OBSERVATIONS

ON

The Report

OF THE

COMMITTEE OF THE HOUSE OF COMMONS,

ON THE

High Price of Gold Bullion.

REMARKS

ON

THE NEW DOCTRINE

CONCERNING THE SUPPOSED

DEPRECIATION OF OUR CURRENCY.

BY MR. BOASE.

"Gold and silver, however, like every other commodity, vary in their value, are sometimes cheaper and sometimes dearer . . . . so a commodity which is itself continually varying in its own value, can never be an accurate measure of the value of other commodities." Wealth of Nations, Book I. Chap. 5.

—— "Quid non mortalia pectora cogis,
Auri sacra fames?" *Virgil.*

LONDON:

PRINTED BY W. BULMER AND CO. CLEVELAND-ROW, ST. JAMES'S;
AND SOLD BY G. AND W. NICOL, BOOKSELLERS TO HIS MAJESTY, PALL MALL.

1811.

ADVERTISEMENT.

THE importance of the matters investigated in the following pages, is generally felt and acknowledged: but it is evident, that they are not sufficiently understood.

A new æra in the science of financial economy has given birth to opinions contradictory in the extreme. Some of them seem to spring from the prejudices of education, some from fanciful theories, and others from the bias of party spirit.

The question has been also encumbered, if not obscured, with metaphysical disquisitions, embarrassing distinctions, and novel definitions. The subsequent remarks are intended briefly to point out most of the important facts connected with our paper currency; and to illustrate them by familiar examples, in the style of business; in order that the reader may neither be fatigued nor puzzled, in forming a distinct judgment of the subject.

From a plain man of business, plain method and language are all that can be expected, and the writer has been solicitous only to be intelligible. The scientific reader is requested to give the arguments the weight to which they would have been entitled, had they been more classically expressed and arranged.

The writer feels too sensibly the vast importance of the question, not to be anxious to impress the reader with the same conviction of the fallacy of the new theory, which a very attentive consideration of all the arguments brought to support it, has produced upon his own mind. It is not from the elegance of style or precision of method, that a judgment of the question ought to be formed, but from the clear evidence and analogy of facts. On these alone the writer rests his argument; and having no private interest to serve, or party feeling to gratify, he will rejoice to find his errors corrected, in case he has drawn any false inferences. Difficult as the subject undoubtedly is, a calm investigation of

facts and practical results, will not fail to discover the truth: while political partialities, or the bias of preconceived opinions, are likely to lead to erroneous conclusions.

If the writer is in error, he cannot avail himself of Mr. Huskisson's apology, of having *but lately* paid attention to this subject. His is not the zeal of a young convert. He has for fourteen years watched the progress and effects of paper currency, with a care, and a jealousy proportioned to the fearful apprehensions he at first, and for a long time entertained of the consequences of the Bank suspension; and he now has a thorough conviction, which experience has produced, of the incalculable benefits to this country of *a sound and undepreciated paper currency.*

Since the following pages were written, several publications have appeared, and possibly anticipated some of the arguments now used; but as the writer resides at a very great distance from the capital, he has not seen any work on this side of the question, published since Sir John Sinclair's " Observations on the

Report of the Bullion Committee," he therefore disclaims all aid derived from them.

In denominating the *bullion* system *a new theory*, or *a new doctrine*, the writer begs to be understood, as not insinuating any disparaging idea of it upon that account. The demonstration of every scientific principle was once *new*. He has used that term, because he does not find, in the practice of commercial nations, or in the work of any writer of note upon political economy, that the market price of *uncoined bullion** was ever before assumed as the standard of the exchangeable value of other commodities.

January 16th, 1811.

* The bullion deposited in the Banks of Amsterdam, Hamburgh, &c. was assayed and certified as to weight and fineness:—this was a virtual coinage. *Its* value was still measured by the *standard denomination* of an unvarying nominal money, (as Marcs banco, &c.) which was represented by certain coins.

REMARKS, &c.

When I first heard the late Reports respecting the supposed depreciation of our currency, I was anxious, that some gentleman, who had taken a part in the laborious and interesting investigations, relative to that difficult question, might be induced to favor the public with a more detailed exposition of the principles and reasonings, that led to the opinions said to be entertained by persons of great consideration in the state. I was desirous of such further elucidation, because the facts given in *evidence*, appeared to me to warrant a very different conclusion.

Mr. Huskisson has gratified that wish; and "*stated and examined the question*," with a perspicuity and candour, that must be pleasing to every reader; and with an ability, that has given to the new theory all the plausibility of which it could be made susceptible. He had indeed the tide of popular feeling in his favor.

Every rank and order of society, every individual, must feel deeply interested in the adoption of a system, which promises to lower the price of all the necessaries and comforts of life; and to rescue the national character from the great opprobrium of sanctioning a measure, said to be fraught with injustice and eventual ruin. It is not a small disadvantage to an opponent, that he must tell the public the unwelcome truth, that all this pleasing hope is but a dream—a fallacious expectation; and that the high price of provisions, grievous as it is, cannot be remedied by the proposed measure. I should be truly happy, if this great evil could have been so easily removed, as the advocates for the repeal of the Bank restriction bill suppose: but convinced, that the rise of prices is owing to causes which, unfortunately, we cannot *repeal;* (if I may be allowed the term), and that the new doctrine of depreciation is founded on fallacious principles, I feel it a duty to the public, to endeavour to discover and refute the fallacy.

Mr. Huskisson complains of clamour and misrepresentation. It would be singular if this controversy, unlike all others, were free from mistake and misstatement. But the advocates for the *use* (*not the abuse, ex abusu non arguitur*

ad usum) of paper money,* have perhaps, as much cause of complaint. They have been accused of wilfully recommending a system of *legal fraud, and cruel oppression.* It is surely time to have done with illiberal insinuations; and should Mr. Huskisson be followed by other writers on either side of the question, I hope they will not forget his good advice. It is a question, the importance, and the difficulty of which, merits and demands a cool, dispassionate, and unprejudiced attention.

Mr. Huskisson admits, that the use of paper money, (or, as he is pleased to call it, *paper credit*), is a great improvement in the national economy, provided it is effectually guarded against excess, by the liability to be paid in specie on demand; and we fully admit that some *sufficient check* against excessive issues, is *indispensable to the well being of a paper currency.* As to the necessity of providing and maintaining a check against excess, all are agreed; and the question in point of fact is only, whether any thing short of the con-

* I decline adopting the *new* definitions; and use the *customary* terms. By money, or currency, I mean the circulating medium in general. By specie, or coin, I mean metallic money; and by paper money, or paper currency, Bank or Banker's notes, unless otherwise explained.

vertibility into specie, at the will of the holder, is a sufficient check against the over issues of Bank notes. Whenever it can be clearly proved, that no other effectual preventive is to be found, great as the calamity must prove, it is the least of the two evils; and therefore, let the Bank Restriction Bill be repealed, as soon as that fact is ascertained. It is not necessary to delay the measure for two years: the delay indeed would be more injurious than the repeal; it would be to protract the mischiefs of a growing want of the currency essential to trade and commerce, and as in the case of an unhappy wretch on the wheel, the coup de grace would be an act of mercy. The delay is not wanted by the Bank of England, because they must, (in the present state of the political and commercial world), meet the repeal by a contraction of their issues of notes; which may be diminished to any degree in the space of a few weeks, by the mere act of suspending, or contracting their discount business.

It being admitted, by those who think the repeal of the Restriction Bill would be a very ruinous experiment at this time, that an *effectual check* against the excess of paper money is necessary; and that if it does not already exist, it ought to be provided, we shall, I trust,

hear no more of injustice, fraud, &c. in connexion with the Restriction Bill of the Bank of England. The argumentum ad captandum has been too freely used. To what good does it tend, to tell annuitants, that they are wronged of one fifth of their limited incomes? Or the people, that the high price of provisions is to be ascribed to an excess of Bank notes? They *were* willing to impute their privations to the circumstances of war, defective crops, &c. but now one hears in every circle, the Bank, and Banking, execrated as the source of all our misfortunes. Opinions sanctioned by so high authority, and recommended by all the energy of Mr. Huskisson's great talents, must be supposed, to create a *feeling, and an expectation* in the public mind, which are to be lamented, in case these opinions shall be found erroneous.

Nothing can be further from my mind, than to impute to that gentleman, or to any person, who has espoused that side of the question, the least wrong motive: but I may be allowed to regret, that inferences so interesting to popular prejudices should be prematurely promulgated.

Mr. Huskisson also admits, that the consequences of the supposed depreciation did not appear till lately. I am at a loss to comprehend how this subtle principle, like occult miners, could have been secretly and silently operating for twelve years, and then suddenly explode. A depreciation of money always affects all prices equally;* but, in the present case, the effect has been just the reverse of that, which a depreciated currency must have produced. The price of provisions, and of most commodities of general consumption at home, has been gradually advancing for more than a century; and more rapidly since the French Revolution disordered the politics and commerce of Europe. The price of bullion, and the course of exchange, (which are affected by circumstances that may or may not influence the price of other commodities), has fluctuated largely and irregularly from time to time, according to the circumstances of trade. From Wetenhall's lists it appears that the exchange with Hamburgh

In the years	varied from	amount of fluctuation. per cent.
1790, 1 and 2	7 per cent. above, down to par	7
1793, 4 and 5	$11\frac{1}{2}$ above, to 3 below par	$14\frac{1}{2}$
1796, 7 and 8	$3\frac{1}{2}$ below, to $13\frac{1}{2}$ above par	$17\frac{1}{2}$
1799, 1800 and 1	$11\frac{1}{2}$ above, to 12 below par	23
1802, 3 and 4	3 below, to 6 above par	9
1805, 6 and 7	3 below, to 3 above par	6
1808, 9 and 10	5 above, to 16 below par	21

Thus we find the greatest fluctuations of the

* Wealth of Nations, vol. 1. p. 378.

exchange during a period, when it could not have been affected by a depreciation of our currency, because it afterwards rose from 12 per cent. below, to 6 per cent. above par, and that too during a period, when Bank notes *increased* from 12 to 16 millions! The price of gold bullion rose also, in proportion to the depression of the exchange, from £3. 17*s*. 9*d*. to £4. 6*s*. per ounce, being a rise of nearly 11 per cent. and fell back to the price limited by the purchases of the Bank.

If such facts do not conclusively prove, that the price of bullion, and the rate of exchange were formerly affected by some other causes, than the state of our currency, I know not what kind of evidence would produce conviction.* If the increase of Bank notes creates a suspicion of excess, there was a much greater

* If the high price of bullion, and the depression of the exchange, are owing to the increase of Bank notes, it would be utterly impossible to account for the recovery of the exchange in 1802, after it had been depressed for more than two years.

All *Mr. Blake's* very acute "Observations on the Principles, which regulate the Course of Exchange," apply as much to our currency in the years 1799, 1800, 1801, 1802, as to the present period: yet, under a continued augmentation of Bank notes, the exchange, which had fallen $23\frac{1}{2}$ per cent., gradually rose to par, and in 1804 so high as 6 per *relative* increase in the former, than the latter period. The exchange, however, not only

cent. above par, although Bank notes had then increased to more than 18 millions!

Mr. Blake's mistake appears likewise to be, the assumption of an *erroneous standard*. The commercial standard *is not currency*. The livre tournois, marc banco, pound sterling, &c. retain their fixed value, although the currencies, which in their perfect state were equivalent, should be debased or deteriorated. Hence the *agio* of the Banks of Amsterdam and Hamburgh. The currencies of those cities being merchantable commodities, fluctuated continually: but the *ideal*, or Bank money, remained fixed. Payments were equalized by adding as much more currency as the actual depreciation amounted to. If our Bank notes were really depreciated 15 per cent., a bill of exchange for £100. sterling would be paid by £115. in Bank notes. The exchange *standard* would remain unaffected; and there would be, (as there is between England and countries having a depreciated currency) two rates of exchange, one for current, and the other for sterling money.

Mr. Blake's theory, like that of Mr. Huskisson, may be thus stated:

A depreciation of currency will produce a rise in the prices of commodities, and a depression of our foreign exchanges.

The prices of commodities have risen, and the foreign exchanges are depressed.

Therefore our currency is depreciated.

Now, were it admitted, that depreciation would, in all cases, produce the effect assumed, still it may be questioned, whether our currency is really depreciated, because many other circumstances will also occasion a rise of prices. If such circumstances do exist, to a degree sufficient to account for all the effect produced, depreciation can have no share

recovered, but attained to a considerable degree of favor; as unquestionably it will do again, when our receipts from, shall exceed our payments to, the continent.

Depreciation is a relative term: it exists, or not, in comparison with some fixed standard. The advocates for the new theory, have assumed the market price of bullion as the standard of all exchangeable value. This assumption, as new as extraordinary, is the basis of their system. The superstructure is propt

in it, and therefore the rise of prices, and depression of the exchange, do not necessarily imply a depreciation of Bank notes.

Depreciation can only be discovered by comparison with some *fixed standard*. If the market price of gold bullion is the real, and legal standard of all exchangeable value in this country, then Bank notes, as well as guineas, are depreciated. If, however, gold *uncoined* bullion is not *a legal tender*, and consequently *not our legal standard;* and if the coin of the Royal Mint is the only legal tender, and consequently our *legal standard*, then the new theory of depreciation, as assumed by Mr. Blake, and by Mr. Huskisson falls to the ground. Mr. Blake's very able pen should have explained, why the exchange fell $23\frac{1}{2}$ in 1799 and 1800; and why, after remaining nearly *three years below*, it rose to 6 per cent. *above* par, notwithstanding a continued, and very great increase of Bank notes. But that enquiry would, I think, have overturned his system. No man is obliged to convict himself.

up by other assumptions, which I shall endeavour to controvert. The whole may, I think, be comprised under the following propositions, which I take leave to state interrogatively, as the heads of enquiry, to which I shall confine my remarks: dividing them into separate sections, according to the following order, viz.

1st, Whether "gold bullion is the *real and legal* standard of all exchangeable value in this country; and whether coin and bullion are the same thing?

2nd, Whether an excess of paper currency, not exportable or convertible into specie on demand, is necessarily absorbed in the increased price of commodities, which that excess occasioned?

3rd, Whether the late high price of bullion, and other commodities, and the depression of our foreign exchange, necessarily prove that Bank notes are depreciated?

4th, Whether the instances of former depressed exchanges confirm the inferences drawn therefrom?

5th, Whether the same sum of currency, by quickness of circulation, and economy in the use of money, is rendered adequate to a much greater amount of trade and payments than formerly?

6th, Whether a diminution of the mass of Bank of England notes, would bring an equivalent quantity of specie into circulation?

7th, Whether the rule, which governs the discount business of the Bank, is an erroneous and dangerous principle?

8th, Whether the late increase of the stamp duties on reissuable notes, implies a great augmentation of Country Bank paper?

9th, Whether the whole mass of our currency is relatively greater at present than formerly?

To these sections I shall add

10th, A recapitulation of the arguments; and

11th, A few concluding observations.

The attentive reader will have perceived, that the above propositions are all *affirmed* in the late publications; and either expressly or implicitly so concluded in Mr. Huskisson's ingenious pamphlet.

Having no motive but the desire of contributing (should I be so fortunate) towards the elucidation of a subject of great public importance, I am anxious to avoid every expression, that should even seem to be wanting in deference towards the very respectable persons, who have avowed opinions different from those, which I endeavour to establish. If, notwithstanding, through haste or inadvertence, any such have escaped me, I entreat the reader to give them the most favourable construction they are susceptible of.

One remark more, I beg leave to premise. The question is as complex as it is important: I therefore hope, that the reader will give it a very unprejudiced and attentive consideration. With a view to render the investigation as easy, and intelligible as possible, I have divided it into very brief sections; and treated it as familiarly as I could in so narrow a compass. Some repetitions were unavoidable; and others, the candid reader will, I hope, excuse, in consideration of the interest, which the importance of the subject continually excited in my mind. I can truly say, that it is " with deference I venture to offer to the public an exposition of the course of reasoning, which led my mind to the conclusion I have formed upon a question in which the public has so deep an interest."(ii). " I can also conscientiously declare, that whatever humble means I may possess of discriminating between truth and error, between degrees of probability, and strict truth, between conjecture and certainty; have been

recently and anxiously employed in the re-examination of the opinion I now submit to the public." (xix).*

SECTION I.

Mr. Huskisson (p. 6.) assumes as admitted, " that in Great Britain, gold is the scale to which all prices are referred ;" and in another publication it is assumed, that " gold bullion is the real and legal standard."

This assumption (which appears to be the basis of the new system) is so far from being admitted, or admissible, that it is unsanctioned by our best writers on political economy. There is no principle that Dr. Adam Smith was more careful to establish, than this, " labour is the real measure of the exchangeable value of all commodities." " Gold and silver" (he remarks), " like every other commodity, vary in their value, are sometimes cheaper and sometimes dearer." And again, " labour, it must always be remembered, and not any particular commodity, or set of commodities, is the real measure of the value both of bullion,

* When I make quotations with reference only to the page, it is to that of Mr. Huskisson's pamphlet.

and of all other commodities." Wealth of Nations, vol. 1. p. 44, 47, 291.

The question at present is not whether labour is the real standard, but whether gold is so. Dr. A. Smith affirms that it is not; and if his inimitable illustrations of its unfitness, do not convince the reader, I must despair of doing it. The Doctor indeed goes further, and prefers coin as a standard before gold: "Coin, (he tells us, p. 292,) as already observed, is in all the stages of improvement, a more accurate measure of value, than any other commodity."

It is sufficiently obvious, that a commodity, whose real value must vary with a great many contingent circumstances, *cannot*, in the nature of things, be the invariable standard of the value of all other commodities. The poverty or fertility of the mines, and prohibitions or obstructions of commerce, may occasion either a general fluctuation in the value of bullion, or a great disparity of prices in neighbouring countries. Cotton wool, we are informed, was lately 8*s*. the pound in Paris, when it was only 2*s*. in London. "In quiet or current times," i. e. "times of peace, or of war, free from restrictions of every description upon trade with foreign parts," no such difference of price could have existed at all, or only for a

very short time. An equal value of gold bullion is of easier transport than cotton wool, and therefore may be smuggled with greater facility. In all other respects, similar obstacles would produce the like effect.

It is not a little surprising, that all the inferences respecting the commerce of bullion, and the course of exchange, should be grounded upon the example of "quiet and current times," when it is notorious that, in relation to these things, the present times are as different as the extreme of violence and tyranny can make them. Yet a late worthy Baronet (Sir Francis Baring) and others have concluded, that Bank notes must of necessity be depreciated, because the price of bullion, and the exchange, in common with other prices, were disordered, in these very disordered times!

A commodity then, which may, through defective supply, or increased demand, or through political events, be twice, or five times dearer, or cheaper, next year, can never be the real or proper standard of the exchangeable value of all commodities.

Neither is it the *legal* standard. The *legal* standard is merely the creature of the law. As to payments of 25*l*. and upwards, the law has declared our standard to be the gold coin of the realm: not *bullion*, but *coin*. Forty-four guineas and a half (which weigh just a pound) are the *legal tender* for a debt of 46*l.* 14*s.* 6*d.*; but a pound of gold is not. Could this be doubted, any gentleman may ascertain the fact next term. Let one of his tradesmen bring an action for 46*l.* 14*s.* 6*d.* and the tender of a pound of gold bullion in court, though the bullion would probably sell for a much larger sum, will not stay the action. Again, let the plaintiff, in such a suit, plead his right to a pound of bullion, worth 56*l.* instead of 44 guineas and a half, worth only 46*l.* 14*s.* 6*d.* he would not be heard for a moment. Mr. H. indeed affirms (p. 12.) that a pound of gold, and 46*l.* 14*s.* 6*d.* *ought*, by the law of this country, to be equivalent: but the law affirms that it neither is, nor ought to be equivalent.

I therefore venture, on the authority of Dr. Adam Smith, and from the nature of things, to conclude, that gold bullion is not the *real*; and from the Statute Book, that it is not the *legal standard*.

It has been however assumed, because gold coin is the legal standard, that gold bullion of equal weight and fineness must likewise be the legal standard. I suspected from the reasonings, and inferences of previous publications,

that the ideas of *money and goods*, of *coin and bullion*, had been strangely confounded: but we owe to Mr. H. the distinct acknowledgement of this *very extraordinary* fact. "There is not, (he informs us, p. 6.) "nor can there be, any difference whatever, between any given coin, and an uncoined piece of the same metal of equal weight and fineness, except that the quantity of the former is accurately ascertained, and publicly proclaimed by the stamp which it bears." What! no difference? Surely this very able writer must have forgotten this paragraph, when, at p. 15, he tells us that, "by law a guinea which weighs less than 5pts. 8grs. is no longer *a guinea*:—it is deprived of its quality *of coin*:—it can no longer be tendered *as money*, but may be sold *as bullion*." And that, "by law it is an offence highly punishable, to buy or sell guineas for more than twenty-one shillings each." What! all this avowed and no difference admitted?

The inference, methinks, is sufficiently obvious: but lest authority be required, let us again appeal to Dr. Adam Smith. "Money" (he tells us, vol. 1, p. 433) "is the great wheel of circulation, the great *instrument* of commerce, which, like all other instruments of trade, though it makes a part, and a very

valuable part of the capital, makes no part of the *revenue* of the society to which it belongs." Now it cannot be necessary to prove that bullion is a merchantable commodity, of extensive use in our manufactures and commerce, productive of revenue both directly and indirectly, and consequently as distinct from the *instrument* of commerce called money, as it is from that other instrument of trade called a steelyard. Money, as such, is as distinct in its nature and use from
50 bullion, as the steel balance beam is from the metal of which it is composed: but, in the eye of the law, it is much more distinct, being consecrated and limited by special statutes to a particular use, and none other. A gold watch, as well as a guinea, contains bullion, but neither can be converted into the use of bullion, without destroying it as an instrument. This is the natural distinction: the guinea, or coin, has another, a *legal* distinction. The owner of the watch may melt it; the owner of the guinea is not allowed the option. To him it is worth nothing *as bullion*.

Can there be a broader line of distinction either in law, or in fact, than that which so evidently exists between bullion and coin? if so, is it not extraordinary that a theory, big with consequences so momentous, should be

built on a fallacy, which confounds the first principles of money and commodities, and overlooks the letter and spirit of the laws of the realm. These laws, we are told, are of questionable policy. Unquestionably they prove that coin and bullion are different things. The question of their policy I leave to the consideration of the proper authority—the Legislature. Mr. Huskisson demands (p. 13,) that those who question his conclusions, should shew that he has misstated the permanent laws of the realm. I do not say misstated, but he appears to have mistaken their operation in this and some other respects. Bank notes (except in the case of the Corporation of the Bank of England) are not *a legal* tender. They merely serve in the nature of bail to protect the debtor from arrest. The law since 1797, considering them sufficient bail in every bailable case, ordains that, being sufficient, they shall not be capriciously refused. In other respects, the law of debtor and creditor is not altered by the Bank Restriction Bill. Other bodies corporate, bankers, and individuals, are still liable to pay in specie. *Shylock may exact his pound of guineas*: but not bullion.* *Bullion is not a legal*

* A most extraordinary doubt is stated by Mr. Huskisson, (p. 86,) whether a Court of Equity can now grant a dis-

tender: Bank notes are not a legal tender:—nothing but the King's coin is a legal tender.

Nothing therefore can be more evident than that guineas are not bullion, nor bullion guineas. This fact is most essential to the present enquiry. The contrary assumption is the basis of the new theory. By setting up the market price of bullion as the standard of all exchangeable value, the depreciation of bank notes (and of our guineas also and equally) is inferred, with all its supposed consequential effects upon the price of commodities, and the foreign exchanges. If bullion *is not* the real and legal standard of all exchangeable value, and if bullion and coin *are distinct* in nature, in law, and in use, then it must follow, that the new doctrine of depreciation is erroneous in principle; and would be very dangerous in practice.

If the current coin of the realm is the *legal standard*, and Bank of England notes exchange for all commodities on equal terms, *at par* with that standard, (a fact in evidence, and also of

charge for a rent of 1000 guineas, on payment of 1000 guineas, because the said guineas will not now purchase so much of the commodity called bullion, as they would have perhaps done when the lease was granted. It would be folly to say much in refutation of an objection so palpably absurd. The contract being for guineas, Equity can demand only guineas

public notoriety,) then we may safely affirm, that Bank notes *are not depreciated.*

Had the new doctrine of depreciation been a mere speculative question, I should here close the argument: but as the collateral assumptions embrace matters of great practical importance, I intreat the Reader's patient, impartial, and serious attention to the following brief sections, and the few concluding observations. The subject indeed is so extensive and momentous, that the greatest difficulty is to compress the briefest consideration of all its parts into a narrow compass. Much room must necessarily be left to the Reader's own reflections. New arguments will naturally present themselves; and to those which are barely hinted, the attentive investigator will give their due expansion.

SECTION II.

It is presumed, by the advocates for the new theory, that Bank notes have been excessive, and that the excess has found employment, and is absorbed, in the increased price of commodities, occasioned by that very excess.

We must for a moment admit, that there may have been a temporary excess of Bank of

England* notes, in order to the enquiry, whether they necessarily revert to the issuers as often as they tend to superfluity, or whether they continue in circulation till absorbed in their diminished value.

The celebrated author of the Wealth of Nations, lays it down as a principle (Vol. 1. p. 448.) that "the whole paper money of every kind, which can easily circulate in any country, can never exceed the value of the gold and silver, of which it supplies the place, or which would circulate there, if there was no paper money."† And he employs much of the second chapter of his second Book, in demonstrating, that an excess of paper currency must necessarily rectify itself, by returning upon the issuers: concluding (p. 490) that, "the increase of paper money does not necessarily augment the money price of commodities."

Here it may be fairly objected, that the Doctor

* It is to be observed, that the question is limited to *Bank of England notes*, it being admitted, that there is an *effectual* check against the excess of *Country Bank notes*.+

† "Intrinsic value," is not according to Dr. Adam Smith, "of the essence of money." The essence of money is, the *security* of obtaining at all times its standard value in commodities. It matters not whether that security is *intrinsic* or *extrinsic*, provided there is equal surety and facility of exchanging it.

\+ This is not the case

presupposes the convertibility of such paper into specie on demand. Certainly; and we have already granted, that the obligation to pay in specie is an effectual check against the excess of paper money. Doctor Smith neither did or could foresee such a revolution in the political and commercial state of Europe, as renders *that check* liable to greater evils, than those which it is calculated to prevent. An *effectual check is undoubtedly necessary;* and we shall examine whether it does, or may exist, irrespective of the liability to pay in specie. In the mean time it is clear, that the Doctor entertained very different notions about coin and bullion, from those lately promulgated. "It would *be ridiculous*" (he says vol. 2, p. 153) "to go about seriously to prove that wealth does not consist in money, or in gold and silver; but in what money purchases; and (i. e. *money*) is valuable only for purchasing."

As long therefore as Bank notes will purchase commodities on the same terms with specie, so long they are *at par* with specie; and prove the existence of some effectual check against their excess. So long also we may avoid the monstrous and absurd injustice of compelling the Bank (*could that be done*) to supply fraudulent melters, and our enemies with bullion at 15 or 20 per centum under the market price. It would be equally just and politic to compel the Bank to supply Buonaparte's subjects with cotton wool at 2*s.* per pound, for which they are ready, if permitted, to pay us 8*s.* but such would be one of the calamitous effects of the proposed measure.

To return, however, to the more immediate question. It is presumed, that while the public can only demand from the Bank, *paper* in exchange for *paper*, they will not care about returning its notes; and therefore the daily continued issues of new notes must inevitably grow to excess. If the Bank were not also daily occupied in retiring and cancelling its notes, this would be the case: but the first symptom of depreciation would naturally prompt the holders of Bank notes to hasten to get rid of an unprofitable and declining article; and the return of notes to the Bank must be always in the ratio of their superabundance or of their discredit. No man, be it remembered, is *compelled* to take or keep them: they are not a *forced currency*.

It has evidently escaped the objectors, to enquire *how* Bank notes do revert to the issuers

as soon as there begins to be any redundance of them in circulation. This is effected in a way which no legislative regulations could provide, or enforce: but which is always effective, and uniform in its operation.

No one, from the Chancellor of the Exchequer to the humblest customer of the Bank, solicits the discount of "bills of undoubted solidity," unless he has real occasion for the currency: because he must pay for that currency the high premium of 5 per cent. per annum. This is virtually the *Agio* which Bank notes constantly bear. Besides, it is a matter of *difficulty and favour* to obtain them at all; how often was that first of customers, the immortal Pitt, refused? To understand the declamations we frequently hear, one should suppose, that the Bank Directors, like quack doctors, send their bills to be *given away* at the corners of every street. On the contrary, the Right Honourable the Chancellor of His Majesty's Exchequer, and all the merchants in London will certify, that it is *a difficult thing* to procure the issue of Bank notes. The Directors of the Bank will not abate an iota of their rigid rules. + *Perfect security—repayment at a short and fixed period, and the premium in hand*, are the indispensable conditions of every issue of Bank notes. Even

+

their enemies, if they have any, will allow that the officers of the Bank very strictly adhere to those regulations.

The discount customers of the Bank, with few exceptions, are also the customers of private bankers; and ordinarily they do not apply to the Bank for discount, while their bankers are able and willing to supply them. Whenever there is "*a plenty of money*," private bankers discount more largely; consequently the mercantile applications to the Bank decrease in proportion: whenever there is plenty of money Exchequer bills bear a premium in the market, and government can sell them there, instead of soliciting the advance from the Bank. Thus the Bank issues will diminish, while the daily increase of taxes, and the payment of bills falling due, bring in their notes, and cancel them, to a very large amount: so that in the course of a few days, the superfluity of notes will be silently and imperceptibly returned upon the issuers. That every redundance of paper currency should be thus corrected, is a probable expectation; and that it is actually so corrected, may be satisfactorily ascertained by the evidence of all the money dealers in London.

A superabundance of metallic money, it is admitted on all hands, will correct itself by

exportation: but that is comparatively a long process. The return of every excess *of paper money* upon its issuers is *immediate*, and the evil is thereby rectified as soon as felt. Should the Bank of England suspend its issues of notes for one week, a tenth part, probably, of all its paper would be cancelled, within that short space of time.

If, therefore, Bank notes, though not convertible into specie, on demand, are convertible at will into gold or silver, or any other commodities, on equal terms with specie, there is exactly the same inducement to return the surplus to the Bank, as there was, when payment might be demanded in specie. "Wealth consists not in *money*, but in the *money's worth*, not in the *metal pieces*, but in what can be got for them." (Wealth of Nations, p. 440, vol. 1.) If the paper currency is, or is likely to be, depreciated, the inducement to return it upon the issuers is so much the stronger. From all these circumstances we may fairly conclude, that an excess of Bank notes will correct itself more certainly and promptly, than an excess of specie could do; and that every redundance of Bank notes has been so corrected, and not absorbed in increased prices of its own creation.

SECTION III.

The new theory having assumed, that "gold bullion is *the real and legal* standard of all exchangeable value," concludes that the high price of commodities, and low rate of exchange, are the effect of, and certainly prove, an excess of depreciation of our currency, both paper and metallic.

If I have succeeded in demonstrating that Bullion is *not* our real or legal standard, the fallacy of the above inference is already proved: but, in order to the further elucidation of a "question so abstract, and which, in its practical consequences, affects the interests and comforts of every class of society;" (p. xiii) which, I fear, would be very grievously affected should Mr. Huskisson's advice be adopted) I shall now endeavour to explain the true causes of the late rise in the price of commodities, and of the fall in the rate of our exchanges with the Continent.

Much laborious and minute investigation has been (I shall say) wasted, in order to prove a fact, which nobody would deny, namely that £46.14*s*.6*d*. or 44 guineas and a half, will not

buy a pound of gold bullion at the present market price; nor a bill drawn from the Continent for that sum, produce in payment a pound of such gold. Neither would it be denied, that a permanent depreciation of currency would produce that effect: but we deny that like effects necessarily prove the same cause. Fever very often produces death, but all deaths are not caused by fever.

The high price of bullion was ascribed by the gentlemen examined to the excess of demand above the supply. One very intelligent witness acknowledged, however, that he could obtain any quantity, if willing to pay the price. Hence an inference was eagerly drawn, that there could be no scarcity of bullion. About ten years ago the same inference was often made by the distressed poor, during the season of a great dearth. "You talk," said they, "of scarcity, but it is all monopoly. *We* feel and suffer, because, through exorbitant price, we can purchase but *one loaf*, while you, who have money, may purchase *a thousand* every day.—Where then is the scarcity?" It was no easy task to explain this seeming paradox to the comprehension of the famishing poor: but I own, I did not expect to hear such an objection from persons of cultivated minds.

There not being any official document of *all* the imports and exports of bullion, it cannot be accurately ascertained, whether these greatly varied in the last few years.* But as we formerly drew most of our gold from Lisbon, and as, in consequence of the invasion and spoliation of Portugal by the French, our supply from thence ceased just before the rise of price was felt in our market, it is hardly to be doubted that the rise was owing to a deficient supply. So far, in truth, from receiving our accustomed supplies of bullion from Portugal, we have, during the last three years, been exporting it to that country and to the Brazils.

From the tables published, it appears that the gold received at the Bullion Office of the Bank,† between the first of January 1809, and the 30th March 1810, was in value £520,225. and that the gold delivered from thence between the 1st January 1809 and 1st April 1810, was 805,568*l*. 9*s*. 8*d*. Now, assuming (which is probably very near, if not the exact truth) that the whole supply and demand of the kingdom bore a like ratio, it follows that the supply was less than the demand by about $\frac{2}{5}$ths, during the period in question; and a rise of price would, in this, as in all cases, be the necessary consequence of a scarcity of the commodity. It is also very possible, in these disordered times, that a scarcity of bullion may really be experienced *here*, and for a long period, although there is, on the whole, a plenty in the great market of Europe.

* Would not a small duty both on import and export of bullion be desireable, in order to its being entered at the Custom House.

† All the bullion, I believe, which is brought home in his Majesty's ships and packets, is sent to the Bank of England, and very little, I am told, is imported in merchant vessels in time of war.

It was stated by one witness, that he sold to *the trade*, (that is for home consumption) 2000 ounces a month, or about 100,000*l*. in value per annum. Now supposing his house to furnish $\frac{1}{5}$ of the whole consumption of our artisans and manufacturers, the whole internal consumption of the kingdom, so far from having "fallen off almost to nothing," (as Mr. Huskisson states (p. 89.) was enormous in comparison with the supply.

In addition to these strong grounds of belief, that there was in this country a real scarcity of exportable gold bullion, the enormous freight, paid to foreign ship masters (amounting in the latter part of 1808 and the year 1809 to several millions sterling), would of itself account for an extraordinary demand and consequent advance of price. From the prohibition of all British goods on the Continent, and the fall of the exchange, those men found it difficult to realise the wages they had earned with much hazard. As the best article, because the easiest to conceal and land at their return, they would be eager to purchase gold, even at the advanced price. This extraordinary demand, accompanied also by that of our merchants, in consequence of the fall of the exchange, naturally raised the price of bullion. The latter was the inevitable effect of the operating cause; and it would have been an unaccountable circumstance if the price had not risen.

Here then are facts, which necessarily and satisfactorily prove, that bullion ought to have advanced in price, as it has done. Previous to the extraordinary demand in this country, it is probable that gold was rather greater in supply than demand, because the price of bullion did not keep pace with the real advance in the price of most other commodities. The effects of the pretended depreciation, it is granted, "were not felt till a late period," (p. xv.) but some commodities were dearer, and most of them nearly as dear *ten years ago*. When Adam Smith wrote, about 40 years since, the average of

country labour in Great Britain, was about a shilling a day—of wheat 40*s*. a quarter, and gold 3*l*. 18*s*. an ounce. At present the average of labour may be reckoned 2*s*. 3*d*.—of wheat 90*s*. and of gold 90*s*. The quarter of wheat would therefore purchase the same quantity of labour then as now: but the ounce of gold, which would then purchase 78 days labour, though only 3*l*. 18*s*. an ounce, will purchase at present, though advanced above 15 per cent. in price, no more than 40 days labour. Gold therefore is still cheap. Had its supply and demand in this country been in the like ratio with wheat, its nominal price at this time would be 8*l*. 15*s*. 6*d*. per ounce, and its real price 78 days labour, as formerly.

This solves the supposed paradox (p. 87) of ascribing the late sudden rise in the price of gold to an extraordinary demand in this country; and the non-advance before, and the still small comparative advance, to an abundance of that commodity in the market of Europe. This abundance is also the necessary result of recent events. The supply from the American mines has, for aught we know, not greatly fallen off during the last 20 years; but within that period Great Britain has not only changed from coin into bullion a prodigious sum (perhaps 20 millions of guineas), but having ceased, or nearly ceased to coin for 13 years, she has also spared an immense consumption ;* and the calamities, which have so grievously afflicted and impoverished the Continent, must have prevented great part of the ordinary consumption, which wealth and luxury formerly created.

Therefore, unless I am very greatly mistaken in point of fact,—unless we have not had within the last two years extraordinary demands for bullion,—unless we have not diminished our coinage,—unless a great number of guineas have not been melted or exported; and unless the misfortunes of the Continent have not diminished their consumption of gold, I think it must follow, that the rise in the price of bullion in this country, above the other European markets, is satisfactorily accounted for, without any relation to the state of our internal currency.†

Circumstances equally notorious, and influential on the price of provisions and commodities in general, have occasioned a very considerable advance. Political events have caused an enormous advance in the price of many raw materials of indispensible use in our trade and agriculture, such as timber, hemp, tallow, and many other things. 2nd. An enormous increase of taxes, amounting to more than 40 millions a year, in direct payment, and to a much larger sum in its effect upon prices. For the tax in the first instance, must be repaid with interest and profit in every stage, from the importer, or cultivator, up to the consumer. One shilling a gallon, for example, on wine imported, always raised the tavern price more than double. 3rdly. A decrease of labouring hands. While the increase of agriculture, manufacture, and trade in general, required more hands, the great augmentation of our military and naval force has diminished the number. But, 4thly, and principally, the great increase of national wealth, apparent in every town, village, and hamlet in the kingdom. Houses for business and convenience, docks, canals, roads, bridges, carriages, shipping and goods, the produce of the universe, have increased within the last 20 years, more than in the whole preceding century. It is not too much to say that the national stock

* The coinage in the first 37 years of the King amounted to above 68 millions!!

† The prosperity of Great Britain, and the penury of the Continent, would alone occasion a great disparity of price. "The price of gold and silver, whatever be the state of the mines, is at all times naturally higher in a rich than in a poor country." Wealth of Nations, vol. 1, p. 295.

of real substantial wealth has doubled since the year 1789.*

All these circumstances powerfully, and irresistably tend to raise the price of labour and provisions, which diffuses itself over the price of commodities in general; irrespective of the peculiar circumstances, which further augment the price of some of them in particular.

Dr. Adam Smith (Book 1st,) has abundantly shewn, that these circumstances, increasing wealth especially, *must* raise the price of commodities; and also that increasing poverty will lower them. In this respect, I have no doubt the new theory would realise its promise of reducing prices. But whether the state would be better without revenue, the landlord without rents, the merchant without profits, and the poor without employment, or with much less than at present, I leave to the consideration of the advocates of the proposed *reformation*.

Here again I venture to suppose, that unless the disordered state of the world has not interposed unusual obstacles in the way of trade, —unless taxes have not increased,—unless the proportionate number of labouring hands has

* If we may judge from the ability to bear the public burdens, the increase is much more, for taxes are augmented nearly fourfold.

not diminished; and unless the national wealth has not augmented, we have all those real causes of advanced prices, without any relation to the amount of Bank notes. The rise of prices also, be it remembered, has existed for many years, but the effects of depreciation were not felt "*till a late period.*"

There is, however, another supposed proof of the excess and depreciation of Bank notes, namely, the fall of the foreign exchange.

Mr. Huskisson's apology for his inattention to the supposed evil of paper money is, "that he felt assured the Bank Directors, in regulating their issues, never lost sight of these two circumstances:—a permanent depression of the exchange, or a rise in the price of gold, appeared to be pointed out to them, by the principles of their institution, and by the course of all former experience, as the obvious and best criterion of any tendency to excess in the amount of their paper." (p. xvi.) "Bullion," we are also told, "is the true regulator of the rate of foreign exchanges:"—"the price of bullion and the general course of exchange taken for any considerable period of time, is the best general criterion from which an inference can be drawn, as to the sufficiency or excess of paper currency;"—and, "that the Bank cannot safely regulate the amount of its issues, without having reference to the criterion presented by these two circumstances."

To Mr. Huskisson I reply, by asking upon what *principles* of the Bank institution, and what *circumstances* in the course of all former experience, it appears the *obvious* duty of the Bank to regulate its issues by the price of bullion, and the rate of exchange? It is passing strange, that these obvious principles and duties should have escaped the penetration of all the Bank Directors in succession for more than a century! I would also ask, in what relation little more than a year may be called "*a permanent depression?*" The circumstances which occasioned the alteration of price having continued, the effect naturally keeps pace with the cause. The property tax is not *a permanent* tax, though it has continued much longer than the evils now complained of, and will probably extend far beyond them.

To the other assumptions, Mr. Huskisson has kindly and satisfactorily replied. Instead of the course of exchange being "the best criterion of depreciation," he assures us (p. 75,) that it "is, of itself, of little interest or importance;" and, "connected with the question *only* as it is a symptom of depreciation." "Parturiunt

x Irish Exchange P 100

montes, &c." It had indeed been previously granted, "that the circumstances of the trade of this country, were such as to occasion a real fall of the exchange almost as low as the limit fixed by the expense of remitting gold." This limitation supposes that such remittances are an ordinary consequence of a falling exchange: but Mr. Huskisson refutes the assumption, and affirms that "this position is so little conformable to truth, and to the real course of business between nations, that there is, perhaps, no one article of general consumption and demand, which forms the foundation of so few operations of trade between the different countries of Europe, as bullion." P. 48, et infra.

Were any other argument necessary to prove, that bullion is *not the true regulator of the exchange*, nor, among commodities, the best remittance at almost any time; and in the present times, the very worst; I would refer to Mr. Lyne's very intelligent and perspicuous statement.* I am aware indeed, that being a man of "*practical detail,*" his opinions will not have much weight with some persons: but I cannot help thinking, that on further reflection, practical opinions upon practical subjects, will

* Vide Minutes of Evidence.

be allowed their due weight. On a military question, the unanimous opinion of a great number of veteran general officers: or on a medical case, that of a great number of experienced physicians, would be judged decisive. On a commercial question, the unanimous opinion of a great number of the first merchants in the universe, seems entitled to equal respect.

The *nameless* witness (to whose opinions much deference appears to have been paid) admitted, that the *whole* depression of the exchange was owing to the circumstances, which affected our trade with the Continent: but its non-recovery to the want of specie in this country. It is to be regretted, it did not occur to ask that well informed gentleman (for such his answers indicate), *how* our currency, supposing *it all gold,* could have restored the exchange. It could not be by mere illusion; (though some stress was laid upon that charm) his brethren, the *foreign merchants,* care nothing about the things they cannot obtain from us. It is not English *guineas,* but English goods, upon which they speculate. Guineas, however plenty, they could not obtain by fair means; and it would be injustice to suppose them not too honest to break the law; and we must allow them too much prudence to risk the penalties.

At any rate, it is not the guineas, as such, that could affect the exchange, " it being admitted, on all hands, that our currency has no value in *foreign countries*"—(p. 75), none as *currency,* but only as *bullion.* Hence it necessarily follows, that our stock of *exportable* bullion would have been *diminished* in proportion to our coinage and use of metallic money. Who would have thought of rectifying the exchange by prohibiting the export of nine-tenths of our manufactured goods and colonial produce? Yet the prohibition of exporting gold, as far as gold has any relation to the question, is exactly the same in principle. By coining gold, we prohibit its use as merchandize; we put it out of commerce.

It is then a proposition almost self-evident, that to coin guineas unnecessarily, would be to create a new and an enormous demand for gold bullion, which would enhance its price, lessen the stock of exportable gold, and defeat the very end for which a great coinage is recommended. To oblige the Bank to coin (*were that possible*) under the present circumstances of Europe, would be to oblige them to supply fraudulent melters and exporters, as well as our inveterate enemies, with gold at *3l.* 17*s.* 10½*d.* for which the Bank must now pay *4l.* 10*s.* and eventually a much higher price! No man can wish for such a disaster.

The notion, that the common mode of balancing an unfavourable exchange, is by a payment in bullion, is sufficiently refuted by Mr. Huskisson, p. 49,—and a little enquiry will shew that it is still less common for the internal currency of a foreign country to enter into mercantile calculation. The British merchant, who sends sugar to St. Petersburgh, never sits down to calculate the intrinsic worth of Russian money: He never dreams of importing roubles, copecks, &c. He only calculates how much the bills, it will enable him to draw, will sell for in London, or how much hemp, tallow, or other Russian produce, his sugar will purchase. It does not at all interest him in what species of internal currency the seller of the hemp, and the buyer of the sugar adjust their accounts. It suffices, that the money for which his sugar sells, is available to buy other goods at the same standard: in other respects it is absolutely indifferent to him, by what name it is called, or of what materials it is made. "It is not money, Dr. A. Smith informs us, but that which money will purchase, that is valuable." Suppose, in the present instance, the Russian money actually

debased, but current: both the sugar and hemp may require a greater number of pieces to effect the transfer: but if the sugar first produces a greater number of the deteriorated coins, the hemp will cost a greater number in the same proportion, the ratio is the same. The real exchange is between hemp and sugar; and the same principle governs every operation in all the multifarious transactions of commerce.

Had our currency been really depreciated, or of fluctuating value, we should have had two rates of exchange, one for *pounds sterling* and the other for pounds current. This is, and was always, the case with Holland, Hamburgh, &c. where the currency was marketable and consequently fluctuating, there is one rate for banco, and another for current money. So with countries that had a depreciated paper money, as France and Spain, there was one price for *current*, meaning paper money, and another for *effective*, meaning specie. There is unquestionably but one rate of exchange upon London, and that for *pounds sterling*, which proves the *real* and *computed* exchange actually the same; and our currency not depreciated.

"The circumstances of the trade of this country," it is admitted, "in the course of the last year, were such as to occasion a real fall of our exchanges with the Continent to a certain extent." That extent, it is presumed, was limited by the amount of the cost of sending bullion to the foreign markets. But the very circumstances which occasioned the necessity of sending bullion, operated against that mode of remitting; and with perfect knowledge of all the facts, a great number of gentlemen, of superior understanding, long experience, and most extensive commercial practice, unanimously agree that the *whole* depression of the exchange was occasioned by those circumstances. The mere enumeration of a few of them, is sufficient to account for all the effect, which actually resulted from them. The prohibitions, obstructions, depredations, and lawless violence of a most powerful and inveterate enemy:—the prompt payments for importations, far exceeding the amount of former years, aggravated very greatly by the want of middle-men, or exchange merchants; and the difficulty of communication by letter:—the long credits, and uncertain payments for our exports; and the failure of all legal remedies:—the enormous freights (amounting in many instances to more than the prime cost of the cargoes) paid to foreigners; and the large subsidies, or supplies,

sent to our allies and our forces abroad.* All these circumstances co-operated in a very powerful and a very unusual degree, not only to make the balance of actual payments greatly against this country, but to increase the effect of that balance upon the course of exchange. A very great effect they certainly produced: but it would have been far more difficult, under such circumstances, to account for a small depression of the exchange, than for the whole that has been produced.

The more these premises are attentively considered, the more conclusively, I think, it will appear, that the late fall of the exchange does not prove either any excess or any depreciation of our currency.

SECTION IV.

SEVERAL events in modern history have been adduced to confirm the notion that the rise of

* The bills drawn from abroad upon the Commissioners of the Treasury between the 5th Jan. 1809, and 5th Jan. 1810, are stated at - - - 4,162,290*l.*
Specie remitted by the Paymasters-general between Jan. 1808, and the end of the year 1809 4,403,884*l.*
Of the bills drawn between 5th Jan. 1809, and May 1810, on the paymasters of the Naval and Ordnance departments, I find no account, but they certainly amounted to a very large sum, *perhaps* - - 5,000,000*l.*

prices, and the fall of the exchange, are the consequences and proof of a depreciation of Bank notes. We hear again and again of the American Congress paper—French assignats, &c. &c.—of *a forced* currency, emitted at the point of the bayonet,—issued by parties against whom the takers of the notes had no remedy, no option of refusal; nor, in most cases, any hope of payment. To assimilate such paper to the *free*, voluntary, and perfectly secure notes of the Bank of England, is more extravagant, than to compare the bond of an opulent man of known probity, with the note of a fraudulent bankrupt. The congress paper, it is true, was ultimately liquidated, but the *uncertainty* of that event justified all the depreciation it suffered.

An occurrence much more to the point, but which appears to me a pregnant proof of the fallacy of the new doctrine of depreciation, is the effect produced upon the exchange of Scotland by the conduct of the Ayr Bank. The reader may find in "the Wealth of Nations," vol. i. p. 471 et infra, a minute and perspicuous relation of the motives which produced that establishment, the principles that guided its management; and the causes which inevitably lead to its failure. It will be found, that in every respect, except that of a great capital,

it was the very reverse of the Bank of England. It was founded in mistake, managed by inexperience, and ruined through error. Its projectors fancied that *immoveable property*, such as houses, lands, &c. was a proper fund upon which to create and keep in circulation an immense amount of cash notes, or paper money.* By this means a fictitious (or accommodation) capital was created: but the notes, being unnaturally obtruded into circulation, reverted to the issuers as fast as they occasioned excess in the general currency. The disposable funds of the Bank were speedily exhausted, and their dead securities unavailable. In this exigency they had recourse to the ruinous expedient of raising supplies by drawing fictitious bills upon agents in London, which necessarily entailed loss and expences sufficient to accelerate the failure, that must in any case have followed sooner or later. The necessary effect of these drafts and redrafts upon London, was to create a balance of payments against Scotland, and to lower the exchange. For although there was no balance of trade, probably, against Edinburgh, every one of those fictitious bills pro-

* A house, called "the Security Bank," was opened a few years ago in London, upon the same principles, but fell to ruin in a very short time.

would it have failed
at the time it failed
or at all if paper had
not been convertible for guineas

duced the same effect, as an unfavorable balance of trade would have done. There were more sellers than buyers of bills in the market: the supply was greater than the demand, which is the whole secret, and the price of course fell; the exchange was depressed.

From this example we may gather several important facts:—first, that the Ayr Bank, with its enormous capital, and very powerful and extensive influence, could not *force* a single note to remain in circulation beyond the real occasion for currency;—that an excess of paper money does necessarily and speedily revert to the issuers; and is not necessarily absorbed in the increased price of commodities; for it is not even pretended, that the notes of the Ayr Bank produced any such effect. It also proves conclusively, that the depression of the exchange was not caused by an excess of currency, but by an excess of *bills* of exchange, which would have affected the market in the same degree, had the like excess been created in support of any other speculation, or by an unfavourable balance of trade.*

Another remarkable example adduced in

* The *optional* notes of the Scotch Banks, issued about the same period, are not in point. They were more of the nature of securities for loans. They were anomalous as currency, and were properly suppressed by Act of Parliament.

support of the new theory, is the low rate of exchange between Ireland and England, on which, in the year 1804, (when it attracted the notice of Parliament), a Committee of the House of Commons, after long and laborious investigation, made a Report. That Report threw much new light upon the subject of currency and exchange; and the facts and evidence produced, were by many thought decisive against the opinion which the Committee expressed. It should seem that Parliament thought so, for no legislative measure (I believe) was founded upon it. One *fact* was established, which militated strongly against the whole frame and conclusion of that Report, viz. that at the same time, when Bank of Ireland notes were said to be depreciated, Bank of England notes *bore a premium* in Dublin of one or two per cent. *above guineas*. All the arguments which were employed to demonstrate the depreciation of Irish Bank notes, applied, mutatis mutandis, to the notes of the Bank of England. Had the rate of exchange become equally unfavourable to England, the notes of the Bank of Ireland would have borne just the same premium in London, as was given for Bank of England notes in Dublin. The motive for preferring the latter to specie, was obvious; the cost of remitting Bank paper was much less, and that difference constituted the premium, which notes bore beyond guineas.

From whatever cause the fall of the exchange proceeded, it is evident that the premium upon English Bank notes arose out of that fall of exchange; and there was no more reason to conclude that Bank notes were at a discount in Ireland, than that they were at a premium in England.

But it is objected, that while the exchange of London upon Dublin for bills payable in paper was 10 per cent. against Ireland, bills upon Belfast, stipulated to be paid in guineas, were at par. Nothing can be plainer than the cause which produced that effect. Guineas had lost
18 their character of coin, and were become a merchandise of fluctuating price. They were daily bought and sold as bullion; and a bill drawn for so many ounces of standard gold, would have borne the same premium, provided the pieces of gold carried a certain mark, or certificate of their weight and fineness. A bill drawn at present on the Continent payable in London in guineas or in pounds sterling, will sell for the same price: but if drawn to be

paid in gold bullion, it would fetch just as much more as the market is above the Mint price of gold. Take away from guineas the prohibition of melting or exporting, you take way the character of coin, *the fixed standard;* and guineas would be merchantable, and as various in price as bullion, with which they would then be identified. Then indeed it might truly be said we have no standard; except Bank notes should be so declared.

If further proof were necessary to show that the internal currency of Ireland had no connexion with the rate of exchange, Mr. Huskisson furnishes a most conclusive evidence (p. 56.) He takes up, apparently without examination, a supposed coincidence between a reduction of the notes of the Bank of Ireland in 1805, and the improvement of the exchange. This is a notable instance of the inattention of the new theory to practical details. Had the fact of the assumed coincidence been true, it would not have affected the real question: but it is passing strange, that a man of Mr. Huskisson's acute discernment should not have perceived, that *the evidence* before him demonstrated the very reverse of his inference. For it appears by the tables, that on the

	The notes of the Bank of Ireland amounted to	The Exchange on London.
1st Jan. 1805,	2,902,000	$8\frac{1}{2}$
1st Jan. 1806,	2,465,000	$11\frac{1}{2}$
1st April 1809,	3,200,000	$7\frac{1}{4}$

So that the most favourable exchange, since 1804, coincides with the highest amount of notes, and vice versâ, the lowest amount of notes with the highest exchange! Can argument add any thing to the force of such a fact?

In King William's reign, our silver coin was debased, Bank notes were at a discount, and the exchange was against us. Here the coincidence is in favour of the new doctrine: but the circumstances are not similar. The silver coin was then debased 25 per cent. but it is now debased above 40 per cent. Guineas then exchanged for 30 of those shillings, now for 21 of *worse* shillings. Bank notes were 17 per cent.* below the debased silver, and above 50 per cent. below the gold coin; but now they are at par with both silver and gold coin. Now, if it be true, that "the experience of our own, as well as of all other countries, has placed beyond the reach of controversy the proposition that if *one part* of the *currency* of a country (provided such currency be made either directly or virtually a legal tender according to its denomination,) be depreciated, the *whole* of that *currency*, whether paper or coin, must be *equally* depreciated." (p. 7.) Then it must follow, that the currency of King William's reign, could not have been in *any part* depreciated, because some part of it, the gold coin, was not debased.

* The cause of the discount of Bank notes is explained by Mr. Godfrey, a Bank Director at the time. *The Bank issued notes on mortgage and pledges!* They recognised and rectified this error.

We do not know at this distance of time, all the circumstances, which then affected our exchanges with the Continent. That those were very "unquiet and uncurrent times," is very certain; and an unfavourable exchange in a period of so much foreign war, and domestic distrust, is far from surprising. Though the state of our domestic government and circumstances, and our internal currency, are all very different now, from what they were at that time, yet the foreign exchange is similar. Hence we may infer, that the fall of the exchange, both now and formerly, is to be ascribed to some other cause.

The same consequence is, with equal confidence, ascribed to the depression of the exchanges in 1774: but it happens, unluckily for the new theory, that for want of attention to facts, in this instance, as in that of the Irish exchange, the *tables* contradict the inference. In the former part of 1773, before the new coinage, the exchange with Hamburgh was at 34 8, and during the next 18 months the new guineas became plentiful, and the exchange was on the average 34 5, or nearly one per cent. lower than before the recoinage.

After Mr. Fox had argued upon the supposed coincidence, the mistake was pointed out in a publication of that time; and that great man, with his accustomed candour, acknowledged it in a subsequent debate. "I am convinced" (he is reported to have said), "that the currency of a country has some effect upon the exchange: *but I cannot tell how*: for at a certain period in this country, guineas were much debased, and yet the exchange with Hamburgh was up one or two per cent. but upon a new coinage being issued the exchange fell to par."

All these examples militate very much against the truth of the new theory; and against the discrimination of its abettors. They either prove nothing to the point, or prove just the reverse of the doctrine which they were brought to confirm.

The notion, that the currency of a country

may imperceptibly become depreciated, and affect the price of commodities before the cause or effect is otherwise apparent, is purely metaphysical. There is no instance in the history of any country which has suffered a depreciation of the whole, or of any particular denomination of its currency, where that depreciation has not in the first instance been a matter of public notoriety. So far is it from being a fact, which the experience of our own, as well as of all other countries has placed beyond the reach of controversy, that if one part of the currency of a country, being directly or virtually a legal tender, be depreciated, the whole of that currency, whether paper or coin, must be equally depreciated:—indeed the very reverse is the fact; in every country where paper currency has been depreciated, the undebased coin has kept up to the standard. In 1697 Bank notes were at 17 per cent. *discount*, our silver coin debased about 25 per cent. and guineas remained *at par*. (p. 104.) In France, although the assignats were legalised, and enforced by all the terrors of the guillotine, and the laws of the realm, their depreciation was notorious at home and abroad, while louis d'or, ecus, &c. the gold and silver money, sustained their standard value. This "proposition," so evidently framed to meet the objection, *that Bank notes are at par with guineas*, is therefore refuted by "the experience of our own and all other countries."

If the new theory of depreciation were true, we should now have *three market prices;* one for gold coin not deteriorated, which would be the standard price; another for silver coin, actually debased more than 40 per cent;* and a third for Bank notes, supposed to be depreciated 15 per cent. below the value of guineas; and of course 25 per cent. better than our silver currency. But we have only one market price, whether for commodities at home, or for the exchange abroad!

* It should not be forgotten, that a very great proportion, perhaps more than half, of all our internal trade, is transacted in this very debased silver coin, if *coin* it may be called. Mr. Huskisson notices the evil, and, in common with every man, wishes that a new silver coinage were practicable. The difficulty appears to me great. If new coin is issued without crying down the old, the new pieces would probably disappear; as it happened to the first of the last two copper coinages. If the old silver should be cried down, the calamity would be grievous to trade in the interval between the suspension of the old, and a sufficient supply of the new currency; and *the loss* most severe upon the labouring classes of the community. Suppose a new denomination, the aliquot parts of the 7s. piece, coined, viz. pieces of 2s. 4d. 14d. and 7d. leaving the old silver in circulation as long as the public choose to use it, and receiving the fractional parts of taxes in it as at present?

SECTION V.

"The effective currency of the country depends," it is affirmed, "upon the quickness of circulation;—and on the use and economy of money among bankers, &c., rendering the same sum adequate to a much greater amount of trade and payments than formerly."

This notion seems to have sprung from misapprehension of a passage in "the Wealth of Nations," (vol. 1, p. 486.) where the inimitable author describes the different effect of a given amount of money upon the slow transactions of wholesale dealers, and the quick operations of retail traders: "the same pieces, (in the latter case) by a more rapid circulation, serving as the instrument of many more purchases." Dr. Smith was not demonstrating, that a smaller sum of currency was sufficient to circulate our whole trade: but that there was a real distinction between that part of the national stock of money, which circulated among retailers and customers; and that which circulated between the wholesale dealers. This was "*formerly*," and is still, and always must be the case. Circulation may be quicker at one time, or in one respect, than another; but this does not prove, that a less sum of money would be adequate: it only proves, that more purchases and sales were made, or, in technical language, that "trade was brisk."

If we knew the exact amount of *all* the money transactious to be paid at any given time, we should also know the necessary amount of currency for effecting them. Whether these transactions are all repeated quicker or slower than formerly, does not signify, the same amount of currency will be again wanted for the like transfer of goods, whether that transfer takes place the next hour or day, or not till the next week. For the same sum of currency, to effect a greater relative transfer, it would be necessary, that it should discharge *more* than one payment at the same time and place, which is impossible. The guinea, for example, paid to the butcher, will not at the same time pay the baker. The butcher may pay it away the same hour, but then it is for *another* transfer of goods; and quickness of circulation proves nothing more or less, than a quickness of trade.

Suppose the requisite sum of currency in a certain country to be one million, that being the average amount of commodities to be paid

for at any given time; and suppose that last year the transaction was effected *weekly*, the total mass of trade of that country would be 52 millions in the year. Let it be supposed, that this year the same average amount of transactions be paid at any given time, but repeated daily, the mass of trade would of course amount in this year to 365 millions; and yet no augmentation of the currency would have been necessary. "By a quickness of circulation the same sum would be adequate to a much greater amount of trade and payments than formerly." But let us suppose that, through increasing prosperity, the average amount of commodities to be paid for at any given time, was increased to two millions, it is plain that two millions of currency would be just as necessary in this case, as one million was formerly.

It is therefore certain, that whatever sum of the circulating medium is necessary in a given state of things, no "quickness of circulation" can make a less sum adequate to the whole purpose of currency. If the whole mass of trade of Great Britain to be paid for at particular periods, is the same now, as twenty years ago, the same amount of currency would be adequate, although, from a briskness of trade, and quickness of circulation, the

annual amount were doubled. But, if the weight, and measure, and price of commodities to be transferred at the same particular periods, have doubled their money-value, twice as much currency is evidently requisite. That the *quantity and value* of goods so to be transferred have increased in nearly that ratio, may be supposed from general observation; and may be inferred from the increase of our merchant-shipping, the tonnage of which was in 1789 1,395,172
and in 1809 2,368,468!!

A great saving, it is assumed, has likewise been made by some new invention and improvement in "the use and economy of money:" but it appears from *the evidence*, that the bankers and brokers know nothing of this discovery;* nor of any notable improvement in saving the use of currency, since the institution of "*the Clearing House of the City Bankers;*" (by which the banking houses in and about Lombard-Street, alone are benefited), and lo! the said clearing house was established nearly forty years ago!

* The late Sir Francis Baring, who for nearly half a century had been intimately and extensively acquainted with the great money transactions of the Metropolis, knew nothing of these improvements. He did not, indeed, deny their existence, which was not the question; but declared he did not understand them, and that he doubted their being an object worthy of attention. (Minutes of Evidence.) If there had been any such invention within the last thirty years, it must have been known to a man, so able, and so well acquainted with all financial concerns.

How unfortunate for people of small income, to awake from this pleasing dream, and to find, that one guinea will only purchase one guinea's worth; and that, *once* for all, just as it did "formerly."

The argument, therefore, that the same *proportionate* sum of currency is rendered adequate to a much greater amount of trade and payments, than it was a few years ago, viz. before 1797, is manifestly fallacious.

SECTION VI.

In the next place we come to inquire, whether a diminution of Bank notes would necessarily bring an equal or any other sum of specie into circulation. I do not find, indeed, that the fact is distinctly affirmed, but it is evidently implied, that the repeal of the Restriction Bill *must* have the effect of supplying, with guineas, the chasm, which the proposed contraction of Bank notes would otherwise make in our currency.

This assumption is, I think, founded upon two mistakes, viz. 1st, that the Bank is *indebted* to the public; and consequently, when obliged to pay, they must pay their debt in specie, and the public will thereby be supplied with guineas. 2dly, that it is incumbent on the Bank to procure coin for the public use.

A bank proprietor (Mr. Randle Jackson), had asserted, accoring to the report of his speech in the newspapers, that of the 20 millions of notes in circulation, the public owed nine-tenths, or 18 millions, to the Bank. Mr. Huskisson, in a long note (p. 79, et infra) combats that assertion, and (acknowledging that Mr. Jackson had not detailed the items of his estimate) states an assumed account, to prove, that in point of fact, the public owe the Bank, in *demandable* debt, only one million. This statement is manifestly erroneous; for the learned proprietor could not have *included* the capital of the Bank (11,686,000*l.*) because that would have swelled his estimate to nearly 30 millions; and because, as Mr. Huskisson rightly observes, the invested capital is not a *demandable* debt, any more than other funded property. The case of the *six millions*, (referred to by Mr. H.) is very different. Its repayment, it is true, is stipulated six months after the termination of the war, when the Restriction Bill, as it now

stands, will also expire. There was no specific agreement, I believe, that the repayment of these six millions, should, at all events, be made whenever the Restriction Bill shall expire: but it is evident that such was the intention of the parties; and doubtless, if the term of the Restriction is changed, so will be the obligation to repay these loans. Mr. Jackson therefore must have included in his estimate, that

item of - -	6,000,000*l.*
In the next place, (the sum which Mr. H. calls *the small remainder of any debt*), the advances to government, exclusive of the above loans, (vide *Table*, anno 1810) then amounting to - -	5,474,739*l.*
Add the amount of Exchequer Bills purchased in the market, and bills of exchange discounted for the merchants, of which the amount is unknown to the public, probably was so to Mr. Randle Jackson, and may be assumed to exceed -	6,525,261*l.*
	18,000,000*l.*

I am induced to think that the learned proprietor was not furnished with the exact *details*, because he supposed a subscription of two millions requisite to meet the demand, if made upon them. It is however probable, that the Bank has a larger fund of *undivided profits* applicable to such debt, if it exists. In the year 1797, that surplus of assets, beyond all the obligations of the Bank, amounted to 3,826,890*l.* (vide the Lords' Report) and it is presumable from the subsequent prosperity of the Bank, that the surplus is rather increased than diminished.

But without the evidence of these details, it *is certain*, that the Bank owe to the *whole public* no other debt than the *deposits* which that public has made in the Bank. The Banks of Amsterdam and Hamburgh repaid their deposits *in kind*: the Bank of England indirectly does the same. Its obligations are notes, or accountable receipts, not one of which is issued except upon a corresponding deposit made in the Bank. These deposits are Exchequer bills issued by authority of Parliament, and bills of exchange. They are the obligations or debts of the public falling due from day to day; and consequently, should the Bank suspend its issues, the liquidation of these securities would in a short time (the greater part within two months) remove every Bank note out of circulation, and leave, moreover, a balance, (being

the amount of the discount upon such deposits), due to the Bank, and to be paid, for want of other currency, in specie.

Hence it is plain, that on a general balance of *all* accounts, the public is indebted to the Bank, and not the Bank to the public.

We shall be told, however, that the total suspension of the issues of the Bank, is the extreme case, and a very unlikely event. True: but the case would differ little, were every holder of a Bank note empowered to demand specie. The law which compels the Bank to pay in specie, will also authorise them to demand it; and should they be unable or unwilling to coin, they must contract their discounts, and then all the specie which they pay with one hand, in discharge of their notes, will be virtually and speedily received by the other, in payment of their securities: so that in the course of a few weeks these two cases would meet at the same point.

But, it has been said, this must not be; the Bank must (if it does not voluntarily supply specie enough) *be compelled to coin*. In softer language, Mr. H. says "the Bank should give the market price,"—(*i.* e. for bullion to be coined), "if that price be 90*s.* per ounce, 90*s.* must be given." (p. 90.) By this I presume it may be fairly understood that it is supposed to be obligatory on the Bank to coin for the public use.

I cannot discover any thing in their Charter, or in the Statute Book, which imposes any other obligation upon the Corporation of the Bank to coin, than is imposed upon every body corporate, or individual. If they come under an obligation to pay specie, specie they must pay, if it is exacted: but they are not obliged to make such engagements. They may issue notes, that is, they may discount for the Government, or the merchants, or they may refuse it, at their own pleasure and discretion.

The error of supposing that it is the duty of the Bank to supply the public with specie, was, however, previously acknowledged by Mr. Huskisson, who informs us truly, "that the right and *duty* of coining, in every independent state, is one of the most important attributes and functions *of sovereignty*." (p. 6.) Indeed that gentleman seems again to have felt the force of this principle, when (at p. 111) he appealed to the feelings of the Bank Directors, "as men attached to the prosperity of their country, and studious to preserve that high estimation in which they are justly and universally held." Doubtless, the Bank

Directors will be studious to preserve their high character; but as *Bank Directors*, is it not their paramount duty to preserve the Bank from ruin? As persons who have a large stake in the public weal, they must also be anxious to prevent so deep a wound, as any embarrassment of the Bank would inflict upon the prosperity of the kingdom.

That such embarrassment is possible, "in the present extraordinary state of the world" is admitted by Mr. Huskisson, (p. 124), in circumstances in which the very reduction of Bank notes, instead of lessening, would increase the demand for specie, and "the Bank might be driven to part with its last guinea, not only without having checked the drain, but with the certainty of increasing it in proportion as the amount of their notes was diminished."

Here then is a distinct acknowledgment of the possibility of occasioning the very evil we labour to prevent: and, should the restriction bill be repealed, the event is not only *possible*, but *very probable*. How easy would it be for such an enemy as Buonaparte, so powerful and so inveterate, to raise a popular alarm; which is the contingency supposed. Or to operate the same effect, by creating an unfavourable exchange and high price of bullion, which a less sacrifice than the expense of one campaign, might enable him to accomplish!

What a triumph for the arch-enemy of human happiness! Can it be supposed that he, who, like his great prototype, "*is seeking whom he may devour*," would, without an evil motive and design, fill the columns of his Gazettes with arguments to prove the necessity and advantage of repealing the Restriction Bill?* "*Timeo Danaos, et dona ferentes*." Inadvertently, his myrmidons have advanced a step too far.—They tell us, (and they triumph in the hope and expectation) that "the day the Restriction Bill shall be repealed, the pressure of the Milan and Berlin decrees will be felt in all its force." We are happily able to hurl back his threats: but it would be folly to despise them.

Thus we may discover the Scylla and Charybdis of the proposed measure. Were the Bank compelled (was that, I repeat, possible) to continue its issues, and coin specie to the utmost of its ability, not only the Bank, but the commerce of the country would be placed at the mercy of our implacable enemy:—his pigmy

* Much has lately been said about *coincidences*; it is not the least remarkable, that just as we were reading in our daily prints, the reasons for the proposed repeal, the French papers came over, filled with nearly the like arguments.

decrees would become gigantic. If, on the other hand, the paramount duty of the Bank Directors should force them to contract their issues, so as to secure the Bank against the, almost certain run to which they would be otherwise exposed, *the want of currency*, "the great wheel of trade" would soon derange the whole machine of commerce, and exchange prosperity and energy, for poverty and debility. Were we driven to this dilemma, I should not hesitate to prefer the latter course. Happily we have another, and an auspicious choice.

But, to admit for a moment, that metallic money in greater abundance is necessary, we know, (for Mr. Huskisson has told us), that "the right and duty of providing it is the attribute and function of the sovereign." It is, therefore, *the state*, and not the Bank, which is bound to provide it. It is the public and not the Bank, which is to be benefited (if benefit can follow) by the proposed measure. Therefore the public ought to pay for their own advantage and gratification. If such an experiment must needs be tried, let the government purchase and coin bullion, with the public revenue, and pay all its expenditure in specie. The risk of ruining the Bank, and, with it, the commerce of the country, will be avoided; and the new theory of depreciation be brought to the very test which the anti-restrictionists demand. In one year the eighty and odd millions of public expenditure issued in bright guineas, of Mr. Bolton's most improved and most beautiful dye, would of course drive all *the depreciated rags of notes* out of the circle.—Should the market price of bullion rise in proportion to this extraordinary demand, 30, or 40, or 50 millions more of taxes, or loan, might be wanted this year: but " Fiat justitiam, ruat cœlum."

Finally on this head, and seriously, I suppose, the Bank does not, (were all debts on both sides settled), owe the public a single guinea; nor is it in that case bound to provide one. Consequently the repeal of the Restriction Bill would not *necessarily* bring any, and *probably* not an adequate amount of specie into circulation.

SECTION VII.

The circumstance of the Bank confining its discounts to Bills of undoubted solidity, and founded in real mercantile transactions, (Mr. Huskisson says, p. 33), has no connection

whatever with the question of sufficiency or excess of their notes in circulation." Such considerations are allowed to be prudential in relation to the trade of the Bank, " but they evidently (he adds) afford no security to the public that Bills, though uniting both these qualities, may not be discounted to excess." If it be meant, that this rule and limitation of the Bank discounts, do not render excess *a physical impossibility*, we grant it; but, at the same time, it is demonstrable, that instead of " no security," these regulations form a very powerful check against excess.

It is *possible* that a rage for expensive exotic frivolities, might become so much the ton, as to ruin half the families in the kingdom. Yet no sumptuary law is deemed necessary. The evil would cure itself. So, in the present case, the paramount interest of every party concerned in the issue, or use of Bank notes, is hostile to their excess. Excess, if ever it arise, is likely to grow out of the creation of *fictitious* capital, and from an illegitimate currency proceeding from thence; and it is against this abuse that the regulations under consideration are opposed. It is objected, that the rule cannot be good, because " the Bank Directors themselves acknowledge, that they do not act up to the extent of its principle," but frequently reject bills to which, no such suspicion is attached. A little enquiry (had *practical information* been sought) would have satisfactorily explained the motive of that limitation. The Directors of the Bank are well aware, that notwithstanding all their circumspection and intelligence, bills of accommodation will be sometimes imposed upon them. So far as these create currency, it is an improper issue; and they seek to counterbalance the evil by curtailments, which may fall upon proper, and legitimate applications. They know also, that there is a tendency to excess in commercial enterprise, which they endeavour to moderate by salutary limitations.

It is important to observe, that no person can have a discount account with the Bank of England, unless he has been introduced, and recommended by a Director, who, it is presumed, from personal knowledge, or satisfactory references, is well informed of his character and circumstances. According to the nature and extent of the commercial concerns, and the supposed capital of the person so admitted, the Directors fix a limit to the amount of discount which they will grant. The bills likewise, which are offered, have all their respective limitations. If therefore the merchant should

apply for a greater sum, than that to which his account has been limited; or if the bills he presents happen, by previous discounts, to others, to have reached their boundary, he will, in either case, be refused, without knowing the reason, (for none is assigned), as these limits are unknown to any but the officers of the Bank.

The Bank Directors, therefore, by these and other regulations, endeavour always to confine their issues within the real and legitimate wants of trade. If they have erred, it has probably been more on the side of granting too little than too much.

So far, then, from its being "an erroneous and dangerous principle," to proportion the issues of Bank notes to the demand upon *real mercantile bills*, guarded as it is in practice by wise limitations, there seems much reason to believe, that it affords, if not an infallible, a *sufficient* security, against the excess of Bank notes. The Bank of England, be it remembered, does not *give away*, or *hawk about* its notes. They cannot be obtained without paying the *full value* and *a premium*: nor even then by any but a particular description of persons; and in consideration of a particular species of value. Is it supposeable that merchants will give their "bills of undoubted solidity," and pay a premium also, for notes they do not want? The interest of the public co-operates powerfully with the prudential rules and practice of the Bank, to prevent excess. The interest of the Bank also, the feelings of the Directors, and all the motives that can actuate them, excite a jealous watch against an excess of their notes.

The more we examine the principles and practice of the Bank, in the conduct of this department of its business, the more satisfactory they will be found; and the more we consider the consequences of the proposed alteration, the more dangerous it will appear, in the present state of the political and commercial world.

We may therefore safely confide the management of this momentous concern to the wisdom and probity of the Bank Directors: for we are assured, that "*they conduct the affairs of the Bank with that integrity, and regard to the public interest, and forbearance of profit, that merit the continuance of confideuce so long and justly reposed in them.*"

But "the fallacy" (we are told) "lies in not distinguishing between an advance of capital to the merchants, and an addition of currency to the mass of circulating medium." Here we have the singular blunder of a palpable fallacy assumed in refutation of a groundless assump-

tion. The discount of "*bills founded in real mercantile transactions,*" is *not* an advance of capital to the merchants. The capital of a merchant which was yesterday invested in coffee or other goods, may be to-day in the bills of exchange for which those goods were sold; and to-morrow in Bank notes, obtained by discounting these bills. So far from the Bank notes being *an advance of capital*, the capital would be diminished by the amount of the discount deducted at the Bank.

Neither does the discounting of such bills necessarily make "an addition of currency to the mass of circulating medium," for the Bank is as constantly receiving back, as it is issuing notes; and the former, in numerous instances, to a larger amount than the latter.

This mistake probably arose from some allusion to the practice of *the Scotch Banks*, which grant what they term cash accounts; or an advance of capital: but the Bank of England has no such practice.

SECTION VIII.

It is admitted that, "an effectual check is provided against the excess of Country Bank paper, by its convertibility into Bank of England paper;" because "the excess of country paper being continually returned upon the issuers for Bank of England paper, the quantity of the latter necessarily and effectually limits the quantity of the former." Hence a conclusion is drawn, that whenever Bank of England notes increase, a corresponding and simultaneous augmentation of Country Bank notes will take place; "and thus the excess of Bank of England paper will produce" (it is added) "its effects upon prices, not merely in the ratio of its own increase, but in a much higher proportion."

This is, as usual, begging the question, by assuming that Bank notes *are excessive*, a circumstance which remains to be proved: or rather, has already been refuted. But an increase of Bank of England notes does not necessarily imply a corresponding, or indeed any, increase of Country Bank paper. In many cases it proves a diminution. When, through the failure of some Country Banks, a diffidence of all or most provincial Bank paper prevails, Bank of England notes, if left to the natural course of things, will fill the chasm, which the discredit of the others produced; and their increase would be proportioned to the decrease

of the country circulation.* If the whole mass of Provincial notes should be discredited, the necessary augmentation of Bank of England paper would be equal to the diminution of that part of our currency.

By the official returns of Bank notes, it was found, that they had increased between the 1st of May 1808, and 12 May 1809, above 3 millions. The increase of Country Bank paper in an equal ratio is inferred; and an estimate formed upon the increased produce of stamps in the year ending the 10th October 1809, is adduced in proof that the country currency was also increased in the sum of 3,095,340*l.* irrespective also of the notes under 2*l.* 2*s.* Now, as more than half of the country circulation, in Scotland especially, is in notes of 1*l.* if the argument proves any thing, it proves vastly too much. It would prove an increase of more than 20 millions!

The increase of the stamp duty, during the period in question, is however to be satisfactorily accounted for, without any augmentation, and even under a probable diminution of country notes. The new act took place on the 10th October, 1808, from which day the re-issue of

* This is now the case in the districts where Country Banks lately failed.

old notes required the additional stamp, and the new issues the new stamp. Supposing the circulation (as has been thought by some) 30 millions, and only the additional duty paid, without any new notes, that addition would amount to more than the excess of the tax upon which the increase of 3,095,340*l*. has been concluded to have arisen. So far then from justifying that inference, the smallness of the increase of the stamp duty affords room to suspect, that there was rather a diminution of Country Bank paper; and it is probable that the amount of stamp duty upon re-issuable notes for the three years, which will terminate on the 10th Oct. 1811, will not be found to exceed the produce of the three preceding years by so much as the ratio of the increased rate of duty.*

Another very erroneous deduction from these fallacious premises, is this, "an addition of between four and five millions sterling being made to the paper circulation of the country, at a very small expense to the parties issuing it, only about 100,000*l*. having been paid there-

* The stamp duty on re-issuable notes for the quarter ending the
5th Jan. 1809 was 55,256*l*. 2*s*. 1*d*.
5th Jan. 1810 was 32,731*l*. 15*s*. 8*d*. being a decrease of nearly one half.

upon in stamps to the revenue," if the present system is not changed, some mode ought to be devised of enabling the State to participate *much more largely* in the profits accruing from it." If the measure is eligible, the mode is very simple: it is only to increase the stamp duties: but it will, in that case, be worth while to enquire first, whether such addition to the tax is likely to increase the revenue. There is a point, beyond which taxation defeats itself; and probably it would be found on enquiry, that the duty upon re-issuable notes has actually attained its maximum. It is a great mistake, to suppose, that large profits attach to the issue of cash notes. The stamp duty, charges of management, and losses, arising from the necessary employment of the funds created by the issue of notes, leave, in many instances, no profit; and in the general, so little, that the same capital, talents, and labour, would be more advantageously employed in other commercial establishments. As long as this species of money is beneficial to the country, it is doubtless desireable that the issuers should be men of large property, competent knowledge, and long experience. No great diminution of the present scale of *legiti-*

mate profits (for such men will not risk their funds in speculations) would induce them to drop a business, which has become unworthy of their capital, time, and attention; and the consequence would be, the throwing this "valuable and essential branch of improvement in our domestic economy," into very unfit hands.* "But the frequent bankruptcies to which such beggarly bankers must be liable, may occasion a very considerable inconveniency, and sometimes even a very great calamity, to many poor

* No one acquainted with Country Banking will deny, that it has been much abused. Speculative adventurers have obtruded vast quantities of very unworthy paper upon the public. The privilege of making currency ought to be considered as a very serious, public trust, not to be exercised by every man, who chooses to pay 20*l.* for a license to issue notes. It is difficult, perhaps, to devise any legislative regulations, which would remedy the evil, (so generally known and felt), and not produce a greater disadvantage. If that can be done, the respectable part of the Country Bankers will be anxious to promote any measure, calculated to prevent the discredit, which needy speculators so frequently bring upon the trade. The evil is not that of excessive issues, because the whole mass of circulating medium is not necessarily increased: but it consists in the displacing the good by bad, or very doubtful notes, issued to promote wild schemes, and injurious monopolies, which reputable and opulent bankers would neither countenance, nor hazard.

people, who had received their notes in payment." Wealth of Nations, vol. 1, p. 487.

The number of Country Banks was much increased within a few years,* but neither does that circumstance prove an increase of currency. One bank, in a given district circulated perhaps twenty thousand notes: a new bank in the same place, may, if its capital, conduct, and its connexions, are equal to the former, gradually acquire one half of the circulation; but, without increasing the total amount of circulating notes.

The increase of the revenue from re-issuable notes since the 10th Oct. 1810, does not exceed the probable addition of the new duties during the first fifteen months: nor afford any fair ground for assuming so large an increase of the previous mass of Country Bank notes: there is reason to suppose, that it has been, and is, diminishing.

SECTION IX.

NOTWITHSTANDING the explicit admission, that "the numerical amount of bank notes is no criterion of excess," yet the late rapid increase

* The number has lately been much diminished.

is supposed to be a very strong symptom at least of their having become excessive.

It appears from "the Minutes of Evidence," that the amount of Bank of England notes in circulation, was on the

	1st May 1808	Total.
of 5*l.* and upwards	13,429,640*l.*	17,491,900*l.*
under 5*l.*	4,062,260*l.*	
	7th May 1809	
of 5*l.* and upwards	14,068,190*l.*	18,615,600*l.*
under 5*l.*	4,547,410*l.*	

And, being the last return,

	12th May 1810	
of 5*l.* and upwards	15,009,290*l.*	21,123,830*l.*
under 5*l.*	6,114,540*l.*	

being an increase between the 1st May 1808, and the 12th May 1810, of 3,631,930*l.*, of which increase 2,052,280 is found in the notes under 5*l.* The question then is this; was there, irrespective of depreciation, any just and sufficient reason for that great augmentation of Bank notes? To whatever cause the high price of bullion, and the low rate of exchange, should be ascribed, the natural effect was to diminish the number of guineas in circulation, and occasion the increase of some other species of money in their room. That this was the case, the fact of the extraordinary increase of

1*l.* and 2*l.* bank notes, affords conclusive evidence, as it accounts for nearly two-thirds of the whole amount increased. If, during the period under review, the trade of the kingdom did increase, an adequate increase of the circulating medium would be necessary. That our trade in general did increase considerably, will not, I think, be denied. Whether it increased in an equal ratio with the increase of Bank notes above 5*l.* viz. about $\frac{1}{9}$th part, cannot be ascertained: but the increase of *exports* affords a strong presumption, that the increase of trade was fully commensurate with that of currency. The official value of our exports for the year

1808 (per Table 74), was 29,623,604*l.*
1809 45,399,015*l.*

admitting that great part of the excess of exports in the last year was *extraordinary*, and does not prove an equal increase of trade in general, there is still latitude enough to explain satisfactorily the cause of the augmentation of Bank notes.

The coincidence of an increase of small Bank notes, with a rise in the price of bullion, was the natural effect, and not the cause, of the latter circumstance; and does not prove, that the whole mass of currency was thereby increased. Just as many guineas probably went out of circulation, as the augmentation of Bank notes replaced. General observation of the number of guineas in circulation before, and since, the year 1808, confirms this supposition. A review also of the circumstances of our trade, will shew that an increase of currency, *of some kind*, has been necessary.

"Money," the reader is requested to remember," is only an instrument of trade—the great wheel in the machine of commerce." If therefore, at any time, we had a currency exactly proportioned to its office, and our trade should greatly increase, an adequate increase of the circulating medium would be necessary. If our foreign trade, for example, should be doubled, our shipping must be proportionably augmented. Within a few years, the tonnage of our merchant ships has been nearly doubled: but nobody supposes that our shipping is therefore excessive. Why? Because shipping is too expensive to be kept without employment. Money is also an expensive instrument of trade. Every holder of money (whether paper or metallic money) virtually pays for it at the rate of 5 per cent. per annum. Now, can it be supposed, that many people will keep superfluous money, at so much loss? Yet the notion of a lasting excess must presuppose that

propensity to be very general: for one or two thousand such silly persons, could not hoard a sum of magnitude enough to weigh much in the great scale of our circulation. Besides, the money so *hoarded,* though it remain numerically a part of the mass of currency, is in fact no effective part of it. While *hoarded,* it cannot be in circulation.

What is the proper ratio of currency to any given quantity and circumstances of trade, is a problem never yet solved. The utmost we can do by comparison of different periods, is to make some probable approximations.

The liability to pay in specie on demand is, as admitted on all sides, an effectual check against the excess of currency: consequently there could have been no excess, at least no lasting excess, before that liability was suspended. Some period, therefore, previous to the year 1797, will afford probable data for judging whether our actual mass of currency has grown to excess. The disordered state of Europe, after the French revolution began to be extensively felt, makes it proper to go back to more quiet and current times." Let us then compare the year 1789 with the year 1809, being an interval of just twenty years.

It cannot indeed be ascertained, what was the amount of internal trade and transactions, requiring the use of money as an intermediate instrument, in either period. It is probable, however, they bore pretty nearly the same relation to the amount of our exports and imports, and public revenue, in both years.*

The *official value* of our exports and imports, for those two years, was, in round numbers,

	for 1789	for 1809
	37 millions	64 millions
Public Revenue	17	76
	54	140

The average of Bank notes in circulation in the year 1789 was about	11 millions
Mr. Rose estimated the amount of specie in circulation previous to 1797 above 40 millions, others, however, at not much more than	20
The paper of the Scotch and country Banks was supposed to exceed considerably	10
	41

* It may be objected, that exports and imports are uncertain data, because we should have wanted a great deal of currency had our foreign trade entirely ceased. Such is the situation of France. But as no revolution, political or moral, has deranged the previously established order of our trade and commerce, it may be supposed, that the relation of the foreign and internal transactions has not greatly varied. At any rate an approximation only is sought.

It will, I think, be granted, that we had, in the year 1789, at the very least, 41 millions of currency. Consequently, if 54 may represent the unknown amount of money transactions in 1789, and 140 the amount in 1809 as 54 is to 41 (the then supposed mass of currency) so is 140 to 103 millions, the amount of currency requisite in 1809. But it is certain, that the actual mass of currency is far less. For the highest amount of Bank notes, in 1809,

was less than	21 millions
the highest (probably too high) estimate of the Scotch and country Bank notes	30
And no one will affirm that we have of specie, in circulation, so much as	10
	61

So that assuming in the former year the very least, and in the latter the very highest estimates of our currency, the result, so far from proving an excess, leaves an almost unaccountable deficiency.

Although this estimate seems, at first sight, to exceed the bounds of probability, there are other considerations, which shew that it is, perhaps, not very far from the truth.* Upon the above supposition, the uses of currency have increased more than double within the last twenty years. Taxes, we know, have been increased, more than threefold, during that period; and as a great part of them is optional, and the old ones have not fallen off as new ones were imposed, it follows that there is a proportionate increase of the means of paying them. It is matter of public notoriety in almost every town

* I am aware that this estimate seems to prove too much; and, assuming the data only as probabilities, I will not dispute with those, who may be disposed to think them inconclusive. If more probable grounds of conjecture can be shewn, I shall be content to rest the argument upon their result. The increasing produce of the *old* taxes is to my mind a proof that the trade and wealth of the country has increased in the same ratio. The public revenue amounted in

	1789 to	17,620,000*l.*
	1809 to	58,636,000*l.*
and the *same taxes* as existed in 1809 produced in 1810		63,073,000*l.*

being an increase of nearly four millions and half sterling in the last year! Every view I have been able to take of the subject, compels me to suppose, that whatever our circulating medium amounted to in 1789, more than twice as much is requisite at present. But it is *certain* that the Bank of England notes and those of other bankers, and specie, do not amount to twice as much as they did at that time.

and port, that the number and extent of manufactories and shops, as well as trade in general, have surprisingly increased. The tonnage of the merchant shipping of Great Britain was

	tons	vessels
in 1789	1,395,172	in 14,310
in 1809	2,368,468	in 23,070

So that shipping is nearly doubled *in quantity*; and *in cost*, (which is the point that relates to currency) nearly quadrupled.* In like manner, the *quantity* of goods in general, it will be allowed, is greatly increased; and *the price*, much more. Every housekeeper, of so long standing, will inform us, that prices, taken generally, are twice as high as they were 20 years ago. Rents of lands and houses and wages of labour are also greatly increased: in short, every ascertainable fact tends to confirm the hypothesis, that whatever amount of currency was really necessary twenty years ago, twice as much is required at present.†

But it is very certain that the mass of our actual currency (i. e. specie, and Bank or Bankers notes) falls very far short of being twice as

* Wheel carriages, I am told, have increased nearly as much in number as shipping.

† The notion that the same amount of money is more effective now than formerly, I have refuted above, Sect. 9th.

much as it was in the year 1789. How then, it may be asked, has the deficit been supplied? I believe, by the substitution of a circulating medium of a very objectionable nature, namely bills of exchange. The events of the year 1797 rendered our financial situation so novel, and the difficult science of political economy was (in reference to that situation) so little understood, that it was natural to dread the consequences of an untried system: especially as the paper money of other countries (which had proved, as in the very nature of things it must have proved, ruinous) seemed, primâ facie, to have some resemblance to the new condition of Bank notes. The consequence of those natural apprehensions, was, a frequent expression of alarm at the increasing amount of Bank notes. The Bank Directors, ever vigilant in their care of that great and important establishment, and properly awake to the bias of public opinion, continually strove to prevent the increase of their notes. The very urgent demand of legitimate applicants, and the evident disasters, which would have attended a refusal, prevailed with them from time to time, to relax, upon grounds of public utility, a little of their rigid resolutions. In both respects, the conduct of the Directors merits the greatest praise. They acted right in

yielding to public opinion, in the first instance; and in preventing much calamity, by departing from it, when circumstances imperiously called for an extension of their issues of notes.

At the same time it is to be regretted, that through a mistaken apprehension of the excess of Bank notes, "solid bills, founded on real mercantile transactions," in all respects *discountable*, should want the means of being discounted. This has often, and to a vast extent, been the case; and the consequence has been, that transactions, in which currency *should*, and would have been the medium, were effected by payments of Bills, instead of Bank notes. This practice increased, in proportion to the want of Bank notes; and it opened a door to the substitution of *fictitious* bills, to an extent, which would be altogether incredible, to any man who has not had practical experience in these matters.* Here, then, has been an enormous *excess* of paper; but an excess, that is unquestionably in a great measure to be attributed to the *deficiency* of Bank notes. The result of long experience and much observation, convinces

* The Commissioners of Bankruptcy can inform any gentleman, who desires to be certified of the fact, that in many failures of houses so circumstanced, 1, 2, 3 or 400,000l. or more of fictitious bills have been found afloat.

me, that the notes of the Bank of England, so far from being excessive, have, for several years, been greatly deficient in amount. That the deficit of that best of paper currency, has been supplied by some of the worst kind. I beg leave to submit this remark to the serious consideration of the Bank Directors; flattering myself that it is warranted by the preceding observations. If so, I may venture to conclude that the late increase of the numerical amount of the Bank of England notes, does not prove them to be excessive.

SECTION X.

RECAPITULATION OF THE PRECEDING REMARKS.

THE confidence, with which the repeal of the Bank Restriction Bill has been recommended, must have arisen out of a full conviction of the truth and certainty of the propositions, which I have endeavoured to controvert. If I have succeeded, in proving that those propositions, so far from being indisputably true, are either certainly erroneous, or very doubtful, it will, I presume, be granted that the impolicy of the proposed experiment is sufficiently demonstrated.

Briefly as my prescribed limits obliged me to state a few, and but few, of the arguments, suggested by a calm consideration of Mr. Huskisson's exposition of the new doctrine of depreciation, as applied to our present currency, I venture to hope that they will have satisfied the unprejudiced and attentive reader,—

That gold bullion is *not* the real, *or* the legal standard, of all exchangeable value in this country;—and that bullion and coin are *not* equivalent.

That an excess of paper money, not exportable or convertible into specie on demand, is *not* necessarily absorbed in an increased price of commodities.

That the present high price of bullion and other commodities, and the low rate of our foreign exchanges, do *not* prove that Bank notes are depreciated.

That the instances adduced of former depressions of the exchange, do *not* confirm the new theory.

That *no* new quickness of circulation, or economy in the use of money, has rendered the same sum adequate to a much larger amount of trade and payments, now than formerly.

That a diminution of the notes of the Bank of England would *not* necessarily bring any specie into circulation.

That the rule which guides the discount business of the Bank, is not an erroneous and dangerous principle.

That the late increase of the stamp revenue, does *not* demonstrate an augmentation of the paper of country banks.

And, That the mass of our currency is *not* relatively greater now, than it was before the Bank restriction took place.

If these conclusions are established, it must follow, that the Bank of England notes are not excessive, or depreciated; and consequently, the repeal of the Bank restriction would not be warranted upon the grounds, on which it has been so strongly and confidently recommended.

There are yet some reasons why that measure not only is uncalled for, but might be attended with very fatal consequences; and if I have been so happy as to engage the reader's attention thus far, I intreat it further to a few concluding observations.

SECTION XI.

CONCLUDING OBSERVATIONS.

I NOW assume it as demonstrated, 1st, that gold bullion is not the real and legal standard of all exchangeable value in this country; and consequently, that the value of our currency is not to be measured by the fluctuating market price of that commodity.

2ndly, That the *legal* standard in this country is the coin of the Royal Mint, and consequently that the value of our paper currency is to be measured by that rule.

3rdly, That the notes of the Bank of England did, and do exchange, for gold and silver, and all other commodities, at par with the legal coin of the realm; and consequently, that they are neither excessive, nor depreciated.

Upon these grounds, I cannot help concluding, that the new theory is fallacious; and that the repeal of the Bank Restriction Bill cannot at present be called for, on any pretence of excess or depreciation. With truth I can adopt Mr. Huskisson's affirmation, and say, "if I know my own mind, these opinions have been formed as coolly and dispassionately, as they could have been on any point of abstract science, and I should have felt it as impossible to avoid coming to the conclusion, to which I have been led upon this subject, as to refuse my assent to the demonstration of any problem in mathematics."

But it is possible there may be persons, to whom the facts and reasons I have adduced, may not appear entirely conclusive; and to them I beg leave to suggest a consideration of some of the consequences, which must, I think, result from the repeal of the Bank Restriction Bill, in the actual situation of the political and commercial world.

The liability to pay in specie, would oblige the Bank to contract its issues so much as to cause a very serious derangement of the trade and commerce of the country, through the want of that prime movement, "the great wheel in the machine of trade," money; "the seed," (as defined by the late Sir Francis Baring) "which serves to produce the *whole* of our commerce, finance, agricultural improvements, &c. &c." If, therefore, the *seed* is deficient, so must the crop be; and the decrease of rents, profits, and revenue, would be the inevitable consequence of a want of the circulating medium.

However much disposed to coin, the Bank could not long continue to do so, during an unfavourable exchange; or under any other circumstances, which raised the market price, much above the Mint price of bullion. Mr. Huskisson admits that th Bank might be drained of its last guinea, without adding to the mass of currency in circulation, but even decreasing it, and aggravating the evil. (pp. 124, 125.) It is too obvious to need detailed explanation, how much it would be in the power of our implacable enemy, to excite alarm, or depress the exchange; which would produce, in that case, the great object of his ambition, the ruin of our commerce. What a triumph would it be to find the predictions of his Journalists fulfilled; that his anti-commercial decrees were, at last, felt in all their force!

We must recollect, however, that it is not incumbent on the Bank to coin. The coinage, Mr. Huskisson informs us, is the duty, as well as the prerogative, of the sovereign. The state, then, must supply the public with specie, at an enormous loss, to the great benefit of the fraudulent melters and exporters, of the current coin; who would be careful to keep the mint fully employed; and the wheel of circulation as empty as before.

A great coinage, whoever undertook it, would cause a great and extraordinary demand for gold bullion. If our whole importation last year was little more than half a million sterling, and the increased demand of only a few hundred thousand pounds (the issues from the Bullion Office amounted to about 800,000*l.*) raised the price 12 per cent. what would be the consequence of a new coinage of a million or two every month? Were it determined to line all our battlements with packs of wool, and were contracts proposed to the extent of only one year's supply of that article, it is obvious that the price of wool would immediately rise enormously. The like cause must produce the like effect upon the market price of bullion, or that of any other commodity.

But supposing for a moment these obstacles to the proposed measure not to exist, what would be the consequence of establishing the *new standard*. The market price of bullion would vary as before; but in the new vocabulary, we should find it *fixed and invariable*, and consequently we should not say, that gold was dearer or cheaper, but that money was depreciated or bearing a premium. In order, then, to some determinate denomination of value, contracts must be made, and accounts be

kept, not in pounds sterling, &c. but in pounds, ounces, pennyweights and grains of gold. To adjust the daily varying price of the commodity *then* called money, itinerant pedlars might, as in China, perambulate our streets, and with their shears and weights settle the *quantity* of the standard: but still the *quality* would be uncertain, and must be the cause of endless disputes.

To prevent such confusion, or to remedy the evil when felt, we must further suppose, that coin and bullion would be by law identified, and that " there would not be any difference whatever, between any given coin, and an uncoined piece of the same metal of equal weight and fineness, except that the quantity of the former would be accurately ascertained, and publicly proclaimed to all the world by the stamp it bore." And that gold, whether in bar, or dust, or coin, or in any other shape, should be the legal tender. Still the difficulty of correctly ascertaining the quantity and quality of the uncoined pieces, and the deceptions which would be practised, would soon render it necessary to limit the legal tender to pieces *certified* and *authenticated* by public authority; and then we shall have returned to the point from which we started,—to the legal standard established by the wisdom of our ancestors centuries ago, and happily still in use, namely coin.

A little reflection will suffice to discover other mischievous consequences, which might, and probably would, result from the repeal of the Restriction Bill, in the present disordered state of the world.

It is granted on all sides, that the liability to pay in specie would compel the Bank to diminish its notes. Many curious plans have been suggested for rendering that diminution of our currency less pernicious. Amongst the rest, Mr. Huskisson's scheme is not the least amusing. He proposes (p. 133, note) that all the reduction should fall upon the advances made *to Government*, so that the ordinary discounts to the merchants would not be diminished. To say nothing of the injury and embarrassment which would thereby be occasioned to the public service, the evils of an inadequate currency would equally affect commerce, whether the contraction began upon the accommodations to the state, or to the merchants. Nobody knows, nor is it material to know, whether the notes at any time in circulation, were first issued to the Treasury, or to commerce. When a person, who has purchased a butt of wine, finds it only half full, his loss is no ways lessened by

knowing from which end of the cask the wine was drawn off.

The diminution of the mass of Bank notes is indeed recommended upon the assumption of their being actually excessive. I trust that I have shewn it to be *indisputable*, that they have not grown to excess; and to be *probable*, that they still remain much below their beneficial amount.*

The advantages of "*a sound undepreciated paper money*," are too obvious, not to be recognised:—they are fully admitted by the opposers of the Restriction Bill. To exchange the most expensive and dangerous, for the least costly and most secure instrument of trade, must be unquestionably "the greatest improvement ever made in the political and domestic economy of any country." But, if it be granted, that the improvement was so great, when a smaller part only of our currency was so exchanged, it must follow, of course, that a larger proportion will increase the benefit.

It will appear incredible to persons unaccus-

* A late eminent merchant, and worthy baronet, Sir Francis Baring, supposed that eleven millions sterling of Bank notes (exclusive of those employed in the receipt of the revenue) were more than sufficient for our circulation. If this was not a mere random guess, it is difficult to conceive upon what kind of estimate it was formed.

tomed to practical estimates, that the difference between the use of paper and metallic currency is so prodigious. Let us suppose that Great Britain and France require each of them, a currency of 50 millions sterling:—that, in consequence of her moral and political advantages, Great Britain can use paper money, whereas France is under the necessity of employing specie. The difference in favour of Great Britain, reckoning only compound interest, would be three thousand two hundred millions, within one century!!! If we estimate the greater rate, as of capital employed in agriculture and commerce, on the one hand, and on the other, the *expense*, to France, of maintaining such a sum of specie; the result will be nearly doubled!!!

That the Bank Restriction Bill has already contributed to the stability and prosperity of the country, in a very considerable degree, can hardly be doubted, when we reflect on the difficulties Great Britain has had to struggle with, since that event; and the efforts she has made to save other nations from ruin. Her public expenditure has increased threefold; and so far from producing debility, her trade and commerce have been growing in the same proportion. Twenty years ago, the most sanguine patriot could not have hazarded a supposition of

our being able to support such an accumulated load of debt and taxation.

With the probable consequences of the repeal of the Bank Restriction Bill, may we not fairly contrast the present condition of this country? Does the history of mankind afford an instance of such a military and naval force raised and maintained, without any suspension of agricultural and commercial pursuits: *nay*, even with an unparalelled extension of both? At the time that our defensive and offensive force has been augmented to an almost incredible degree, have not our numerous sources of real, substantial wealth, been equally improved? during a period which has witnessed the humiliation, dismemberment, or overthrow of the most ancient and powerful nations, Great Britain has not only preserved, but extended her territory, her strength, her riches, and her fame. Great Britain alone, among the European nations, affords an asylum to the persecuted victims of lawless tyranny. Public prosperity, individual wealth, domestic tranquillity, personal security, the enjoyment of all the blessings of civil and religious liberty, form the envied condition of Great Britain and of her favoured inhabitants.

These are so many proofs, that Bank notes are not depreciated, for there is no instance of a depreciated currency that did not produce in a very short time derangement of trade, and public penury. As long indeed as Bank notes continue universally current *at par with* the standard of all exchangeable value, *specie,* so long they will be neither excessive nor depreciated. Depreciation is the sole test of excess, and the *fixed standard,* is the sole test of depreciation.*

Those who are practically most acquainted with the effect of "*the artificial checks and banking regulations,*" which limit the issues of Bank notes, will be most satisfied, that they form a very powerful guard against excess. When

* Mr. Huskisson (p. 101) following Mr. Thornton, supposes that depreciation may affect both specie and paper money equally and imperceptibly: but that idea is founded on the assumption that *the market price of bullion,* is the fixed standard of value. This notion therefore falls with the fallacy of its premises. If the fertility *or poverty* of the mines, or other circumstances, should cause a permanent rise or fall of the market above or below the mint price of bullion, a new regulation of the mint would become necessary. Those circumstances would equally affect other countries, and produce the like regulation; and all that is of importance in the market price of bullion is, that ours bear a due proportion to that of the countries, with which we have commercial relations. "In quiet and current times," the ordinary course of trade will always regulate the price in the great market of Europe.

it is considered, that the particular interest of every applicant for Bank paper, induces him to purchase *as little* as possible; and that every motive and every interest, which can actuate the Bank Directors, combine to make them peculiarly jealous of every symptom of the depreciation of their notes, we may reasonably suppose, that the present system does afford an effectual check against over issues of Bank paper. It should also be recollected, that a super-abundance of paper currency naturally and speedily corrects itself, by returning upon the issuers.

That these checks have hitherto effectually prevented the excess of Bank of England notes, appears to me indisputable: for they have not ceased to be, since the Restriction, and still are, at par with specie. If they have uniformly maintained their value for so many years, notwithstanding the opposition of fears and prejudices, and during a period of so many political disasters, may we not confidently conclude, that they will still support their credit and value?

The stability of the Bank, the sufficiency of its funds, the integrity and patriotism of its managers, are all admitted. The *security* of their paper is unquestioned. But, according to Mr. Huskisson, (p. 1.) "it is of the *essence* of money to possess *intrinsic value.*" Of metallic money, this is true, because there is no recourse to any other security. If the metal piece does not possess it *intrinsically*, it has no other value. *Value* is *essential* to money: but whether that value is *intrinsic or extrinsic* is perfectly immaterial to the possessor. The money, as money, has no use, or value, except for purchasing; (see Wealth of Nations, vol. ii. p. 153;) and provided the standard value is perfectly secured, there can be no other security wanted. It never was, or could be the intention of the laws, to sanction so great an anomaly, as that the holder of a coin legally current for only 21 shillings, should, by filing off a part, be able to sell the remainder for 24 shillings. It was not meant, that the guinea should, in any case, be worth to the possessor more than 21 shillings; and so long as the nominal amount of the Bank note is perfectly secure, and the note as current as the guinea, the *essential value* is the same.

If, after all, some more specific check against the over issues of Bank notes is desirable, it may, perhaps, be found, without hazarding the destructive consequences of an obligation to pay in specie.

Suppose (and I throw out the hint for con-

sideration) the Bank were obliged to pay, that is to sell, bullion at the market price.* The convertibility of their notes into gold, or silver, at the will of the holder, would be thereby secured. The advocates of the new theory cannot fairly consider this as a less effectual check than the liability to pay in specie: because "*it is of the essence*" of their system that bullion and coin are one and the same, "*there neither is nor can be,*" they say, "*any difference between them.*" The difference, at present, would only be, that the holder of a pound note might receive 20 shillings worth of gold or silver: but if entitled, with the the note and one shilling, to demand a guinea, he would receive 23 or 24 shillings worth of gold. It could never have entered into the mind of any man seriously to recommend, that the Bank should be obliged to pay 23 *shillings a piece* for their *one pound* notes; and yet, this would be the inevitable consequence of the obligation to pay in specie, so long as the market price of bullion should continue so much above the Mint price.

Under this regulation, Bank notes would *be convertible into gold and silver on demand*, and always at the same price that *specie* would pur-

* This they continue to do, but, I believe, *not in very small quantities.*

chase it, or be legally convertible into it: therefore it would be impossible for Bank notes to fall in value below that of the legal coin of the realm; and consequently they could not be excessive.

Another modification of the Restriction Bill, I also beg leave to suggest; which is, that the Bank, instead of being restricted from paying specie, should be left at liberty to pay it at their discretion. The issue of even small sums would be gratifying to the public; and in proportion as the market price of gold found its level with that of the Mint, (which must depend principally upon the rise of the foreign exchanges), specie might be paid more freely; and, eventually, without limitation. Whenever the temptation to melt, or export, the current coin shall cease, a very small comparative sum of metallic money would be demanded; for in all but the very small details of business, Bank notes are much more convenient, and would be preferred. Till the late unfavourable course of exchange, the London bankers usually paid as much specie as was asked, and in general there was not felt any want of guineas. The want has arisen from the fraudulent melting and exporting of the current coin. It would manifestly be as impolitic as unjust, to compel the Bank (could they be

compelled) to promote such a nefarious traffic. Gold is not, as has been asserted, the *regulator* of foreign exchanges; but were it otherwise, and the supply of gold bullion for the purpose of exporting to regulate the exchange, found to be a proper measure, it would be infinitely better to pay a bounty upon bullion, equal to the difference between the Mint and market price, to the fair trader, than to give it in the shape of coin to the perjured contraveners of the laws of the realm. For observe, it is solely upon *the "clandestine export of guineas," and "the swearing off British for foreign gold,"* that the supposed benefit to the exchange has been assumed.

If then the real strength and wealth of Great Britain have increased since the æra of the Bank Restriction, in an extraordinary degree; and if the repeal of that law would probably weaken the hand of Government, decrease the revenue, reduce rents, embarrass trade, and check our agricultural improvements, surely there can be no hesitation about the expediency of continuing the Restriction. Modified it may (perhaps) be, in the way just hinted: but the liability to pay in specie without limitation, would expose our public credit, and with it our national prosperity to the machinations of an implacable enemy, who has concluded upon good grounds, that " WHENEVER THE RESTRICTION BILL IS REPEALED, THE PRESSURE OF THE MILAN AND BERLIN DECREES WILL BE FELT IN ALL ITS FORCE."

The reasons I have offered, will, I trust, have satisfied the reader, that the existing checks do very effectually limit the issues of Bank notes, and guard them against the probability of excess; that every occasional redundance of Bank paper, is corrected by a powerful and inherent remedial principle; and that no ecxess exists, for Bank notes are at par with specie.

Irrespective however of all collateral arguments, the question at issue rests upon the decision of one simple proposition, is *gold bullion the real and legal standard of all exchangeable value in this country?"* Upon this fact the new theory must stand or fall; and I flatter myself that the reader, upon the clearest evidence, and most perfect conviction, is prepared to decide it by an unqualified negative.

London: printed by W. Bulmer and Co.
Cleveland-row, St. James's.