconnected with the premises; that a new question arises of altogether a different nature; and that it is in the essential distinction between these two questions, thus confounded, that we have to look for the sources of a right conclusion.

As a history of coins would be foreign to our purpose, it will be sufficient to recollect that the guinea was first introduced in the time of Charles II. to obviate the difficulties that had arisen from the uncertain weight and fineness of the coins previously in use, and which were chiefly silver. All those old coins, as well as all accounts in England, referred to, and had from time immemorial been regulated by,

(1) *the pound sterling*, as a common standard, or integer, for the measure of all property. The origin of the pund, or pound, of the Saxon schillinga, and Norman solidus, we will leave to the researches of antiquarians. Whatever may have been the derivation of the terms, or the successive changes in the weight and quality of the coins so denominated, immemorial usage and universal public consent had taken the pound sterling as the standard of all valuation. To the same standard was referred the guinea at its first coinage: an ounce of gold, of  $\frac{22}{24}$  fine, being then deemed to be worth £3 : 17 : 10½ sterling; a pound of that metal was coined into forty-four and a half parts or pieces, called guineas; each guinea being to be taken for one pound and  $\frac{1}{7}$ , or for one pound and one shilling sterling, of

the old denomination;\* so that the guinea, weighing 5 dwts. 9 grs.  $\frac{23}{24}$ , has, for its standard of value, one pound sterling, the rate of such valuation being £3 : 17 : 10½ sterling, for one ounce of the gold of which the guinea is coined.

But, it may be inquired, what is the pound sterling? I can only answer, that it is the standard to which all our property was referred as its measure of value, before the coinage of guineas, and by which the value of that coin is solely regulated. A similar standard appears generally to prevail in civilized countries. In Spain it is the dollar of account, an ideal measure,

\* At first a little fluctuation prevailed from 20s. to 21s. 6d. but the currency was soon fixed at 21 shillings.

not existing as a coin, and perfectly distinct from the silver, or hard, dollar, which is the coin of circulation: in Portugal it is the reis, also an ideal measure: in Hamburgh the Flemish pound.

The same expedient appears to have been adopted in other important operations of the human mind on human affairs. Are not our geographical measures referred to the ideal standard of a first meridian? Is not all our geometrical reasoning derived from the point that has no magnitude, and the line without breadth?

Gold, then, of  $\frac{22}{27}$  fine, being valued at £3 : 17 : 10½ the ounce, 5 dwts. 9 grs.  $\frac{3}{4}$  of such gold, so valued, being coined into a guinea, represents one

pound and one shilling sterling. The bank-note of one pound sterling represents  $\frac{20}{27}$  parts of a guinea at the same rate; and, until the pound note shall become of less value than  $\frac{20}{27}$  parts of 5 dwts. 9 grs.  $\frac{3}{4}$  of gold, *at the rate of* £3 : 17 : 10½ *sterling per ounce*, (the only rate to which either the note or the coin is referable,) twenty one bank-notes, of one pound each, and twenty guineas, must represent the same identical value; they have always represented, and do still represent, the same value, and consequently are not depreciated with respect to each other; though both are depreciated with respect to the *metal*, if the term depreciation is applicable to the note or the coin, when the expression solely implies increase of value in the metal.



If the pound of gold, when the coinage of guineas was first made, had been valued at £4 : 10 sterling instead of £3 : 17 : 10½, and the object had been to introduce a gold coin worth twenty-one shillings, that pound of gold would have been coined into about fifty-three parts, or guineas, instead of forty-four and a half; or, if the object had been to bring a pound of gold into forty-four and a half parts or coins, each part or guinea would have been rated at about £1 : 4 : 3 instead of £1 : 1 :

Where are we then, where is any society, as to the valuation of property amidst such fluctuation in the material by which it is measured? Just where our nature has placed us, in a state of continual change ourselves, whilst all things are changing around

us. To render the measure of property as little varying as possible, we take the least variable material, and approximate still nearer to immutability by fixing a rate of currency to our coins; but there is a course in human affairs to which human provisions, as they can neither arrest nor divert that course, must themselves conform. What has been stated of the pound of gold equally applies to the quarter of wheat, supposing the metal and the grain to be equally fit materials for the measure, and that the coinage of the guineas and the sealing of the bags take place under similar circumstances. Two suppositions which are necessary postulates to your argument.

As all the reasoning of your *third* section is derived from the contemplation

of the guinea as a division or aliquot part of the pound weight of gold, and not as a coin, (a view of the question which has been fully noticed in the remarks on the preceding section,) I pass to the *fourth* and *fifth* sections, which touch the point of foreign exchanges. Admitting your view of the general nature of exchanges, and waving all discussion of the intricacies of exchange-operations which are not essentially connected with our inquiry, I shall only remark that low or unfavourable rates of exchange, frequently mistaken for the causes, are in fact the effects, in a debtor country, of an unusual demand for bullion, and an index of the extent of that demand. The *ultimate* balance against such a country, that is, the difference between the exports and imports, after the exchange of all its other articles of

commerce has been brought to a close, is necessarily payable in bullion, which, like all other commodities, increases in price as the demand increases. When the price of the metal advances beyond the standard rate of the coin, sufficiently to make good the expense and risk of melting and of exportation, the coins disappear; and, though incessantly supplied, will incessantly disappear, until the cause of demand or *the means of supply* have ceased. But, as the pound sterling is the standard of all value in England, whatever be the state of the exchanges, and as I think it has been shown that, according to that standard, a guinea is of the same worth as a note of one pound and one shilling, we may safely dismiss the course of exchange as unconnected with our inquiry.

Your *sixth* section considers the nature

of notes ; and, applying the argument to bank-notes, you inquire: " can the holder convert such a note into a substance of intrinsic worth, the produce of labour?" The answer is obvious ; that for twenty-one notes of one pound each you can get precisely the same intrinsic worth, regulated by the same standard, and equally the produce of labour, as for twenty guineas. Your argument, " that paper notes, because manufactured cheaper than the most successful alchemy can hope to produce gold, may suffer a reduction of value to any extent from excess of quantity," is to me unintelligible ; unless, confounding *bank* with *blank* paper, you suppose that bank-notes are procurable without an equivalent, or question the solvency of the bank by which they are issued.

But you contend that, having unfavourable exchanges on the one hand, and an advancing price of general articles on the other, " here is the experimentum crucis, the test by which the whole question of the depreciation of bank-paper is to be tried." This argument, though you have not developed it, is I presume reducible to the position, that, though an unfavourable state of the exchange is not of itself a proof of a depreciated paper-currency, yet, when accompanied by an advance of price in general articles, the proof is established ; because, if the quantity of coin be diminished, commodities, instead of rising ought rather to fall in price.

If the state of foreign exchanges have led to the illicit exportation of our coin, and the void been supplied by a paper

currency regulated by the same standard as the coin, and issued on an adequate security, it does not appear that the price of commodities can have been affected by the operation. If the standard of the paper differed from that of the coin, or the security were doubtful, a depreciation, relatively to the coin, would take place, and an excess of paper be issued to supply by quantity what was wanting in estimation, until perhaps the whole became of no estimation at all. The paper dollars of America and the assignats of France\* are instances

\* The paper dollar of America was issued by Congress, payable *after the war*, for all the purposes of government; the obligation to receive it in payment being compulsory throughout the States. The distant recovery, the uncertainty of success to the cause, and after all, the doubt that, even if the revolution succeeded, means or inclination to redeem the pledge might be wanting, all tended to depreciation; and the paper dollar had scarcely any value beyond that of the paper on which it was printed.

of the fatal expedient; but to consider such currency as analogous to notes of the Bank of England is, I conceive, to assume the conclusion instead of proving it.

What then is the cause of the advance of the price of commodities in England?

Though a digression on this important point of our political economy would be here misplaced, even if I had the qualifications, to which I do not pre-

The French government, unable to sell the lands they had seized, issued the assignat, as a paper currency, undertaking to receive it in payment for the confiscated property. The instability of the new government on the one hand, and the precarious security of the paper on the other, soon affected the value of the assignats, which were multiplied to keep pace with the depreciation. The French government soon refused to admit this paper in payment except at the depreciated rate; and the whole became of no value.

tend, for treating it satisfactorily, an answer sufficient for the purpose is, I think, obvious to a common observer. In every society the price of the chief article of food will regulate that of every other article, and who can be surprised at the increasing price of bread-corn in this country, when it is considered,

*First,* That, notwithstanding all our agricultural improvements, our growth is so disproportionate to our consumption, that in the last eleven years our imports of grain are stated to amount on an average to nearly four millions sterling annually.

*Secondly,* That to supply our army and navy the population has been drained so as to leave an inadequate proportion for tilling the ground.

*Thirdly,* That our increasing luxury devotes to the maintenance of horses, and of unproductive servants, much of the food which, under more sober habits, would sustain a very numerous peasantry.

*Fourthly,* That our policy requires us to maintain a powerful army on a foreign soil.

*Fifthly,* That the taxes which in 1793 were about sixteen million, have gradually increased to sixty-two million.

In your *seventh* section you advert to country banks. As their notes are convertible into bank-paper, a corrective against excessive issues is provided; and, though I admit with you that the facilities afforded by those banks have in some instances led adven-

turers to ill-combined and fatal speculations, we have yet an indemnity for the evil in the essential benefits that have been generally derived from the energy given to industry and talents, which without such facilities would not have been called into action.

Your *eighth* section treats of the remedy already anticipated in every page:—“Withdraw the Restriction-Bill, and let bank-notes again become convertible into cash, at the option of the holder.” Suppose it done, and that the Bank be provided with guineas accordingly, the other circumstances of the country remaining unchanged. Not a *touch* even of the prophet's mantle, is necessary to show that, within a period scarcely exceeding the approaching discussion of the subject in parliament, the guineas will all have disap-

peared, and the country be left just where it stood before, except that the Bank will have lost by the experiment the value of about a fifth part of the newly-issued specie.

The Restriction-Bill, I agree with you, Sir, must be withdrawn; but the proper moment for doing it, which is the question at issue, cannot, I humbly conceive, arrive until this country, with respect to its foreign relations, shall have returned, in some degree at least, to its former state; or have found an adequate resource in new channels of commerce, or, being satisfied that the present circumstances will be permanent, shall have matured on a new principle its scheme of national policy.

In this hasty glance at your statement, I have merely touched the ques-

tion in the points where in my apprehension are fixed its principal bearings.

A more minute investigation might possibly show, that throughout Europe gold has advanced in price;\* that the unfavourable state of our exchanges can be demonstrated to arise from causes altogether unconnected with our paper currency; and that conclusions drawn from the state of commerce in a period of general tranquillity are not applicable to the times of convulsion and change in which we are placed. My *present* object is confined to a hasty suggestion of the reasons which induce me to conclude, that a discontinuance of our paper currency

\* This advance may be ascribed partly to the supply (from the Brazils particularly) being lessened, whilst the consumption for ornamental purposes has increased; partly to the circumstance that gold is the fittest material for hoarding and plunder.

would not be a remedy for any of the evils ascribed to its introduction as a legal substitute for specie; and that our coins and bank-paper are of similar value.

Exwick, Exeter,  
April 1, 1811.

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